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Customer Behaviour in eCommerce

Case Studies
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Editors

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Editors

Šárka Zapletalová
School of Business Administration in
Karviná
Silesian University in Opava
Karviná, Czech Republic

Halina Starzyczna
School of Business Administration in Karviná
Silesian University in Opava
Karviná, Czech Republic

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About This Book

Online shopping is undergoing significant developments in the Czech Republic. E-commerce is evolving in both food and non-food ranges. This sales method represents an important distribution channel and reaches a significant group of customers. Sales in online shopping have long exceeded CZK100bn per year and are constantly growing. Last year, it was already CZK161bn, which is 15% more than the year before, according to data from Shoptet, the market leader in Czech and Slovak e-commerce.¹

Most previous research in the area of online shopping has focused on identifying consumers' attitudes towards online shopping (Kacen et al. 2013; Anesbury et al. 2015). Areas that have been less researched include determining the factors influencing the acceptance of online shopping technology (Kurnia and Chien 2003), the influence of situational factors (Robinson et al. 2007; Hand et al. 2009), the influence of hedonic and utilitarian motivations in online shopping (Childers et al. 2001), and determining a typology of online shoppers (Conlin and Labban 2019; Hasanzade et al. 2018). However, there is a lack of more comprehensive research in this area focusing on identifying and reducing factors that influence customers when shopping online, and also affect their level of loyalty, in the context of setting companies' business strategies.

In the context of customers' growing interest in online shopping, it is necessary to focus on online shopping behaviour, as this behaviour has certain specificities that must be taken into account by commercial enterprises when conducting online business activities. Moreover, the issue of business enterprises' marketing and communication tools is closely related to this area. Identifying customer buying behaviour and factors influencing customer buying behaviour is a strategic issue that can significantly influence the business strategy setting of commercial enterprises

¹Portal KURZYCZ. [online]. [accessed 13 February 2020]. Available from <https://www.kurzy.cz/zpravy/525410-cesi-loni-v-e-shopech-utratali-rekordnich-161-miliard-kupovali-hlavne-elektroniku-kosmetiku-a/>

implementing online business activities. Businesses must take into account changes in customer purchasing behaviour in their business strategies, primarily for the purpose of building a long-term sustainable competitive advantage leading to the maintenance or growth of their market position.

Customer loyalty is closely linked to customer buying behaviour and is becoming a focus of attention for business partners, especially in the context of increased competition. Customer loyalty to brands is perceived as one of the key tools for a company's success in the marketplace. With the growing influence of the Internet on business, it is necessary to divide customer loyalty into online and offline loyalty. Each environment has its own specifics (Pitta et al. 2006). The rapid growth of e-tailing brings with it fiercer competition, and building customer loyalty is increasingly important for companies' business results (Tamimi and Sebastianelli 2016). It is this increasing competition and the decline of loyalty in the online environment that is a strong reason for a closer examination of e-loyalty (Parra-Lopez et al. 2018).

Increasing the supply, especially in the online environment, increases the customer's power, so it is important for companies to work on building customer relationships and strengthening loyalty. Building relationships with customers and strengthening customer loyalty are nowadays among the basic attributes of business enterprises' strategic management and lead to a long-term strengthening of the company's position in the market. One of the ways to strengthen customer loyalty is to build regional brands, through which it is possible to very effectively build relationships with customers and thus build a long-term sustainable market position.

This monographic publication focuses on customer behaviour and loyalty as an important factor in optimizing the business strategies of commercial enterprises operating in the online grocery market. The aim of the publication is to find out how the established business strategy of a business enterprise, and the related competitive advantage, can influence its work with customers and strengthen customer loyalty. In connection with the set aim, the publication is divided into three units.

The first unit, which consists of the first chapter, deals with the issue of strategies in business enterprises. This chapter is more general in nature and focuses on specifying business enterprises' corporate and business strategies, including the strategies of online business enterprises. The theory defined in this chapter is supported by the results of research aimed at identifying the use of specific business strategies in business enterprises operating in the Czech Republic.

The second unit, which is the second chapter, focuses on the specific behaviour of online shoppers and the differences in the case of the online food shopping category. Focusing on customer buying behaviour in online grocery shopping allows us to show, in this particular segment, how buying behaviour can influence a business enterprise's overall strategy. Obviously, buying behaviour varies according to the type of products purchased and the customer segment. The area of online grocery shopping was chosen because it is the most emergent category of e-commerce. The presentation of the research results, which focused on the typology of the behaviour of Czech customers shopping for food online, is tied to this unit's theoretical background.

The third unit, consisting of the third and fourth chapters, deals with the issue of loyalty and the area of customer relationship management in enterprises' online business environment. First of all, attention is paid to "e-loyalty", its essence and a definition of the specifications. Once again, as in the previous two chapters, the theory is supported by the results of research among Czech customers. The issue of e-loyalty is further dealt with in the fourth chapter, which deals with strengthening loyalty through regional brands.

The publication is intended for the lay and professional public interested in the issue of business enterprises and their strategic direction in connection with their online format and in relation to building and strengthening customer loyalty. The business strategy of business enterprises is not conceived here in its full possible scope and complexity; instead, it focuses more narrowly on the relationship between business strategy, buying behaviour and customer loyalty.

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Contributors

Radka Bauerová School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

Daniel Kvíčala School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

Ondřej Mikšík School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

Halina Starzyczna School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

Lucie Vavrušková School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

Šárka Zapletalová School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

Chapter 1

Strategy of Trade Organizations



Šárka Zapletalová and Lucie Vavrušková

Abstract A strategy can be understood as a path that leads to a given enterprise achieving a set goal using specific resources and operating in a specific business environment. A strategy presents the steps that lead to achieving a strategic objective. The strategy that determines the behaviour of a business enterprise, that is, the behaviour of the business enterprise towards market actors, is called the business strategy. The objective of this chapter is to specify the strategic framework of business enterprises, which is related to customer buying behaviour and consequently to customer loyalty. To fulfil the objective of the chapter, a quantitative research was conducted to find the business strategy applied by business enterprises operating in the Czech Republic. To obtain the necessary data, was conducted research among Czech businesses between November 2019 and February 2021. The research was a sample survey, which included 412 commercial enterprises operating in the Czech Republic. The research among business enterprises operating in the Czech Republic revealed that the most frequently applied business strategy is the strategy of differentiation, in particular focused differentiation. Less than 20% of respondents implement a cost leadership strategy. The research also showed that the vast majority of respondents have a strategic planning system in place, that is, they have a clearly defined strategy, mission, vision and strategic goal.

Keywords Business strategy · Strategy · Competitive advantage · trade organizations

Introduction

Retail business is a very diverse business. Retailers range from street vendors, traditional supermarkets, neighbourhood stores, discount stores, convenience stores like petrol station shops, to multichannel retailers that have a physical store presence

Š. Zapletalová (✉) · L. Vavrušková

School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic
e-mail: zapletalova@opf.slu.cz

and offer online channels. Each retailer fulfils certain customer needs and offers benefits, ideally more effectively than competitors can. As consumer needs and wants, but also the entire market situation, changes over time, new retail formats are created. Experts often use the term “retailization” for the changing, creating, and evolving of new retail formats. The sharing economy, the “multioptional” consumer, advances in technology, economic conditions, and various other factors have made it increasingly difficult to define what a retailer is and does. In years past, a retailer’s main business was to buy and sell products either in a brick-and-mortar store or through an online shop. Market fragmentation in the retail industry will also continue in years to come. There is an explosive growth of non-traditional retailers developing new models to better serve customer needs and wants. As disruption and alternative business models persist, retailers will need to reinvent themselves and rethink their business model to stay competitive and up to date (Berger-Grabner 2021).

A strategy presents the steps that lead to achieving a strategic objective. Setting the strategy, and the whole process of strategic planning in general, is important for achieving a business enterprise’s goals and ensuring the competitiveness of a particular business enterprise in the market. The strategy that determines the behaviour of a business enterprise, that is, the behaviour of the business enterprise towards market actors, is called the business strategy. A business strategy is always linked to the business enterprise’s set corporate strategy. Setting the business strategy and corporate strategy of a business enterprise affects not only the behaviour of the business enterprise in the market but also its work with customers and the setting of the business enterprise’s format.

This chapter focuses on the theoretical background of business enterprises’ corporate and business strategy. The theory of strategies is also focused on the field of online business ventures, where it is possible to find some specificities related to the format of these business ventures. The theoretical background is followed by a research study, the aim of which is to find out the business strategies used in business enterprises operating in the Czech Republic. In addition to this main objective, the research study also monitors the set-up of the strategic planning system, that is, determining the strategy, vision, mission and strategic objectives, in business enterprises in the Czech Republic.

Theoretical Framework of Strategy

McGrath (2013) states that strategy is a set of goal-directed activities that enable an enterprise to obtain and maintain superior performance relative to competitors. It is a long-term concept, which is intended to bring the organization a sustainable competitive advantage in the long term and thus strengthen its position in the market. Rumelt (2011) points out what strategy is not:

- The strategy is not a bombastic statement (such as: Our strategy is to win), which is merely the promotion of our own wishes and ideas.

- Strategy is not the inability to face competitive challenges when the firm does not have clearly defined competitive options and managers do not have a well-defined course of action.
- Strategies are not operational measures, competitive comparisons or tactical tools (such as discounts, marketing measures, etc.).

Strategy formulation is based on the strategic planning process, specifically strategic analysis, which deals with the internal and external business environment of a particular business entity. Based on the results of a strategic analysis of the business environment, it is possible to determine the strategic goal, as a desired target state towards which a particular enterprise is heading, and a suitable strategic direction, strategy. A strategy can be understood as a path (specific options, methods and tools) that leads to a given enterprise achieving a set goal using specific resources and operating in a specific business environment.

It is important to note that the strategy must respect the resources available to the company (resources, capabilities, core competencies) and at the same time respect the external environment (macro environment, market, industry) in which it operates. It is on the basis of combining the results of an analysis of the external business environment and an analysis of the internal business environment that a strategy can be formulated that maintains a balance between the company's resources and the external environment while being able to create a competitive advantage. Competitive advantage, as such, is relative in nature, never absolute. The relativity of a competitive advantage is due to the fact that in order to assess it, it is necessary to compare the performance of a particular undertaking with other similar undertakings. A competitive advantage arises from performing different, distinct activities or performing the same activities as competitors but in a different way. As stated by Porter (1980), a firm has a competitive advantage if it achieves superior performance relative to other competitors in the same industry or in a similar industry. So, if a company is able to maintain this superior performance over its competitors over a longer period of time, it is called a sustainable competitive advantage.

To gain a competitive advantage, a business needs to provide products with higher customer value than those provided by competitors. The reward for creating a high-value product is the profitability of the business and gaining a reasonable market share. Creating a product with high value for the customer is of course linked to the cost side and therefore the asking price. Only the creation of a suitable product that is provided at an affordable price generates money for the business and meeting the business's stated objectives. The greater the difference between the value created and the cost of the product, the higher the economic contribution of the product and the greater the likelihood of gaining a competitive advantage. Gaining a competitive advantage is determined by several factors (in particular, company and industry influences), which Rothaermel (2017) summarized into three main groups, namely, company factors, industry factors and other factors (e.g. product life cycle stage and other variables), with the industry and the firm itself having the predominant influence.

Sectoral impacts are described using the basic economic structure, which is generally determined by factors such as entry and exit barriers, the size and number of firms, and the types of products and services offered. The attractiveness of an industry, or the profit potential of an industry, is then usually described using Michael Porter's Five Competitive Forces model. Enterprise effects attribute the enterprise's performance to the measures implemented by managers. Managers' actions are reflected in building the enterprise's cost or value position, which is then translated into the enterprise's specific business strategy. The long-term sustainable competitive advantages of business enterprises include location, customer loyalty, customer service, exclusive products offered, information systems, purchasing power of retailers or committed employees. Some of the more short-term sustainable competitive advantages of business enterprises include better computer facilities, more employees, more products on offer, lower prices, more promotion and advertising, or cleaner stores.

It is obvious that over time competitive advantage is eroded simply by new competitors entering the industry, changes in the enterprise's resources and capabilities and, as is often the case, some core competencies are copied by competitors. In the context of a gradual reduction of competitive advantage, it is possible to speak of the 'erosion of competitive advantage'. An appropriately selected combination of resources, skills and core competencies will not only create a long-term sustainable competitive advantage but will also enable the exploitation of opportunities given by the external environment and mitigate threats coming from the external environment and counteract the business entity's weaknesses. However, it must be understood that changes in the external environment affect core competencies. So, if a company's core competencies do not adapt to these changes in the external environment, then not only can it lose the competitive advantage it has gained but also its position in the market and thus eliminate its business activities forever. Only a strategy with a dynamic character enables the emergence of a competitive advantage that is sustainable in the long run, despite fluctuations and changes in the external environment.

The first strategy is the **corporate strategy**, which is a company-wide strategy. Corporate strategy sets the basic strategic direction of the company and provides an answer to the question 'where' the company is heading. The basic strategic directions of the company, in the context of formulating the corporate strategy, are offensive, defensive and neutral.

The company needs to define its behaviour in the market and industry, and this determines the **business strategy**. When developing a business strategy, a company is looking for an answer to the question 'how' it will perform and behave in the markets, which is why business strategies include competitive strategies. The following chapters will be devoted to the issue of business strategies.

This is followed by the formulation of **functional strategies**, which are strategies for individual areas of the organization, such as production, finance, HR, marketing and logistics. When formulating functional strategies, the company deals with the question of 'how' it will implement the corporate and business strategy in the individual functional areas of the company.

All these strategies must be unified and move in one direction. It is not possible for strategies to oppose or even contradict each other. This publication will focus on corporate strategies and business strategies in business enterprises.

Business Strategies of Trade Organizations

A retail strategy is the plan or framework of action that guides a retail company. This strategy covers everything from what retail channels a product or service will be available to what the price should be and how to communicate effectively with customers and how to display the product in the store and on the shelf (Berger-Grabner 2021).

The strategic process and strategy formulation are similar, regardless of the organization's focus. It can be concluded that these processes take place in a very similar way in both manufacturing and trade organizations. However, the specific factors associated with organizations of a particular focus need to be taken into account when developing a strategy.

The key factors that should be respected and taken into account when developing a business enterprise strategy are

- The determination of target markets is based on the market segmentation process, or the STP process (segmentation–targeting–positioning), where the criteria of the attractiveness (e.g. size, growth, low level of competition) of a specific customer segment must be set and at the same time the consistency of the selected target market with the built-in competitive advantage must be maintained.
- The determination of the format of the nature of business operations is related to the chosen and preferred format of a particular business enterprise's business operations.
- The establishment of a long-term, sustainable competitive advantage.

Retailers who do not define an overall, long-term plan, together with the implementation of a strategy, can be unable to cope with the dynamic market and developments in consumer behaviour and will be overtaken by competitors.

The implementation of a retail strategy involves two components (Berman and Evans 2013):

- **Controllable variables:** Business aspects a retailer can directly affect—the controllable variables of a strategy consist of store location, merchandise management, managing the business, pricing and communicating with the customers.
- **Uncontrollable variables:** Factors a retailer cannot control and to which a retailer must adapt—the uncontrollable variables are composed of the following factors: consumers, competition, technology, economic conditions, seasonality and legal restrictions.

Based on the corporate strategy, the managers and owners of a business need to define the business strategy. A business strategy specifies the way a business entity

behaves and competes in a defined market and industry. During the process of specifying an appropriate business strategy, managers should, according to Rothaermel (2017), answer the following questions:

- WHO is my customer or customer segment?
- WHAT do customers want, need and demand so they can be satisfied?
- WHY do we want to satisfy our customers' needs and wishes?
- HOW can we satisfy the wants and needs of our customers?

When formulating an effective business strategy, it is necessary to keep in mind both the influence of the company (cost and price influence) and also the influence of the industry, and therefore, the driving force of the industry and the strategic interest group. A business strategy should give an answer to the question of how to compete, to perform against the competition. A business strategy is determined by the company's strategic position, based on costs and value creation, in a specific market. The usual goal of a company is to create a valuable and unique product that meets the needs and requirements of its customers while creating value well in excess of the cost invested in the product. Offering high-value products entails higher costs. So, when creating the desired strategic value, managers must decide between the low-cost alternative or the high-value proposition. And it is on these two choices that Michael Porter (1980) argues two basic alternatives of business strategies are based, namely, the cost leader strategy and the differentiation strategy. The cost leader and differentiation strategies are collectively called generic strategies because they can be used in different organizations regardless of the area or field of operation. A *cost leadership strategy* focuses on creating the same or similar value for customers through low cost, ultimately leading to the creation and offering of products at a lower price than competitors. Whilst the *differentiation strategy* focuses on product differentiation and significantly higher added value for customers in creating customer value, which is reflected in higher prices for the products offered. In addition to deciding on the degree and manner of product differentiation from competitors, managers must also decide on the extent of their competitive presence, that is, decide on the size of the market (breadth of customer groups and segments) that the firm will pursue. Whether it will be interested in one specific customer segment (e.g. families with young children) or all customer segments? Thus, business strategies in international markets can be summarized into four types, which are determined by the combination of the dimension of strategic positioning (differentiation vs. cost) and the dimension of scope (single market vs. multiple markets): cost leadership, differentiation, focused cost leadership and focused differentiation. Apart from the 'classic' four strategies, one newer strategy has been added, the *Blue Ocean Strategy*.

Cost Leadership Strategy

The goal of the cost leadership strategy is to reduce costs below the level of competitors while maintaining adequate value for customers. A cost leader focuses the attention on costs and looks for opportunities to reduce costs in order to offer customers goods at the lowest prices in the market. In practice, this means that a cost leader tries to optimize all activities in its value chain in such a way that costs can be reduced to the lowest possible level. But, on the other hand, this does not mean that the customer will be offered products of inferior quality. Despite cost reductions, the cost leader strives to maintain appropriate value, or appropriate product quality, for customers. The competitive advantage of a cost leader is based on the long-term sustainable economic value, which is given by the difference between revenues and costs, and which is higher than the competition.

This strategy cost leadership is referred to in retail as the ‘discount strategy’. Discounting as a corporate strategy is not limited to ‘cost leadership’; however, it is limited to the ‘simplification of services’ component. Cost leadership is characterized by a simplification of corporate structures and processes, by growth and efficiency orientation, and by an innovative business system. The simplification of services is reflected in simpler shopping for customers, the elimination of quality risks for customers and customer integration. Discount-oriented company types can be found in almost all sectors. Business types that use the strategy of cost leadership as a profiling strategy vis-à-vis competitors try to target price-oriented consumers in a targeted manner. The fact that this strategy can be successful is demonstrated by development in the retail landscape in Western countries in recent years. It should be noted, however, that not many companies have succeeded in achieving a unique position in the perception of consumers with their strategy of aggressive prices compared to their competitors. It will, therefore, be necessary to develop alternative strategies to position a retailer uniquely and successfully.

A **focused cost leadership strategy** is implemented on a very limited number (usually one) of customer segments. Often this is a niche market or a select, small group of customers where competition is very limited. The products offered are standardized and in a basic form at a low-price level, but acceptable to most customers.

Differentiation Strategy

The goal of the differentiation strategy is to differentiate from competing offerings by adding some unique features that will increase the product’s value and thus make customers willing to pay a higher price, which in turn will generate more revenue.

According to Porter (1999), the differentiation strategy’s main aim is to create something that is regarded as unique in the entire industry. This uniqueness must relate to something that appears useful and valuable to the consumer. The factors or

elements used to differentiate the retailer can vary and be multifaceted. Many experts assume that personalized products create the highest customer loyalty because then the product corresponds exactly to the wishes, desires, needs and moods of the customer.

Moreover, experience orientation can also be used by retailers as a central differentiation factor. If one tries to justify which of the various differentiation factors promises the most success, a reference to the sociodemographic development of our society is recommended. Here it must be mentioned that the change in values of the so-called hybrid consumer has led, on the one hand, to a desire for exclusive products and services and, on the other hand, the increase in the number of single households, the professional emancipation of women and the high value of leisure time are leading to a redistribution of the time budget with a higher willingness to pay. Consequently, two strategies of differentiation are particularly promising: experience orientation and convenience orientation.

Experience orientation is a consumer demand for products/services and a fundamental profiling possibility. Moreover, it is considered a successful marketing strategy because it has a positive effect on customer behaviour and can positively influence economic company data such as turnover, purchase amount per buyer or number of buyers. Retailers try to trigger pleasant sensations among consumers with experience-oriented sales concepts, so that the time spent in the shop is increased. As a result, this can lead to customer loyalty and increased sales. Action parameters for a supply-side experience orientation are location, store design, assortment, personnel, discounting price policy and corresponding design of the communication policy.

Similarly as with cost leadership, in a differentiation strategy too there is also a **focused differentiation strategy**. It is a strategy aimed at a very limited, usually one, number of market segments. Since the essence of a differentiation strategy is to create a unique product, often very specific to a particular region or customer group, the cost of these activities needs to be considered very carefully. Whether the selected customer segment, their needs and requirements are so specific that special products need to be created. Moreover, whether satisfying the needs and requirements of this group of customers will also bring sufficient economic effect for the company.

Blue Ocean Strategy

Based on strategy initiatives of corporations over 30 years, researchers came up with the theory that companies can grow by creating new and unexplored markets (blue oceans) rather than by competing in already saturated markets (red oceans). Blue ocean strategy is the simultaneous pursuit of differentiation and low cost to open a new market space and create new demand in a particular market. It empowers companies by providing a set of analytical tools and frameworks that any company can apply to reshape market boundaries which gives the company a competitive advantage.

Blue and red ocean strategies use the terms red and blue oceans to denote a particular market. Red oceans are all the existing markets, where boundaries are defined and companies try to outperform their competitors to gain a bigger share of a particular market. Blue oceans stand for all the industries not in existence today, a so-called unknown market space, unexplored and untainted by competition, offering opportunities and profitable growth.

Differentiation and cost leadership strategies basically offer two extreme options, either I will compete through low cost or through a unique product. But, in practical life, we often find a link between these two strategic positions. Strategy experts Kim and Mauborgne have combined these two business strategies to create different strategic positions and have called this linkage the blue ocean strategy, a sea of unlimited, untapped opportunities in the market space. In this context, the term red oceans was later coined, which in turn refers to the known market space of existing industries. The market space, from the perspective of the red ocean theory, is crowded, and thus firms have little (almost minimal) opportunity to compete with each other and gain market share.

When deciding to apply a blue ocean strategy, companies decide between two strategic positions, namely, low cost and differentiation. This decision-making is done through value innovation, that is, aligning the innovation with the overall perceived customer value and price. Successful value innovation means a company reduces its costs while increasing perceived customer value. In reducing costs, there is controversy about reducing selected factors and reducing the cost of input factors. Whereas, when increasing customer value, an analysis of the factors that provide more value and how these factors are created and acquired is carried out.

Successful implementation of the blue ocean strategy brings two positive benefits to businesses. First, businesses can expect higher prices than in the case of cost leadership as higher prices reflect higher value offered and thus generate higher profits. Second, companies can reduce prices, as opposed to a differentiation strategy, as low-cost structures and tools are used. And, if a business offers a unique product with lower prices, then it gains significant market share and there is an increase in the business's sales and overall profits.

When implementing a blue ocean strategy, a situation called 'stuck in the middle' occurs quite often. In this situation, which is actually a kind of failed version of the blue ocean strategy, the company will not succeed in increasing perceived customer value, nor will it succeed in reducing the costs associated with differentiation. The company is unable to implement either one of the alternatives clearly and concretely, getting stuck somewhere in the middle, which often leads to a competitive disadvantage and loss of business performance.

Creating a business strategy is not a simple matter. In order to create an adequate business strategy, managers must understand their business and at the same time have a perfect understanding of the external environment (specifically the industry and market) and its laws. As Rothaermel (2017) states, the success of a strategy depends on context and relies on these two factors:

- How does a well-chosen business strategy exploit its internal strengths (advantages) while weakening its weaknesses (disadvantages)?
- How does the chosen business strategy help the company to exploit opportunities in the external environment while avoiding threats?

Research: Business Strategies

In view of the above facts and the specifics of the Czech business environment, the following questions arise: What is the business strategy of commercial enterprises operating in the Czech Republic? What role does the set-up of the strategic planning play in the success (performance) of a business enterprise? What factors influence the set-up of strategic planning? In order to obtain answers to these questions, research was conducted. This chapter focuses on its course and analyses its results.

Research Methodology

The aim of the research was to find out what business strategy is applied by business enterprises operating in the Czech Republic. Based on a previous study of this issue and the chosen objective, the following hypotheses were formulated:

Hypothesis 1: Clearly defining a business strategy directly and positively influences the success of a business enterprise in the marketplace. (a)

Hypothesis 2: The chosen business strategy is influenced by the size of the business enterprise. (b)

Hypothesis 3: The chosen business strategy is influenced by the length of time the business enterprise has been on the market. (c)

Hypothesis 4: The chosen business strategy is influenced by the ownership structure of the business enterprise. (d)

Hypothesis 5: The chosen business strategy is influenced by the composition of top management. (e)

Hypothesis 6: The chosen strategy is influenced by implementing foreign activities. (f)

To obtain the necessary data, was conducted research among Czech business between November 2019 and February 2021. The research was a sample survey, which included 412 commercial enterprises operating in the Czech Republic. The companies were selected based on availability (closer contacts and likelihood of collaboration on the research) and stated assumptions. The basic prerequisites for including an enterprise in the research were the business enterprise being active in the market, the business enterprises having a private and profitable nature.

Sample

In the selected business enterprises, owners, directors, top managers or the managers responsible for implementing business activities in the business enterprise were contacted. A face-to-face interview was used to reach the respondents, where the main tool was a questionnaire. In addition to specific questions, the questionnaire also used identification questions, namely, the size of the enterprise measured by the number of employees, and the area of operation, according to the statistical classification, the enterprise's age, ownership structure and its organizational integration. The questionnaire was tested on 20 respondents prior to the actual research. Because of the distrust and reluctance of Czech managers and business owners to participate in any research, potential respondents were first contacted by telephone and informed about the research and its purpose. Afterwards, respondents were visited in person by trained interviewers. A total of 500 enterprises were contacted, with 412 that cooperated by correctly and completely filling in the questionnaires, 88 questionnaires had to be discarded. The return rate of the questionnaires was, therefore, 82.4%. Thus, the research sample consisted of 29.9% micro enterprises, 25.0% small enterprises, 19.9% medium enterprises and 25.2% large enterprises, with an average size of 5191 employees. The average age of respondents was almost 25 years. The majority of respondents were independent enterprises (67.2%) of a non-family character (61.9%) with predominantly purely Czech management (74.5%) and with Czech owners (73.3%). The majority of the business enterprises surveyed (57.5%) do not operate in foreign markets and have not done so in the past.

Research Methods and Research Process

Dependent variables were determined business strategy and the success of *business strategy*. Business strategy was determined on the basis of Porter's theory. Porter's business strategies, as noted in the text above, are categorized by competitive advantage (cost and differentiation) and by scope (broad and narrow). So, cost leadership strategies, differentiation strategies, focused cost leadership strategies and focused differentiation strategies were established. The *success of the business enterprise* (hereafter referred to as success) was evaluated based on the statement 'The current strategy has contributed to the growth of sales over the last three years' by rating it on a 5-point Likert scale (definitely no—no—sometimes yes/sometimes no—yes—definitely yes). The result is both the simple sum of the scale scores and the total score obtained by summing the scale scores.

As *independent variables* the following specific areas were identified: strategy set-up, respondent's size, respondent's age, ownership structure of the business enterprise, the business enterprise's top management composition and implementing foreign business activities. Respondents evaluated the definition of strategy (hereinafter strategy) based on the statement 'Our company has a clearly defined strategy'

by rating it on a 5-point Likert scale (definitely no—no—sometimes yes/sometimes no—yes—definitely yes). The result is both the simple sum of the scale scores and the total score obtained by summing the scale scores. Respondent size (hereinafter referred to as size) was determined based on the number of employees. On the basis of statistics from the Czech Statistical Office and Eurostat, respondents were divided into the group of micro enterprises (up to 10 employees), small enterprises (up to 50 employees), medium-sized enterprises (up to 250 employees) and large enterprises (over 250 employees). The age of the respondents (hereinafter age) was derived from the year the business was established. By ownership structure (hereinafter ownership) the authors monitored the percentage of Czech and foreign owners among the respondents. The composition of the business enterprise's top management (hereinafter the management) was monitored from the ratio of Czech and foreign managers. The implementation of foreign business activities (hereinafter foreign business) is related to the respondent's foreign activities, not only at present but also in the past.

In addition to the above variables, *control variables* were also included, namely, the organizational structure of the respondent and the family/non-family nature of the business enterprise. The organizational breakdown of the respondent (hereinafter organization) tracks whether it was a stand-alone enterprise, an enterprise with branches, a branch or a subsidiary. The family/non-family nature of the business enterprise (hereinafter family-owned) determines the family character.

Data Analysis

This was analysed using the statistical program IBM SPSS Statistics 21. Statistical data analysis was started by performing correlation analysis, regression analysis, factor analysis and descriptive statistics.

Scale properties were assessed according to common practice (Anderson and Gerbing 1988; Pannierselvam and Ferguson 2001) and include measures of the tool's validity and reliability, a rating scale. Validity and cost-effectiveness are key requirements for a research tool in quantitative research. Together with other characteristics, such as objectivity, verifiability and the statistical generalizability of the findings, they form the pillars of what is called good quantitative research.

The reliability of an instrument evaluates its ability to provide the same results on repeated trials. According to Nunnally (1978), internal consistency is one of the methods that can be used to assess reliability. Reliability expresses both the accuracy and the reliability of the observed data. A measurement is reliable when it gives the same or very similar results when repeated under the same conditions (Chrástka 2007). Reliability is expressed by the relative reliability coefficient. This represents a number that can take values from 0 to 1, where 0 indicates zero reliability and 1 indicates zero measurement error, that is, perfect reliability. Hopkins (2000) distinguishes three basic types of reliability: test–retest, composite reliability and change in the mean. When it is necessary to determine how homogeneous a research

tool is (how well its items concentrate on an overall characteristic), the correlation between each item and the tool as a whole is determined. For reliability to be sufficient, the correlation must be high enough (Salvia and Ysseldyke 1998). Composite reliability ascertains the internal consistency of the measurements and provides an index expressing the internal consistency of the entire research instrument through the Cronbach's alpha coefficient. Cronbach's alpha, according to George and Mallery (2003), can reach the following values: $\alpha \geq 0.9$ excellent, 0.8–0.89 good, 0.7–0.79 acceptable, 0.6–0.69 questionable, 0.5–0.59 poor, and $\alpha \leq 0.5$ unacceptable. Generally speaking, reliability coefficients having a value greater than 0.70 are judged to be appropriately constructed. Another way of measuring composite reliability according to Fornell and Larcker (1981) is by using the average variance extracted (AVE), which should optimally be at least 0.5.

Validity refers to the extent to which the scale accurately represents what is intended. Validity was previously defined as the property of a research tool that allows it to find out what the researcher needs to find out. The more recent concept of research tool validity (Eignor 2001) has taken this concept further, asking the researcher how they can interpret the responses of a particular group of respondents in terms of the characteristics being studied and what evidence they have to support their interpretation. Validity tells us about the thoroughness and appropriateness of the test and that the test really measures what it is supposed to. Validity is indicated by a correlation coefficient and can take values from 0 to 1, with 0 indicating 0 and 1 indicating 100% validity. The required validity value should exceed 0.6. The level of a particular research tool's validity is, therefore, determined by the interpretability of its findings. There are several types of validity such as content validity, convergent validity, discriminant validity and criterion-related validity (Nunnally 1978; Eignor 2001). Content validity assesses how well a given research tool reflects the content of a particular domain. It is based on the judgement of competent persons as to the extent to which the test is consistent with what we actually intend to test. Covariance validity refers to the degree to which the values agree in the same model with other measurements. Convergent validity assesses the extent to which a research tool predicts a future state or establishes a relationship with a given characteristic measured by another tool. Construct validity assesses what content construct the research tool is monitoring. It indicates the extent to which the test measures a particular characteristic of the testee (e.g. communicativeness), possibly a psychological construct. Assessing construct validity means gathering some evidence that the test actually measures that trait or characteristic. Criterion validity is based on comparing the outcome measure with other generally accepted participant data that track the same qualities. Criterion validity assesses the relationship between the test results and the criterion that we want to predict or assess based on the test. Reliability, which is a prerequisite for validity, has an impact on validity. The validity and reliability are influenced by the objectivity and standardization of the research method and conditions.

As stated by Roldán and Sánchez-Franco (2012), since the measurement model was designed to be reflective, its evaluation must be based on measures of validity and reliability. Since all the variables show a weight greater than 0.6, it can be

concluded that the research’s validity condition has been met. Furthermore, the value of Cronbach’s alpha coefficient derived for the scale is between 0.779 and 0.944; this result indicates the scale’s high reliability. The values of Cronbach’s alpha coefficient indicate the reliability of the tool used. Moreover, convergent reliability was achieved for all variables as the AVE value exceeded the required value of 0.5. Based on these results, it can be concluded that the measurement is valid and reliable and shows a high degree of internal consistency.

Analysis of Research Results

The analysis of the research results starts by looking at the strategic planning system in business enterprises. The strategic planning system consists of formulating the strategy, mission, vision and strategic objectives. Setting up a strategic planning system is one of the primary decisions in any business entity. This assumption was confirmed by the results of the research (see Fig. 1.1), where the majority of respondents confirmed the existence of formulating a strategy, mission, vision and strategic objectives in their company.

It is interesting, and perhaps quite logical, that the importance of setting up a strategic planning system (i.e. defining the strategy, mission, vision and strategic objectives) increases with the length of time a business enterprise operates on the market. Businesses with a market history of less than 20 years tended to disagree with the importance of strategic planning. On the other hand, companies that have been in business for more than 20 years highlight the importance of strategic planning. In terms of the company’s size, the importance of strategic planning is

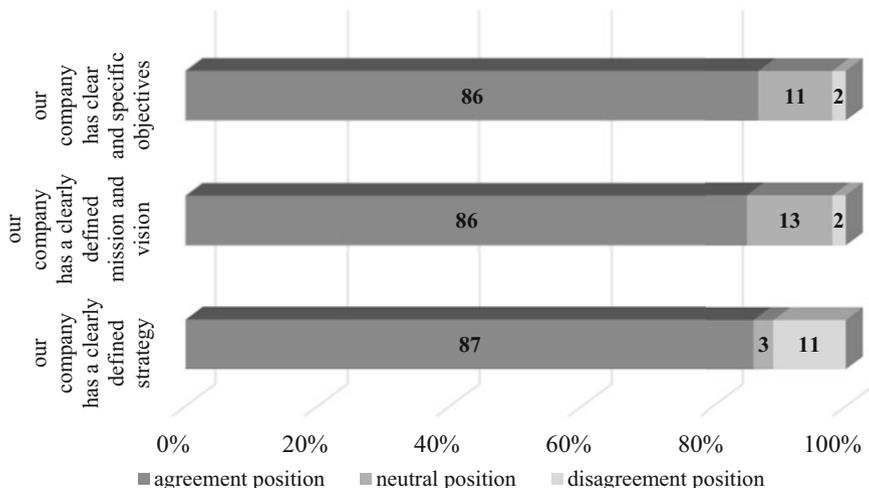


Fig. 1.1 Existence of a strategic planning system in trade organizations (Source: Authors’ work)



Fig. 1.2 Work with strategies in business organizations (Source: Authors' work)

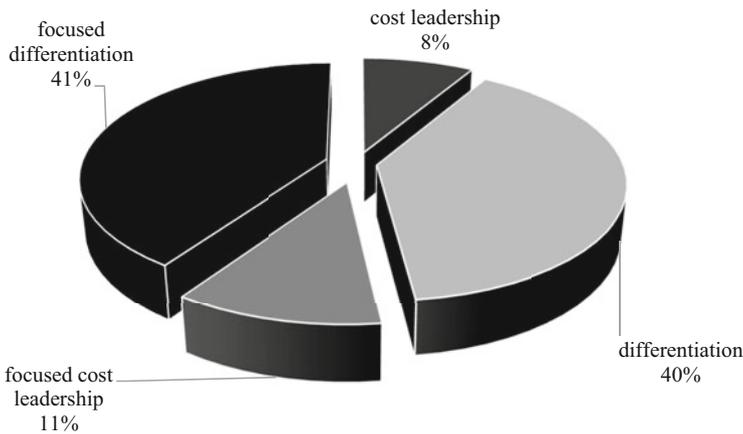


Fig. 1.3 Porter's business strategies in business companies. (Source: Authors' work)

questioned by the majority of companies in the small- and medium-sized category. Here the importance of strategic planning is seen as significant for family-owned businesses and businesses with more foreign owners and managers. Respondents conducting business activities abroad also perceive the setting up of a strategic planning system as important.

The work with the strategies in business enterprises is described by the factors listed in Fig. 1.2.

The research found that the majority of respondents apply, according to Michael Porter's generic strategies, a strategy of focused differentiation (40%) (see Fig. 1.3).

This means that business enterprises focus on one or a few market segments and apply a differentiation strategy here.

Hypothesis 1 Clearly defining a business strategy directly and positively influences the success of a business enterprise in the marketplace.

Hierarchical regression has been used to test the hypotheses with business success as the dependent variable. The business success was rated as successful and meeting its goals over the past 3 years. We tested the impact of business strategy on business success, controlling for company size and company age. We entered the control variables as the first block, Model 1. The regression equation in Model 1 is statistically significant ($F = 2.724, p < 0.05$). The control variables explain 17.1% of the variance in Model 1. Model 1 shows that only company size is significantly associated with business success.

The business strategy variable was entered into the regression as the second block, Model 2. The incremental explanatory prediction on business success was significant in the regression, ΔR^2 was 0.325. The regression equation in Model 2 is statistically significant ($F = 3.813, p < 0.01$). The independent variables explain 39.9% of the variance in Model 2.

For the regression analysis, the assumptions of the regression analysis were first verified. Based on the value of the Durbin–Watson test, the assumption of error independence was ascertained, the value must be close to two, specifically acquired values. The mean value of the VIF and tolerance indicator values were also monitored. These values are used to monitor multicollinearity. The values of the VIF and the tolerance indicator must be as small as possible. Finally, the relationship between standardized residuals and standardized predicted residuals was investigated. The multicollinearity test showed that the VIF of independent variables in the final model ranged from 1.015 to 1.053 and the factor of tolerance ranged from 0.950 to 0.985. These values indicate no serious problems with multicollinearity. The result of the regression analysis confirmed that a clear definition of business strategy directly and positively influenced the success of a business enterprise in the market. This confirms Hypothesis 1.

Hypothesis 2 The chosen business strategy is influenced by the size of the business enterprise.

Hypothesis 3 The chosen business strategy is influenced by the length of time the business enterprise has been on the market.

Hypothesis 4 The chosen business strategy is influenced by the ownership structure of the business enterprise.

Hypothesis 5 The chosen business strategy is influenced by the composition of the top management.

Hypothesis 6 The chosen strategy is influenced by implementing foreign activities.

Analysis of variance was used to test hypotheses 2–6. The assumptions of the analysis itself were verified before the analysis of variance was performed. The

results of the tests verified the assumption of the variances' independence (Kolmogorov–Smirnov test) and homogeneity (Levene's test); the residual plots do not contain any systematic configurations of points.

The analyses of variance performed did not confirm either hypothesis. This means that the choice of a particular business strategy is not influenced by the size of the business enterprise, age, ownership structure, composition of top management or by the business enterprise implementing foreign activities. It can, therefore, be concluded that the formulation and set-up of a business strategy are often random and dependent on the opinions of the relevant managers deciding on the business strategy.

Summary

This chapter focuses on the issue of business enterprises' business strategies. Business strategies were studied for business enterprises regardless of whether they were business enterprises implementing an online or a traditional form of sales. The study of business strategies in business enterprises has been primarily concerned with the use of business strategies according to Michael Porter, Porter's generic strategies. The research, which aimed to find out the business strategies in business enterprises operating in the Czech Republic, also focused on Porter's generic strategies. The research among business enterprises operating in the Czech Republic revealed that the most frequently applied business strategy is the strategy of differentiation, in particular focused differentiation. Less than 20% of respondents implement a cost leadership strategy.

The research also showed that the vast majority of respondents have a strategic planning system in place, that is, they have a clearly defined strategy, mission, vision and strategic goal. Respondents pointed out the importance of setting up this system for the success of the business enterprise in the market. The perceived importance of strategic planning was confirmed by a regression analysis that examined the relationship between the strategy set-up and the business enterprise's success in the market. This relationship was confirmed. What was not confirmed was the influence of selected variables, factors, on the choice of a particular business strategy. Analysis of variance was performed to confirm this relationship. The analysis of variance found that the choice of a particular business strategy is not influenced by the business enterprise's size, age, ownership structure, composition of top management or its implementation of foreign activities.

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Chapter 2

Customer Behaviour



Radka Bauerová

Abstract Customer behaviour is influenced by many factors. Although some remain hidden, there are also many that we can define and describe their direct or indirect influence on the customer's decision-making process. Knowledge of these factors is a useful input for performing customer segmentation. Describing the different customer segments is an important part of the marketing strategy and helps the company, for example, in customer relationship management or marketing communication. This research seeks to clarify what factors influence customer behaviour in online grocery shopping and define customer segments. An online panel of respondents from the Ipsos Research Agency was used to obtain primary data. The research is based on responses from 773 Czech online grocery shoppers. Factor and cluster analyses were used to test the data, which contributed to the creation of a typology of Czech online grocery shoppers. Within the typology, five customer type categories were defined: quality-oriented customers, suggestible utilitarians, loyal traditionalists, satisfied conditional loyalists and well-off eco-sympathizers. Research results can be used in the practical sphere by retailers already doing business in the online grocery market, as well as by established retailers, as a basis and possible reason for switching to hybrid companies.

Keywords Customer behaviour · Customer's decision-making process · Online grocery shopping

Introduction

The established business strategy of a business enterprise defines its behaviour towards market entities, especially towards customers. The use of customer behavioural insights can have a significant positive impact on companies when

R. Bauerová (✉)

School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

e-mail: bauerova@opf.slu.cz

achieving their goals. However, deciphering customer behaviour is not a simple matter as each customer is characterized by different buying motives, each is influenced by different incentives and each can be influenced by a specific set of many different factors and influences. Nevertheless, when examining customer behaviour, similarities can be found that can then lead to the establishment of typologies that help firms target appropriate types or segments in the market. It is important for companies to uncover reactions to marketing stimuli, because the way customers react to the different layers of a product can significantly contribute to its competitiveness. This also involves monitoring new trends in customer behaviour within the industry.

Therefore, this chapter focuses on the specific behaviour of customers buying products online and the differences in the case of the online grocery shopping category as an important trend in the way of shopping. First, the most important studies focused on customer behaviour are presented, which also focus on identifying those factors that influence customer behaviour. The results of the research conducted in this area are then presented and are used to create a typology of online grocery shoppers that divides customers into five type categories. The knowledge about individual customer segments from this typology is further used to support the creation of effective marketing communication for companies operating in this sector.

Theoretical Framework of Customer Behaviour

Although it has long been believed, and many still claim it to be true, that man is economically rational, thinking things through and considering possible solutions, the opposite may be true. Research proves that humans behave irrationally, are deeply emotional, think magically, are subject to suggestion and are cooperative at all times and in every situation (Janouch 2017). Cooperation is interesting from a social media perspective as up to two-thirds of people have been shown to cooperate with each other quite naturally and voluntarily under the evolutionary dogma that cooperation brings rewards (Shirky 2010). Based on these findings, it can be concluded that people tend to share videos and posts on social media quite naturally.

Online shoppers have key characteristics that marketing managers must consider in their marketing decisions. Key characteristics include the fact that online shoppers are more identified with social media, want everything now, are in control of their purchases, are fickle and their opinions are heard (Ryan and Jones 2009). A recent trend is word of mouth (WOM), which is growing thanks to social media, as many customers give testimonials about products they have purchased. On the other hand, others decide to make a purchase precisely on the basis of the references of these customers who already have some experience with the purchase of the product (Bleier et al. 2018). According to Kotler et al. (2017), the spread of WOM on social networks is due to the elimination of geographical and demographic barriers, which has enabled, on the one hand, the possibility of people connecting and communicating with each other and, on the other hand, the creation of innovation by

companies collaborating with their customers. This trend significantly influences customer behaviour, which can be reflected in their preferences, perceptions of trust or loyalty. Given the proliferation of social networks, and the word-of-mouth references facilitated by them, companies should focus more on this situation and incorporate it into their marketing strategies.

Factors Influencing Customers in the Online Environment

In general, it has been found that customer behaviour in the online environment differs from customer behaviour during the shopping process in traditional shops. This subsection summarizes selected variable factors and purchase motives associated with online product purchases. However, online shopping is a vast and diverse issue (product lines, product types), and, therefore, it cannot be said that all products are purchased by customers under the influence of the same factors and motives. Different influences will be exerted on customers shopping online, for example, for electronics and others on customers buying food.

The Hedonic and Utilitarian Shopping Motive

Two motives for shopping, known as the hedonic and utilitarian motives, influence, to varying degrees, the shopping process in general. Both purchase motives are characterized by specific features that influence and shop with a goal in mind, a sense of accomplishment and disappointment in their ability to complete the shopping task (Babin et al. 1994). Customers, influenced by the hedonic motive, like to shop in their free time and enjoy the process of shopping itself. In contrast, customers influenced by utilitarian motives often make their purchases in a planned manner in terms of purchase frequency and precisely predefined products to buy. These shopping motives were found to influence customers not only in the traditional store environment (brick-and-mortar stores) but also during online shopping. The online environment provides flexibility in navigation, convenience and substitutability for personal product viewing, which are unique aspects of the new media (Childers et al. 2001). It is these aspects that provide a pleasant virtual environment supporting the hedonic and utilitarian motive of shopping. Customers influenced by a hedonic motive will enjoy the uniqueness of the web environment when shopping online, which allows interactive browsing between products, video support or the ability to chat with customer support. Utilitarian shoppers, on the other hand, appreciate the simplicity and speed of the purchasing process, the possibility of planning deliveries and planning and reusing the shopping list, or the comprehensiveness of the information provided about the goods. Although these purchase motives are important, their existence is not a necessary condition for gaining purchase intent as customers

are also influenced by their individual motives and the factors that affect them when buying products online.

Situational Factors

Customer behaviour when buying products online can be influenced by situational factors and life events. In many cases, situational factors can be an impetus to purchase a product, but also to not purchase it, as it has been shown that once situational factors or life events have passed, customers stop purchasing products online (Hand et al. 2009). Thus, situational factors act as triggers in online shopping for products, but they can also influence the future propensity to use online shopping and can also be an impetus to end these activities. Typical situational factors include a lack of time, a lack of mobility, geographical distance, the need for special products and the attractiveness of alternatives (Monsuwé et al. 2004). However, the situational factor can also be any other situation or life event that forces the customer to change their established shopping habits.

The importance of situational factors in relation to the online environment stems from the unique aspects that this environment provides. If a customer is pressed for time, online shopping can save them time as it is available 24 h a day and allows them to accurately schedule deliveries and reuse stored shopping lists on the retailer's website. Another important aspect of online shopping is convenience, which provides a basis for situational factors such as lack of mobility and geographical distance. Convenience may be a relevant purchase motive in the case of customer illness or the presence of young children in the household (Morganosky and Cude 2000).

Social Influence

This factor, often very important due to the ease of dissemination in the online environment, explains the social impact of the company on the customer's decision-making during the purchasing process. Nowadays, customers are not only influenced by social influences from their immediate surroundings but they are also influenced by the online environment, above all by social media. Social influence can come from family, friends, acquaintances or influencers. Influencers can be either celebrities, bloggers, satisfied and dissatisfied customers from various online discussions, or other people who are able to influence potential customers. The web interface has a great impact by facilitating the dissemination of WOM and influencer recommendations (Chin-Lung et al. 2013). This is because the Internet allows references for individual products and services to be passed on instantly to a huge number of people, which can have an impact on long-term customer relationships (Janouch 2017). If a customer is considering buying products online, social influence can be a

strong factor that will influence the customer's decision-making process (Hansen 2008), as social influence significantly influences beliefs, attitudes and the intention to purchase products online (Lee et al. 2001).

Perceived Risk

Another factor influencing online shopping is perceived risk, which affects customer attitudes towards online shopping. Perceived risk has a negative impact on customer behaviour and purchase intent in the online environment. Online shopping has many aspects that can be risky for the customer. Perceived risk can be divided into social, financial, privacy security, on-time and correct delivery risk, product quality risk, health risk and after-sales risk (Almatarneh 2016). According to Forsythe et al. (2006), financial risk, product risk and time risk gradually decrease depending on the amount of previous purchases on the Internet that were successful and trouble-free. However, retailers should continually strive for quality customer relationship management, which can eliminate the impact of problem purchases, reducing perceived risk.

A Feeling of Trust

Trust is a set of specific beliefs about the trustworthiness of a vendor, service provider or website, and it comes in two beliefs, as a sense of trust and security about online transactions and as a sense of trustworthiness about a particular vendor (Ingham et al. 2015). Feelings of trust when shopping online can be influenced by previous good and bad experiences with particular retailers. When choosing an online retailer, customers tend to gravitate towards those from which they shop in brick-and-mortar stores (Anesbury et al. 2015). Retailers who build trust with their customers can, to some extent, reduce perceived risk and positively influence it in their customers (Jarvenpaa et al. 2000).

Other General Factors Influencing Customers in the Online Environment

Other general factors that can influence customer online shopping behaviour include demographic factors (Punj 2012), website quality and design (Ha and Stoel 2009), website compatibility and security (Yulihastri et al. 2011; Ha and Stoel 2009) and the associated presence of security certificates, which increases the likelihood of purchase through its effect on the perceived credibility of the retailer (Jiang et al. 2008).

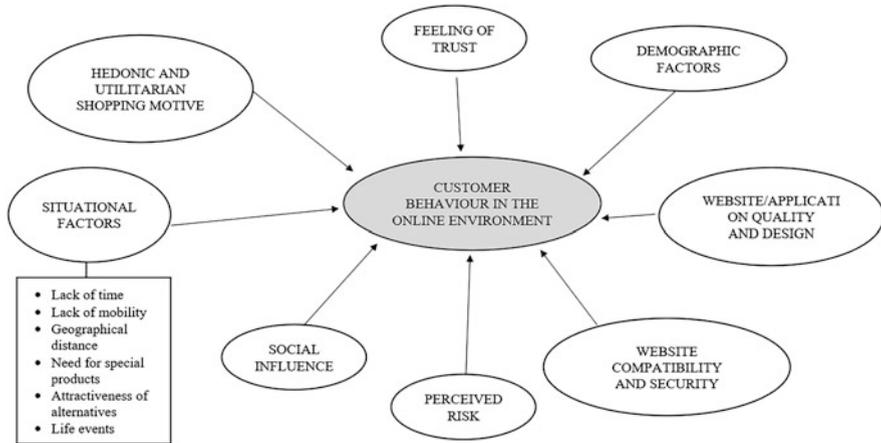


Fig. 2.1 Visualization of general factors influencing customer behaviour (Source: Author's work)

The statistical significance of the variable factors varies according to the individual research focused on the online shopping behaviour of customers, and it can be assumed that their influence is influenced by the specifics of the area in which the research is conducted. In general, then, these specifics may include the geographical affiliation of the research, the level of the online retailers' distribution chain, the percentage of households with Internet coverage, the country's economy, political system, technological sophistication, culture and historical context. Figure 2.1 shows a visualization of the general knowledge of the factors influencing customer behaviour in the online environment.

In the development of effective marketing communications, it is important to incorporate insights about the behaviour of online shoppers in a given environment into the decision to prepare messages and select a specific communication mix.

Behaviour of Customers Buying Food Online

Customer behaviour varies depending on the product being purchased (Karlíček 2013), but the following findings suggest that the choice of purchase channel may also influence customer behaviour. For example, research has found that customers shopping for groceries online tend to gravitate towards retailers they already shop at in brick-and-mortar stores when choosing a retailer (Anesbury et al. 2015). A very interesting finding is that online shoppers tend to buy less unhealthy food than in brick-and-mortar stores because they imagine products symbolically, whereas in stores they are presented physically (Huyghe et al. 2017). In addition, the behaviour of customers shopping for groceries online differs in response to discounts compared to customers shopping in traditional stores. In the offline environment, discounts

have a much greater impact on customers than in the online environment (Arce-Urriza et al. 2017).

Research suggests that traditional retail formats are still preferred by customers over online grocery shopping (Lee and Tan 2003; Keen et al. 2004). There are barriers that arise from the online environment, such as the physical aspect of traditional shopping or the risk (health, delivery or quality risk) arising from the online purchasing process. These barriers have not yet been overcome because customers prefer to shop online for products that pose little risk in their purchase (Lee and Tan 2003).

Lee and Tan (2003) argue that e-retailing cannot dominate traditional brick-and-mortar retailing for all types of products and services because customers prefer the physical aspects of shopping for some products. Thus, retail with brick-and-mortar stores is now preferred by customers, but over time, in conjunction with the ever-expanding number of online customers, this situation may change. Overcoming the barriers arising from the online environment can be supported by new technologies (virtual and augmented reality) that bring individual products closer to customers, thus mitigating or removing the barriers arising from the online environment.

Research into the behaviour of online grocery shoppers has revealed differences from the behaviour of online shoppers in general. These differences are reflected in identified situational factors, purchase motives, impulse buying and environmental issues, which are due to the specificity of food shopping transferred to the online environment.

Hansen (2008) suggests that **customers link personal values to attitudes towards online grocery shopping** and that this relationship is moderated if the customer has previously shopped online, whether for food or other products. His research has revealed a link between a social normative influence and the deliberation to make a purchase. The most common questions asked by online grocery shoppers fall into the area of food distribution concerns. These include whether the food will be damaged on receipt, whether it will be sufficiently chilled and frozen, and how difficult it will be to return or exchange unwanted food (Hansen 2008).

The impulse to buy groceries online can be a **situational factor**, as is the case with customer buying behaviour in general. In this area it is most often the birth of a child or the development of a health problem, but it has been found that many such customers stop buying groceries online once the initial trigger disappears or there is a problem with the service (Hand et al. 2009). Other typical situational factors in this area include the distance of the potential customer's residence from the traditional supermarket, the day of the week (weekend or weekdays), the day of purchase, the weather or the size and composition of the purchase (Arce-Urriza et al. 2017).

In terms of **shopping motives**, it was found that while the **utilitarian motive has a significant influence** on the appeal of the online shopping channel to potential customers and remains one of the key drivers of channel preference (primarily due to financial savings, a focus on the range and convenience), shoppers with a hedonic shopping motive are more likely to be attracted to shopping at traditional retail chains selling groceries in brick-and-mortar stores (Cervellon et al. 2015). Consistent with this finding, price-oriented research has found that price influences product

choice but has limited impact on product category or quantity purchases (Wan et al. 2017). Online grocery shoppers shop with a specific purchase goal in mind, which corresponds to a more utilitarian shopping motive.

Research on **satisfaction** and **perceived risk** has yielded findings that suggest these variables influence trust in online grocery shopping. While customer satisfaction predicts trust for frequent and infrequent shoppers, perceived risk fully mediates (influences) the effect of repeat purchase trust for infrequent shoppers (Mortimer et al. 2016). Trust in online grocery shopping is also influenced when the online retailer operates simultaneously in the offline market and customers have had shopping experience in its brick-and-mortar stores (Fedoseeva et al. 2017).

Another area of research is the factors that can influence and drive customers to buy food online. Researchers in this area have confirmed that **product quality, product line margin, service quality, customer perceived value, food guarantee, convenience, service cost and the price of goods, perceived risk, social norms and the design** or interface of the online platform/website are among these factors (Saleem et al. 2018; Haridasan and Fernando 2018).

The trend nowadays is to **protect the environment**, which manifests itself in various forms in the field of online grocery shopping. By delivering food to the home, retailers are able, for example, to fulfil, in whole or in part, the ‘zero waste’ trend, whereby food is brought in reusable boxes without the use of plastic bags. The results of research focused on this topic suggest that this area is very important to customers, so much so that information on animal welfare, information on labour and human rights and environmental protection have recently been found to be the most likely to increase choosing a particular product (Hasanzade et al. 2018).

Various factors influence customer behaviour. For example, from the perspective of the technology acceptance model for online grocery shopping, several variables have been tested that may influence customer behaviour, namely, subjective norm, visibility, perceived risk, entertainment, perceived time pressure, perceived convenience, perceptions of offline retailers, positive past experiences, situational factors and social influence (Kurnia and Chien 2003; Wolf 2012). Some of these coincide with the general factors influencing online shoppers and the factors described above, others are specific to the area of online grocery shopping in the framework of technology acceptance models.

Typology of Online Grocery Shoppers

Research oriented on customer behaviour often results in the establishment of customer typologies. Since the 1960s, typologies have been known that are adapted to the needs of practice, emphasizing the attributes of buying behaviour and buying habits (Vysekalová et al. 2011). The popularity of this type of typology is growing along with the increasing fragmentation of society, making traditional demographic segmentation less and less applicable (Keegan 2009). Segmentation analysis is used to create these typologies. The aim of segmentation analysis is to identify the basic

types of shoppers, compare their requirements with the retail offer and propose appropriate recommendations to optimize the offer so that it reflects the needs of the target customer groups (Vysekalová et al. 2011). Typologies help marketers identify types or segments to focus on or avoid (Szmigin and Piacentini 2018). The benefit of the typology is its usefulness as a template for developing new products or services, or the ability to create appropriately targeted advertisements for existing products (Keegan 2009). Although a typology is essential for market segmentation, it always depends on the specific task, so that the right typology is chosen and interpreted to reflect the specific area of interest (Vysekalová et al. 2011). Previously, there has been speculation as to whether the typologies for online customers differ from those established in the offline environment. Research results have confirmed these speculations and concluded that the digital customer segment differs from the beginning of the customer decision-making process to the subsequent purchase, with these customers being more focused on convenience, and tending to avoid going to brick-and-mortar stores as much as possible (Richards 2014).

In the area of online grocery shopping, it was found that typology formation is being undertaken by authors from different countries on several continents, indicating a worldwide interest in obtaining a suitable typology that can sort the view of these customers according to their similar characteristics. Establishing an appropriate typology in this area can help to better understand the factors that influence human behaviour in the online environment, while the practical benefit is the ability to optimize online food sales and other related services for suitable customer segments. Before the first typology was created, a first customer segment was defined based on a literature search. This segment has been dubbed ‘ideal customers’ because it is based on research that focuses on online marketers’ perceptions of their ideal customer. The ideal customer segment (Morganosky and Cude 2000) is a group of busy suburban families with dual incomes (Ingham 1999), high incomes and at least one child (Kirsner 1999). However, further research has found that online grocery shoppers are more diverse than marketers thought, and research has led to different typologies in this area.

The **earliest two typologies** of online grocery shoppers were first developed simultaneously in 1998 (Morganosky and Cude 2000). A **typology** co-authored by Consumer Direct Cooperative specified **five segments based on customer attitudes towards time, shopping and technology** (Kurz 1998). The first segment is ‘physical shoppers’, who do not like to go to the store to buy food. The second segment is the ‘necessity shoppers’, who are characterized by constraints that prevent or make it difficult for them to go to the store. The third segment is the ‘new technology-oriented customers’ who are young and satisfied with technology. The ‘time-pressed’ segment is a group of customers who are not sensitive to price changes and are happy to pay extra for extra time. The last segment is the ‘responsible customers’ who gain some unspecified value of their own through their purchase. This research showed that each group of potential online grocery shoppers crosses all income and education levels, age groups and geographical locations. **Another typology** was developed based on focus groups with customers who had previous experience with online grocery shopping. This typology identified two segments

(Park et al. 1998). The first segment, called ‘Hi-tech Baby Boomers’, specified customers who shop from the comfort of home or because of the novelty of the service, often using a computer. The second segment, ‘older shoppers’, have lower incomes and often live alone, shop online for groceries because of their health conditions and prefer to order groceries by phone rather than online using a computer. Unlike the previous typology, a difference between segments based on demographic factors is found here. This finding is supported by Morganosky and Cude (2000), who found differences among online grocery shoppers in terms of age, income attainment and the reasons for purchase (convenience, time savings and less physical effort). The **third typology** defined by demographic factors identified three groups of customers that are homogeneous by their positive relationship to online shopping and heterogeneous when just based on demographic factors (Seitz et al. 2017). The first group is working mothers, defined as women working part-time or full-time with at least one child. Compared to the previous group, the group of young professionals is age-restricted as being customers up to 39 years old with average or higher wages and no children. The third group is ‘SilverSurfers’; its name is meant to suggest older customers, and this group was defined as customers over 65 years of age.

Similarly, in **subsequent typologies**, some use of demographic factors for typology can be observed, but the focus began to shift more to psychological and behavioural factors, with demographic factors slowly fading into the background. A **typology based on customer behaviour** towards online grocery shopping divides customers into converted, benefit-focused and fearful. While **converted shoppers** in this typology are motivated by the expected benefits of the ease and convenience of online shopping, the time-saving benefits of online shopping, in contrast, **benefit-focused shoppers** represent impulsive shoppers who often buy groceries online only once, and the **timid shopper** group is even characterized by an apathy towards grocery shopping in general. The choice of the form of grocery shopping by timid shoppers is mainly determined by the desire to escape the disadvantages of online shopping, while at the same time they do not have a strong habit of shopping in traditional stores. These customers are apathetic in their choice of shopping channel and tend to choose according to the current situation. The contribution of this typology is the focus not only on the online shopping area but also on the offline environment, which made it possible to assess the factors influencing customer behaviour associated with the perception of food shopping in traditional brick-and-mortar retail chains (Harris et al. 2017).

Another typology in this area is defined only for click-and-collect purchases and identifies three groups of customers based on age and behavioural factors. These groups include utilitarian customers, customers that are satisfied overall and customers expecting the same value as in a brick-and-mortar store. Utilitarian customers are characterized by an age range of 25–34 years, and their need is functionality (convenient websites, pick-up stations). The second group is made up of customers aged 35–44 who are generally satisfied with the e-tailer, and the most important factors for them are relational (relationship with employees) and experiential (via the web). The last group is customers in the 45–55 age range, who have the same

expectations from an online retailer as they do from offline retailers, and the most important factors for them are pick-up stations, relationships with staff and service reflecting the same components as a physical store (Jara et al. 2018).

When forming the **typology** of another group, the focus was on the **area of environmentalism and perceptions of price and quality**. The results of a study in this area were used to create a typology containing three segments, namely, ethically motivated customers, price-oriented customers and customers oriented towards price and quality at the same time (Hasanzade et al. 2018). The **area of brand** was not neglected either and a typology was created comprising four customer groups (pioneers, socializers, achievers and traditionalists) based on perceptions of brand preference, purchase convenience and purchase intention (Gunawan et al. 2018). This typology compares customer groups to the technology adoption life cycle, with pioneers having similar characteristics to innovators, socializers having similar characteristics to early adopters, achievers having characteristics in common with the early majority and traditionalists having characteristics in common with the late majority. A **simple typology** is one that classifies customers into **high-engagement and low-engagement customers**, with low-engagement customers being the opposite of the former group. Highly engaged customers tend to be younger shoppers who like to browse the web to find products, seek advice from others on social media and feel that the products they purchase are fully relevant to them (Conlin and Labban 2019).

Each of the above typologies attempts to categorize online grocery shoppers according to different factors. There has been a shift from demographic factors to behavioural or psychological factors, but certain demographic elements (especially age categories) are still present in the most recent typologies.

Appeals Influencing Customer Behaviour

In marketing communication, appeals are defined as a certain characteristic of a product in the content of a message that can be attractive and interesting for the recipient of the message (Kloudová 2010). When developing effective marketing communications, appeals are a key element in message development (Kotler et al. 2007). The task of advertising appeals is to make the promoted brand attractive enough to arouse the interest of potential customers, which makes them buy the brand, thus appeals have become an important part of the communication strategy (Vysekalová 2014). Marketers use various appeals in their marketing communications to capture the attention of their target segment as much as possible. Appeals can be divided into emotional, rational and moral (Kotler et al. 2007). According to Vysekalová (2014), the appropriateness of using different types of appeals depends on the type of product, with more emotional appeals being used to achieve a more positive response for non-durable goods such as food.

In **emotional appeals**, marketers attempt to evoke positive or negative emotions and feelings in the message that may motivate potential customers to purchase the

product (Kotler et al. 2007). Advertisements with this type of appeal contain many non-verbal elements and stimuli that evoke imagination and feelings (Vysekalová 2012). It has been found that eliciting positive feelings through emotional appeals in advertising is more effective than eliciting negative ones as the pleasure motivation principle is significantly more effective than fear motivation (Vysekalová 2014). The emotional appeals, according to Pollay (2012), is very well-known. Here the author summarizes the 42 most used and appropriate advertising appeals. The advantage of his classification of emotional appeals is the overview of appropriate appeals and a short specification of each selected appeal.

Rational appeals speak to the private interests of the audience and show that the product delivers useful benefits, that is, the emphasis is on the product's quality, economy, value or performance (Kotler et al. 2007).

The last type is **moral appeals**, which are directed at the audience's sense of what is 'good' and 'right' in order to influence the customers' moral sentiments (Kotler et al. 2007). Within the for-profit sector, moral appeals should correspond with corporate social responsibility and point out, for example, problems in developing countries, environmental protection, sustainable development or workplace safety (Kunz 2012). However, this type of appeal is mostly used in social advertisements within the non-profit sector, which are focused, for example, on these non-profit organizations' products (Vysekalová 2014; Krechovská et al. 2018).

The Process of Analysing the Behaviour of Customers Buying Products Online

In order to understand customer buying and consumption behaviour, it is useful to first identify customers, then examine what product they use, find out their requirements and preferences and finally analyse their decision-making process. Using customer analytics, it is possible to uncover previously hidden opportunities in meeting customer needs and requirements (Janouch 2017).

When identifying customers, the characteristics of existing or potential customers are determined (Janouch 2017). The division of customers according to the factors used to define target markets is called customer segmentation. Based on segmentation, the target groups (segments) to be addressed by marketing communication are selected (Janouch 2017). However, there is no single correct way to segment a market and therefore a marketer must try different segmentation variables, either alone or in combination, to capture the market structure (Kotler et al. 2007). In addition, customer segmentation can be performed from the perspective of a web analytics environment, where it helps to distinguish the behaviour of different customer groups and find differences between those types of customers who are more likely to complete a conversion, which can, for example, adjust the targeting of individual campaigns (Jašek 2014).

Shopping cart analytics can be used to investigate what products customers use and to identify their requirements and preferences, and not only in the online environment. In the case of online stores, it is useful to monitor customers' shopping habits, especially which products are added to the shopping cart together for more effective use of cross-selling or upselling (Jašek 2014).

The final step in analysing online customers is to analyse their decision-making process. Understanding what driving forces lead existing and potential customers to buy will help to better identify marketing opportunities and optimize marketing strategy (Denault 2018). Customers make different purchasing decisions depending on whether they are major purchases or routine purchases, which can be further divided into routine or impulse purchases (Karlíček 2013). For this reason, the decision-making process consists of different steps, depending on the product in question. A deliberate distinction is made between the classic customer decision-making process, the decision-making process for major purchases, routine purchases and impulse purchases (Denault 2018; Kotler et al. 2007; Karlíček 2013).

In the classic decision process, the customer first realizes that they have an unmet need and therefore an information search follows, after which different solutions to satisfy that need are evaluated. The fourth step is purchasing the chosen solution, which is influenced by various factors. The final step is post-purchase behaviour, where the customer assesses whether they have made the right decision and gains direct experience with the product, which can then be passed on through WOM (Denault 2018; Kotler et al. 2007).

For the fast-moving consumer goods sector, the '**routine purchase decision process**' or '**impulse buying**' is both characteristic and appropriate (Karlíček 2013). Unlike the classical decision-making process, this does not include the phase of information search and assessing alternatives. Instead of these phases, there is the phase of searching for the existing brand, in the case of a routine purchase decision process, and the impulse decision phase, in the case of an impulse purchase decision process. The purchase phase itself is influenced by certain factors, which are the primary focus of this dissertation's research, that is, latent variables that influence the purchase decision phase of a customer's acceptance of online grocery shopping.

Research: Customer Behaviour

The first step in the research was to obtain primary data. The data collection of online grocery shopping behaviour was carried out in early 2020 using an online panel from the research company Ipsos. All respondents to the online survey were residents of the Czech Republic aged between 18 and 65 years who were shopping for food online via the website. The data cleaning process determined a sample size of 773 respondents.

The data were then tested and analysed using IBM SPSS software. Considering the research objective of determining the typology of online grocery shoppers, factor and cluster analyses were used to test the data. After interpreting the data, the

individual clusters were then further processed using the chi-square test to discover appropriate appeals for use in marketing communication.

Determining the Typology of Online Grocery Shoppers

Cluster analysis of selected segmentation variables and the resulting statistically significant variables identified by factor analysis were used to create this typology of online grocery shoppers in the Czech Republic. **By analysing the dendrogram, five clusters were identified for further investigation.**

Variable factors from the factor analysis were added to the cluster analysis and then examined, for the needs of deeper analysis, according to each variable, depending on how the factor relates to each cluster. Each cluster is **specific in terms of most of its variables**, which, in addition, define it based on the observed modus of the specific variables in the variable factors. Apart from the first and third clusters, each cluster contains a different number of variables from the variable factors explaining the nature of the cluster.

The concretization of selected segmentation variables, measures of the clusters' distance from individual factors and an examination of the clusters using the modus of variable factors with the concretization of individual variables means the revealed clusters are placed to specific interpretations.

Procedure for Interpreting Clusters to Determine Typology

Based on an examination of each cluster in terms of cluster features, the following interpretation and naming of the clusters were performed. The clusters were named to best **reflect the nature and character of the clusters found**. The emphasis when interpreting and profiling clusters was on the **properties of a particular cluster and on the properties in which a particular cluster differs from others**. In order to interpret the clusters, it was necessary to investigate the individual clusters, their variables and the variables of the variable factors falling into specific clusters and then name them. When deciding about the similarity of the specific clusters identified to the variable factors under study, decisions were made based on how much the customers in that cluster may or may not be defined by that factor. For these variables, only those that achieved positive agreement values on the scale (values 4, 5 and 6) were interpreted. Variables with negative values or 'can't say' values were not used to interpret individual clusters. The modus value of the variables of each variable determines the strength of agreement with the given variable specifying the cluster under study.

Specification of the Typology of Online Grocery Shoppers

The names of each cluster represent a newly defined typology of online grocery shoppers. The constructed typology divides online grocery shoppers into five type categories: **quality-oriented shoppers** (18.9%), **suggestible utilitarians** (21.7%), **loyal traditionalists** (16.4%), **satisfied conditional loyalists** (14.9%) and **well-off eco-sympathizers** (28.1%). The specification of the individual categories, together with the specific outputs of the cluster analysis, is presented in the following sections.

Quality-Oriented Customers

These customers are predominantly male, aged between 25 and 34, who trust the online environment when buying groceries and most expect quality and fresh food to be delivered. For them, quality is the strongest element when assessing the overall value of online grocery shopping. This type of customer is the least likely to be influenced by the marketing communications of companies operating in this market.

Suggestible Utilitarians

These are predominantly women between the ages of 35 and 44 who are influenced by service visibility and subjective norms, which are associated with lower levels of loyalty. These women shop for food with a utilitarian shopping motive, that is, they make purchases in a planned manner, with well-defined products to buy. Therefore, the main things they appreciate about online grocery shopping are the speed of the buying process, how well it has been thought through, the ongoing price, the possibility of planning ahead for delivery and the possibility of using a repeat shopping list.

Loyal Traditionalists

This type of shopper is characterized by their loyalty and trust in the current retailer from which they buy their groceries online, with an insignificant tendency to change this retailer. Loyal traditionalists are mostly men between the ages of 45 and 54 with higher incomes. Their consumption of Internet content and use of social networks is low. They go on social media less than a few times a week.

Satisfied Conditional Loyalists

This type of customer is characterized by customers who are completely satisfied with their current online grocery retailer, yet their loyalty is the lowest of all the groups surveyed. If a new competitor enters the market, satisfied conditional loyalists will certainly change their current retailer. These are mainly women in the 45–54 age range, who find that the biggest advantage of online grocery shopping is greater peace of mind to choose and study product information.

Well-Off Eco-Sympathizers

These are women aged 35–44 living in households with above-average incomes. They buy food online several times a quarter, and when shopping, they value the freshness and quality of the food, the possibility of buying organic food and other speciality foods, and they prefer not to use disposable plastic bags to complete their order. This is the largest group within this typology, which also responds positively to the marketing communications of retailers in this market.

This newly developed typology of online grocery shoppers defines the basic types of shoppers and compares them in terms of shopping behaviour, personality traits and characteristics, loyalty, overall satisfaction with online grocery shopping from the current retailer and the frequency of social media use. Given the variables under study, this is, therefore, a **type of combined typology**.

Customer Composition of the Top 3 Online Food Retailers

Table 2.1 gives the proportion of each customer type within the typology created in this research in relation to each of the Top 3 retailers offering food on the Czech online market. Among the Top 3 retailers on the Czech online food market are those operating the e-shops iTesco.cz, Rohlík.cz and Košík.cz.

Table 2.1 Share of customer types according to the established typology within the Top 3 in the surveyed industry

Customer types	iTesco.cz (%)	Rohlík.cz (%)	Košík.cz (%)
Quality-oriented customers	20.39	19.19	20.23
Influential utilitarians	25.24	19.19	26.01
Loyal traditionalists	16.18	18.69	15.61
Satisfied conditional loyalists	16.18	9.09	19.65
Movable security eco-sympathizers	23.30	43.94	27.75

Source: Author's calculations

Table 2.1 shows that the composition of customers varies across retailers. While most well-off eco-sympathizers buy from Rohlik.cz and Košík.cz, iTesco.cz has the largest number of customers belonging to the type of suggestible utilitarians. Overall, however, the ratio of individual customer types at iTesco.cz is quite balanced compared to Rohlík.cz and Košík.cz.

Appropriate Appeals and Media Types for Use in Marketing Communication

The focus now is on the results of the research in the context of exploring the appropriate appeals and media types in the context of this newly created typology of online grocery shoppers in the Czech market. First, attention is paid to customer attitudes towards rational, emotional and moral appeals used in marketing communication. The following section focuses on the suitability of using selected media types in the marketing communication of retailers in the online food market from the perspective of individual customer types.

Appeals

Based on the results of the independence test, it was found that the individual types of customers, based on the typology developed, **are different in terms of their perception of appeals used in marketing communication**. The null hypothesis, representing the congruency of the structure of attitudes towards appeals, was rejected based on the chi-square test results.

The specific attitudes towards the appeals examined are shown in modified form in Fig. 2.2. Only the **10 most common appropriate appeals for each type of customer** were incorporated into the graphic display. For this reason, Fig. 2.2 shows a total of 15 appeals that can be used for different types of customers in effective marketing communication. The best appeal applicable to online grocery shopping advertising is simplicity. This appeal belongs to the area of emotional appeals and was very positively evaluated from the point of view of all the types of customers surveyed.

From emotional appeals for **quality-oriented customers**, it is best to use simplicity, certainty, performance, independence and appropriateness for effective marketing communications. Rational appeals were also very positively evaluated. In this area, advertising should show the quality of the food, a demonstration of the useful benefits that online shopping brings, defined by time savings, convenience and ease of purchase, and information on the price and availability of imports. Less than 2.5% of respondents in this customer type have a positive attitude towards moral appeals.

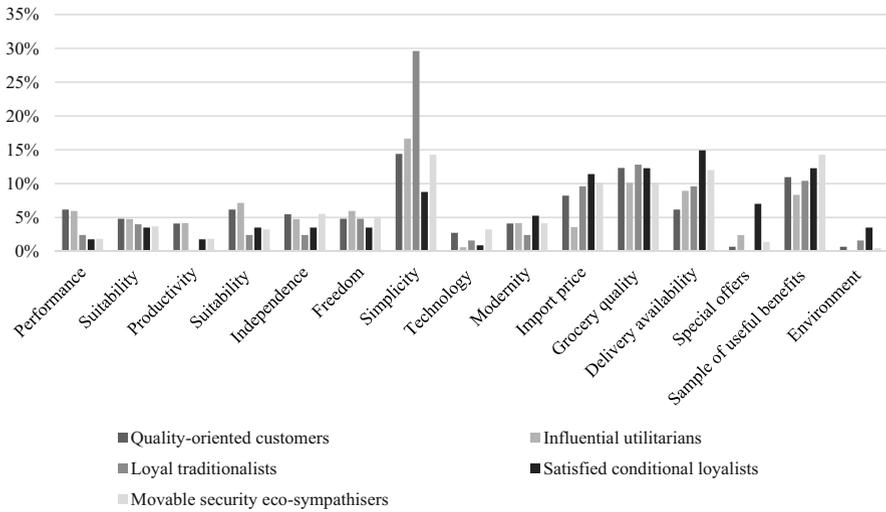


Fig. 2.2 Attitudes towards appeals and message structure (Source: Author's work)

For **suggestible utilitarians**, the most appropriate category of emotional appeals to use is simplicity, certainty, performance, freedom, appropriateness, independence, productivity and modernity. As part of the rational appeals, suggestible utilitarians would welcome information on food quality, delivery availability and a demonstration of the useful benefits of online grocery shopping. No respondents in this group indicated a positive attitude towards moral appeals in marketing communications.

Of all the customer types surveyed, **loyal traditionalists** see simplicity as the best appeal for marketing communications in this area. Other appropriate emotional appeals include freedom, appropriateness, performance, security, independence and modernity. In marketing communications, they would welcome rational appeals referring to information on food quality, the useful benefits of buying food online and information on the price and availability of imports. Approximately 2% of respondents in this customer category have a positive attitude towards moral appeals, this being in the area of environmental protection.

In the case of **satisfied conditional loyalists**, the most positively rated appeal is not simplicity, as in the other customer categories studied, but information about the availability of delivery. This category of customers is more influenced by rational appeals than emotional ones. Other highly positive rational appeals include information on food quality, a demonstration of the useful benefits of online grocery shopping, information on the price of imports and information on special offers. Approximately 3.5% of respondents would welcome information on new products and services in the field of environmental protection. The most appropriate emotional appeals for this category include simplicity, modernity, appropriateness, confidence, independence and freedom.

The last category of customers are the **well-off eco-sympathizers** who are most positive about simplicity and a demonstration of the useful benefits of online grocery

shopping. Other appropriate rational appeals include information on the availability and price of imports, and information on food quality. Emotional appeals are predominant in this category of customer, with independence, freedom, modernity, convenience, security and technology being the highest rated. Not even 1% of respondents belonging to this category of customers have a positive attitude towards moral appeals.

Media Types

Media selection is another important part of effective marketing communication. In this area, the research looked at four media types, namely, **television, internet, print and WOM**. These media types were assessed on the basis of their suitability for each category based on the typology of customers buying food online on the Czech market. Independence tests were conducted to determine whether the different categories of customers differ in their perceptions of these media types. The results of these tests rejected the stated null hypotheses at a significance level of less than 0.01. The results confirm that the **individual types of customers based on the developed typology are different in terms of their perception of selected media types** suitable for use in marketing communication from retailers selling food online.

A deeper analysis of the results, according to the individual media types, revealed differences in their suitability to the types of customers studied (Figs. 2.3, 2.4, 2.5 and 2.6). **Of all the types of consumers surveyed, utilitarians perceive online food advertising on TV to be the most positively influential.** This media type, belonging to the category of broadcast media, is also appropriate to use in the case of satisfied conditional loyalists and well-off eco-sympathisers.

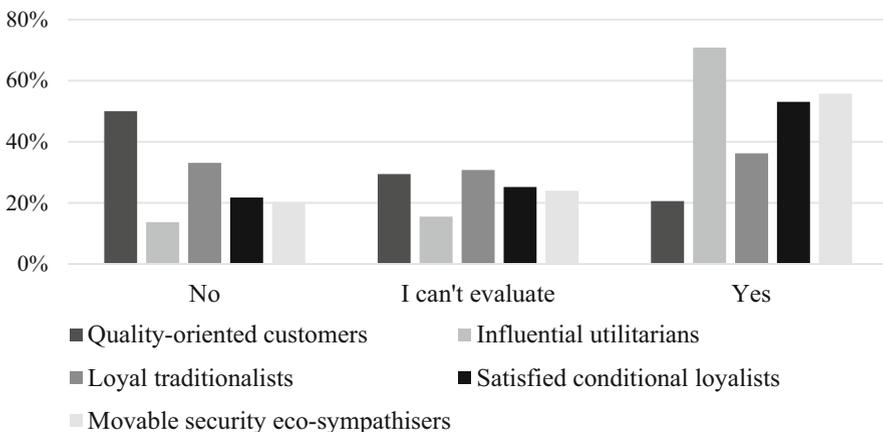


Fig. 2.3 Suitability of online grocery advertising on TV (Source: Author’s work)

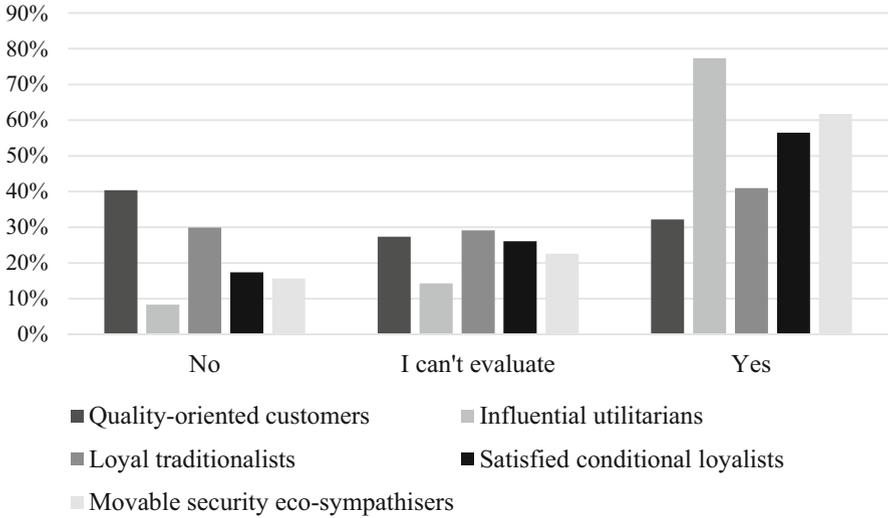


Fig. 2.4 Suitability of advertising for online grocery shopping on the Internet (Source: Author's work)

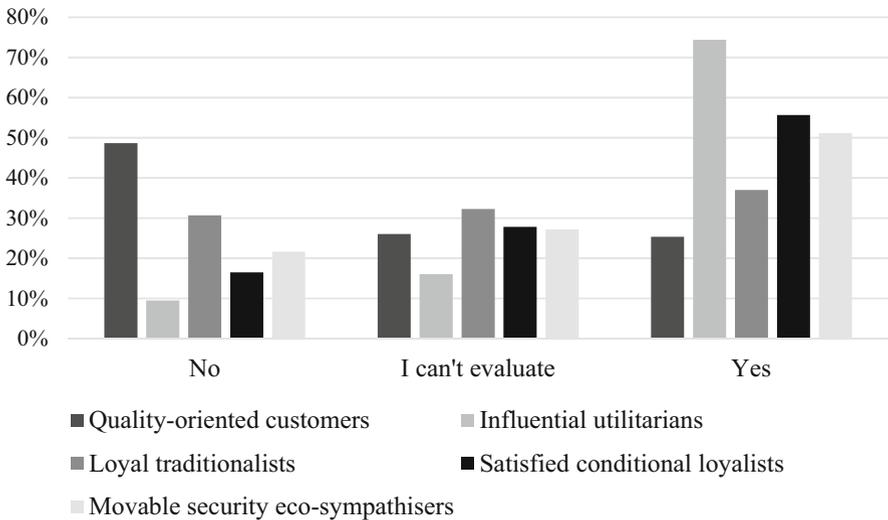


Fig. 2.5 Suitability of online grocery advertising in the press (Source: Author's work)

This medium (TV) can be considered to be highly inappropriate for quality-oriented customers, given that half of the respondents in this category of customers perceive online food shopping being advertised on TV as inappropriate and only 21% of them are of the opposite opinion. In the case of loyal traditionalists, the ratio

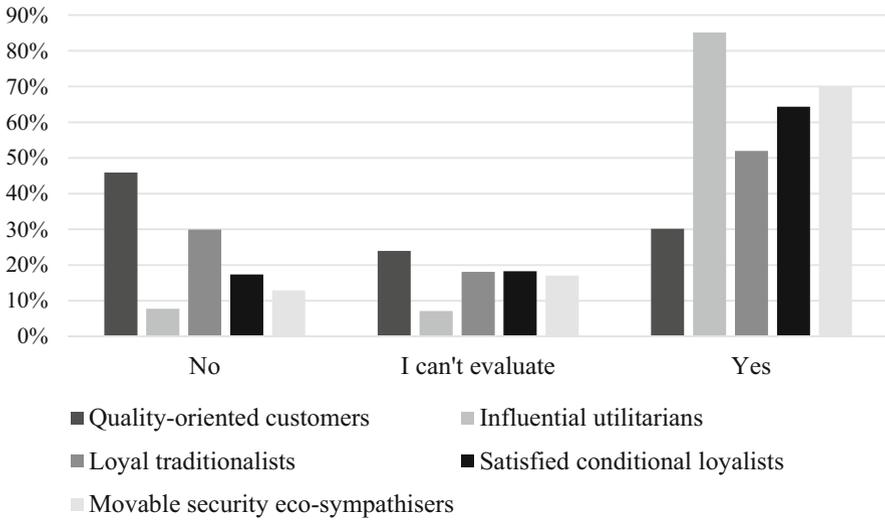


Fig. 2.6 Suitability of WOM advertising for online grocery shopping (Source: Author’s work)

of appropriate, inappropriate and neutral responses is very balanced. Therefore, the use of this media type is less suitable for this type of customers.

The second media type studied was the Internet (electronic media). Based on the results of the analysis, it is evident that **this media type again suits the most influential utilitarians** as 77% of them think this media type is suitable for advertising online grocery shopping. This media type is perceived very positively by satisfied conditioned loyalists and well-off eco-sympathizers.

This media type **may be suitable for loyal traditionalists**; however, the retailer needs to consider the possible lower affinity of this medium as only 41% of loyal traditionalists are convinced of the suitability of this media type and 1/3 of loyal traditionalists think that the Internet is not a suitable media type for online grocery advertising. In the case of **quality-oriented food shoppers, this media type seems even less appropriate** as only 32% of them believe that the Internet is an appropriate media type for online food advertising and 40% believe the opposite.

Figure 2.5 shows the suitability of advertising for online grocery shopping in print media. Print advertising is an appropriate media type for companies to use, according to 74% of **suggestible utilitarians**, with just under 10% of these customers thinking that print advertising is not appropriate. From the perspective of satisfied conditional loyalists and well-off eco-sympathizers, this media type is suitable for advertising online grocery shopping. Print advertising can also be a suitable media type for loyal traditionalists, but 1/3 of these customers do not think that print advertising is suitable for online grocery shopping and, therefore, once again, a possible lower level of affinity needs to be considered in this case.

This media type is completely inappropriate for quality-oriented shoppers as almost half of them believe that online food advertising in print is an inappropriate

media type, while only 25% of shoppers in this category think the opposite about print advertising.

The last media type is word of mouth (WOM), which falls under personal communication channels not directly controlled by the company. This specific media type is extremely positively evaluated as suitable for advertising online grocery shopping by **suggestible utilitarians**, who by their very nature are heavily influenced by the subjective norm that is highly associated with this media type. In all, 85% of suggestible utilitarians believe that word-of-mouth advertising for online grocery shopping is an appropriate media type. Word-of-mouth dissemination of references is rated very positively by well-off eco-sympathizers (70%), satisfied conditional loyalists (64%) and loyal traditionalists (52%).

Only 1/3 of quality-oriented customers are convinced of the suitability of word of mouth for this area, and almost half of these customers are not convinced.

Overall, it can be said that **suggestible utilitarians** are a very suitable target audience in terms of their perception of marketing communication, with this group of customers achieving the most positive ratings for the appropriateness of advertising in every media type studied. Suggestible utilitarians are, therefore, very easily influenced by advertising on television, in print, on the Internet and through word-of-mouth references.

Other categories of customers who are characterized by very positive evaluations of the appropriateness of online grocery advertising using the studied media types include **satisfied conditional loyalists and well-off eco-sympathizers**. Loyal traditionalists had slightly less positive ratings of the appropriateness of advertising for the media types studied. In contrast, **quality-oriented customers** are characterized by very **low ratings of the suitability of advertising for all the media types studied**. This situation may indicate a more negative perception of quality-oriented advertising by customers in general, regardless of the media type used.

Research Outputs for Marketing Communication

A company's visibility in the market is a very important factor influencing the intention to buy food online. In the framework of visibility, one of the areas defining this construct is retailers' marketing communication. In order to create effective marketing communication between retailers and potential customers, the various procedures are discussed and suggestions for their use in this area are presented.

The first step in building an effective marketing communication is to determine the target audience, so the appropriate segments of potential customers are first determined to effectively target marketing communication to the appropriate audience. Subsequently, proposals are formulated in the framework of setting communication objectives and message preparation, formulated on the basis of research into customer attitudes towards the appeals used in advertising. In the next phase, the focus is on selecting the appropriate media types for specific selected customer segments. Further suggestions are directed towards the choice of communication

channels and the specific communication mix, setting the budget and the possibilities of obtaining feedback.

Determining the Target Audience

The first step in developing effective marketing communications is to identify the target audience, that is, the specific segments that marketers should focus on in this area. The segments are **selected from a typology of customers buying food online on the Czech market**. The typology divides these customers into five categories: quality-oriented customers, suggestible utilitarians, loyal traditionalists, satisfied conditional loyalists and well-off eco-sympathizers. Based on the factors used to create this typology, it will be a matter of creating a **multivariate segmentation** that is made up of several different variables at the same time.

For online grocery sales, frequency of online grocery purchases, income level and loyalty level can be identified as suitable main **segmentation criteria**. These criteria **are best met by the segment of well-off eco-sympathizers**, but other suitable segments may be quality-oriented customers, suggestible utilitarians and loyal traditionalists. Satisfied conditional loyalists were assessed as an inappropriate segment, given the segmentation criteria.

Individual retailers selling food online should choose among the appropriate segments to target, taking into account their **business strategies**. In the case of those retailers in the Top 3 of the Czech online food market, it is evident that **well-off eco-sympathizers' preferences correspond more to companies operating the e-shops Rohlík.cz** (40% of their customers) and **Košík.cz** (26% of their customers) than to Tesco. Therefore, in the context of effective marketing communication, it is also important to consider segments from the perspective of the specific retailers' business strategy.

Communication Objectives and Message Preparation

When setting communication goals, online food retailers need to know the **potential customers' phase of readiness to buy**. Since food is not a complicated or specific product in which there are major differences, the stage of readiness to buy starts with information (awareness, knowledge), followed by the purchase itself and then the emotional stage. Since some awareness of online food shopping already exists on the Czech market, the appropriate **communication target** for customer acquisition is first **knowledge and then purchase**. The target audience may be aware of buying food in this way but may not be as aware of the existence of specific companies. Based on primary research, the **structure of the message** should ensure that customers do not have to come to a conclusion on their own and the arguments should be one-sided, emphasizing the advantages of buying food online. The **format**

of the message should correspond to the identified appeals, which are specifically described below for each selected segment.

In the case of the **well-off eco-sympathizer's** segment, the most appropriate way to increase knowledge is to use a demonstration of the useful benefits of online food shopping, information on the availability and price of imports and information on food quality. To convince people to buy food online, simplicity, independence, freedom, modernity, appropriateness, certainty and technology should be used as appropriate appeals in marketing communication.

Quality-oriented customers were selected as another suitable segment, for whom it is appropriate to use information about food quality, price and import availability in the marketing communication during the knowledge phase and to use a demonstration of the useful benefits, especially time savings, convenience and ease of buying food online. In order to support the belief in online grocery shopping, it is best to use emotional appeals for marketing communication with this segment, namely, simplicity, certainty, power, independence and convenience.

If a retailer chooses **suggestible utilitarians** as an appropriate segment, they should use information on food quality and delivery availability to increase knowledge. It is appropriate to show the useful benefits of online grocery shopping. Emotional appeals can be used in advertising to encourage purchase, with simplicity, certainty, performance, freedom, suitability, independence, productivity and modernity being the highest rated in this segment.

In the case of **loyal traditionalists**, it is advisable to increase knowledge about the online food retailer by providing information about the quality of the food, the price of delivery and its availability in specific locations. A small percentage of respondents would welcome information on support for environmental protection. With a communication goal oriented towards promoting online grocery shopping, of the emotional appeals it is appropriate to incorporate simplicity, freedom, appropriateness, performance, confidence, independence and modernity into the advertising message.

Choice of Communication Channels and Communication Mix

Based on the research of individual customer segments according to their attitudes towards the selected media types, **it is possible to design suitable media for each selected segment that** falls into both groups of communication channels. Social channels (WOM and Internet) are proposed for personal communication channels and traditional mainstream media (TV and press) for non-personal communication channels.

Well-off eco-sympathizers generally perceive advertising positively, with word of mouth (WOM) being the most appropriate media type for them. Therefore, retailers who choose this customer segment as their target audience should try to stimulate positive word of mouth about grocery shopping on their e-store **by amplifying WOM**, for example, with appropriate sales promotion tools, viral

campaigns or referral programmes, rather than relying solely on **organic WOM**. Another suitable media type for this segment is the Internet.

Given the results of research in this area, **quality-oriented customers can be defined as a group with a more negative perception of advertising in general, regardless of the media type used**. For this segment of customers, the most relevant use of advertising is online and amplified WOM, yet the likelihood of reaching this segment with these media types is very low as only around 30% of these customers perceive these media types as suitable for online grocery advertising. The opposite is the segment of **suggestible utilitarians**, who are a very suitable target audience in terms of their perception of marketing communication. This segment is characterized by highly positive evaluations of each media type. The most suitable media type is WOM (85%), followed by Internet advertising (77%), print advertising (74%) and TV advertising (71%).

To attract the attention of **loyal traditionalists**, the most appropriate media type is WOM and advertising on the Internet. Retailers in this sector should not use TV and print advertising to attract attention in this segment.

Given the type of product and market, **advertising and sales promotion** are the most relevant in the communication mix. Usually these tools are complemented to a greater extent by personal selling and to a lesser extent by PR tools (Kotler et al. 2007). **However, given the industry under study, face-to-face selling is not as important because customers are in an online environment** where ‘face-to-face’ selling occurs only to a limited extent (e.g. via chat boxes, mobile assistants or click-and-collect). Therefore, the proposed use of communication tools in this sector, according to their importance and suitability, is in the following order: **sales promotion, advertising, online direct marketing, public relations and personal selling**.

Budgeting and Feedback

The final steps in building effective marketing communications are determining the method for setting the communications budget and how to obtain feedback. Given the definition of specific appropriate communication objectives and the specification of the selected segments in terms of appeals and media types, it is appropriate to use the **method of objectives** (a specific percentage of knowledge and then a specific percentage of purchase) **and tasks** (identified appropriate media types according to segments, then specific communication tools and media schedules must be identified) to determine the communication budget.

In the case of obtaining feedback, retail companies can choose from several options. For the communication goal of gaining specific knowledge, brand awareness analysis is appropriate. In the subsequent communication objective in this area (purchase), it is necessary to measure the results of the marketing communication based on the environment (online or offline) in which it was carried out and then summarize the results in a more comprehensive form based on integrated marketing

communication. Nowadays the online environment has sophisticated tools, such as Google Analytics, that can be used to measure conversions. In this environment, however, short surveys can also be used after a purchase has been made at various time delays, linked, for example, to sales promotion. In the offline environment, there is an opportunity to use the last touch point in online food sales and explore the link between marketing communication and the subsequent purchase through courier interviews with customers upon receipt of goods.

Creating effective marketing communications can be a more challenging process for small retailers in this market, but defining the steps well is an excellent way for them to make the most of every amount spent on marketing communication to achieve the desired communication goal. In order to clarify the design process for the creation of effective marketing communication, a **graphic** has been created for the segment of well-off eco-sympathizers (Fig. 2.7), which best meets the established criteria for determining the target audience.

Summary

The chapter deals with the issue of customer behaviour with a focus on their online grocery shopping behaviour. It specifies the factors influencing customers' buying behaviour and overall online shopping behaviour. This shopping behaviour is then analysed in more detail for online grocery shopping. The theoretical background thus defined was supported by carrying out research aimed at determining the typology of customers buying food online. The research defined five basic types of online grocery shoppers, namely, quality-oriented shoppers, suggestible utilitarians, loyal traditionalists, satisfied conditional loyalists and well-off eco-sympathizers. The different types have been specified and defined in detail.

The results of the presented research can be used in the practical sphere, not only by retailers doing business in the online grocery market but also by established retailers operating networks of stationary retail units with a constant action radius as a basis and a possible reason to switch to hybrid companies. From the customers' point of view, this transition will help to ease the time and physical burden of shopping. Moreover, by using the online shopping channel, it is possible to achieve a goal in which customers driven by utilitarian shopping motives increase their satisfaction with the shopping process itself, which may be reflected in their level of loyalty to the retailer in question, who will take advantage of this trend and decide to offer groceries online as well.

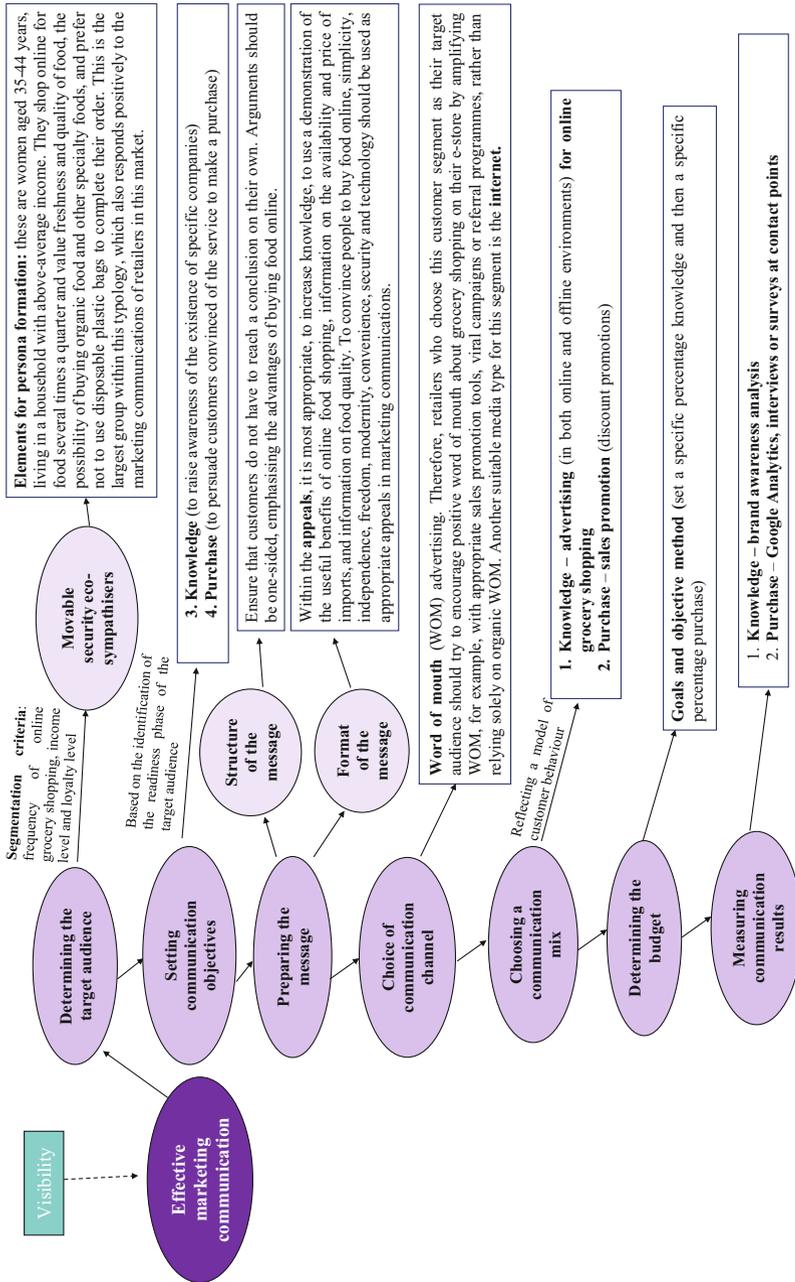


Fig. 2.7 Graphical representation of proposals for effective marketing communication for the segment of movable security eco-sympathizers (Source: Author's work)

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Chapter 3

Loyalty in E-Commerce



Daniel Kvíčala and Halina Starzyczna

Abstract Customer loyalty is considered by many researchers and managers as one of the key factors for the success of a company. Loyal customers have a positive relationship with the company, spread positive references or reduce the cost of sales and thus represent a potential competitive advantage. These facts take on even greater importance in the rapidly evolving field of e-commerce, which has given rise to the term e-loyalty. At the same time, however, there are views that question the meaning of loyalty and e-loyalty, which raises the need to clarify its real meaning using empirical data. Therefore, the aim of this chapter is to provide new insights through research to fill this need and further determine how e-loyalty affects purchases, sales and customer behaviour. In total, the research involves 11 firms and more than 13,000 customers from five countries, who made over 15,000 purchases and 15 million sales. Thus, the chapter includes a theoretical perspective on the meaning, drivers and consequences of e-loyalty and empirical research to quantify the impact of e-loyalty on e-shop purchases and sales and how e-loyalty is perceived by the operators themselves e-shops.

Keywords Customer loyalty · e-Commerce · e-Loyalty

Introduction

Customer buying behaviour is closely linked to the issue of loyalty and building long-term relationships with customers. Building long-term relationships with customers is very challenging in today's competitive market. There are sometimes doubts about customer loyalty. Nevertheless, companies are keen to strengthen customer loyalty. With the rise of e-commerce, the question arises as to what loyalty

D. Kvíčala · H. Starzyczna (✉)

School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

e-mail: starzyczna@opf.slu.cz

is there. The leaders who control the websites believe that loyalty is an economic necessity.

Acquiring customers on the Internet is no cheap matter. If these customers do not buy repeatedly over the years, companies will not meet their profit targets. Companies should work on the creative potential of the web to use the value created to appeal to the customer. If the rules of loyalty and its monitoring are not set, even the best-designed e-commerce model can collapse.¹

The authors intend to explore customer e-loyalty. This chapter offers interim results of the intended larger research focused both on companies doing business in the online environment and their customers. The aim of the chapter is to characterize the ongoing research results related to selected areas of customer relationship management, namely, loyalty in e-commerce. The chapter first introduces the theoretical background of the issue under investigation, based on some studies. The theoretical debate proceeds from the broader context of loyalty. The core of the theory is e-loyalty. Then the research and its results are characterized. Two studies were conducted. The secondary research is devoted to customer behaviour in e-commerce. The object of the research is a company operating e-shops in selected countries and its customers. The subject of the research is an analysis of data concerning the manifestations of behavioural loyalty. Primary research is qualitative research focused on SMEs and their perception of customer loyalty.

Theoretical Framework of E-Loyalty

With the development of new technologies, commerce has also moved to the Internet environment and a new market has emerged—e-commerce and with it the concept of e-loyalty. This market continues to grow at a rapid pace, and it is estimated it will reach a volume of \$6.54 trillion by 2022.² Thus, the concept of e-loyalty has been the subject of numerous studies and has attracted the attention of academics and marketing managers (Zeithaml et al. 2002; Valvi and Fragkos 2012; Rust et al. 1995). To understand e-loyalty, it is useful to first provide some broader context for loyalty in the context of building customer relationships.

The Wider Context of Loyalty

Marketing is a dynamic variable. It is evolving from transactional to relationship marketing. The emergence of the concept of relationship marketing is supported by the growing competition for customers and market saturation (Lošťáková et al.

¹Closer *Loyalty rules*. [online]. [seen. 25. August 2021]. Available from <https://www.bain.com/insights/loyalty-rules-how-todays-leaders-build-lasting-relationships/>

²Global retail e-commerce market size. [online]. [vid. 25. August 2021]. Available from <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

2017). Marketing 4.0 is related to relationship marketing (Kotler et al. 2016). Its characteristic feature is mainly the digitalization of marketing activities and the transition to the online environment. The focus is on identifying the values important to the customer, moving from acquiring new customers to retaining them and building loyalty (Payne and Frow 2013). The focus is not on transactions, but primarily on relationships. However, transaction monitoring is also important in the online environment, or customer actions, because it characterizes customer behaviour. A characteristic feature of the current era is the application of a multi-channel strategy (omnichannel). This strategy allows you to contact partners through multiple communication and distribution channels. The partner can use this form of contact to get back to the company. Customer relationship management (CRM) is of key importance in relationship marketing and is an integral part of strategic decision-making and the practical application of various relationship marketing activities (Lošťáková et al. 2017). CRM is seen in the broader context of process assurance (Kotler and Keller 2013). The CRM architecture includes a strategic part as well as analytical, operational and collaborative parts. All parts are involved in the creation of value for the customer (Starzyczná and Pellešová 2018).

Mention is made of customer loyalty and the need to build long-term relationships with customers based on value creation. Kumar and Reinartz (2016) highlight a dual approach to value in marketing. On the one hand, companies create value for customers and, on the other hand, customers represent a certain value for companies. The benefits of customer relationship management are primarily in the ability to find and acquire new customers, but more importantly to retain them. We often encounter the opinion that a satisfied customer does not consider leaving the company. According to Blecharz (2015), seamlessly satisfying customer needs leads to building customer loyalty, which makes customers repeat their purchases and recommend the purchased product to their friends. However, according to Storbacka and Lehtinen (2002), the usefulness of different methods of measuring satisfaction is debatable. The authors believe that, purely in theory, a customer's satisfaction can grow up to a certain point because they don't know what to expect. However, according to the authors, this is not true for long-term relationships. Inadequate quality of service can also be a problem. How long is the customer willing to tolerate it before they change their behaviour and end the relationship? Often loyalty is associated with the length of the customer relationship, which is the goal of customer relationship management (CRM). Customer loyalty and its impact on the success of the company have been studied by many Czech and foreign authors over the years (Aaker 1991; Reichheld 1996; Lošťáková et al. 2009; Blecharz 2015; Kotler and Keller 2016; Roberts 2019a, b). With a few exceptions, the individual authors do not differ in principle in their views on building customer relationships. Looking at the content of the CRM definitions, it can be seen that they affect certain factors (relationships) that, according to the authors, influence loyalty. For example, brand value, the set of brand values, instrument of resultant value, the long-term preference for a brand, the mental positive relationship between a customer and a brand, a positive attitude and loyalty, the connection between expectations, fulfilment and

customer feelings, continuous satisfaction of needs, relationship with the company, attachment to the company, etc.

These factors are reflected in repeat purchases, referrals to other customers and value added to the company. This also fulfils the dual concept of value in marketing, as mentioned earlier, and the relationship between customer value and customer value for the company.

E-Loyalty and Its Definition

E-loyalty is based on similar principles as loyalty in offline environments (Learn and Lin 2003). However, customer behaviour in e-commerce differs, which creates specifics that must be taken into account when examining e-loyalty. One of the main characteristics of shopping in an e-commerce environment is convenience and time saving (Andrews and Currim 2004). The authors also state that in the online environment consumers can easily, quickly and clearly obtain information about retailers and products, compare them with each other and find out which ones match their preferences (Degeratu et al. 2000; Alba et al. 1997). At the same time, customers are able to choose from a range of retailers around the world (Brynjolfsson et al. 2011) and have much lower barriers to switching from one retailer to another (Yen 2011; Burnham et al. 2003). Simply put, a customer only needs one click to visit and possibly purchase from another retailer (Gommans et al. 2001). There is also a difference in trust towards the seller. In the online environment, transactions are carried out remotely and customers cannot, for example, touch or test the goods, which increases uncertainty and brings certain risks associated with the purchase, such as the provision of personal data. This increases the importance of the trust that the online retailer must inspire in the customer; otherwise, the customer will buy elsewhere (Reichheld and Scheffer 2000).

The definition of e-loyalty is based on the definition of loyalty in the offline environment, with the difference that it is loyalty to a specific online retailer. A summary of several authors' definitions over time is presented in Table 3.1.

Like loyalty in the offline environment, e-loyalty includes behavioural and attitudinal aspects and is not only about repeat purchases; hence, for example, it is also about emotional relationships, preference over other sellers and resistance to competitors' marketing activities, as reported, for example, by Toufaily et al. (2013) in their definition of e-loyalty.

The Process of Building E-Loyalty

E-loyalty has several dimensions that are consistent with the dimensions defined by Oliver (1999) for loyalty in offline environments (Toufaily et al. 2013). Despite the specificities of the online environment, these dimensions are also used in the field of

Table 3.1 Defining e-loyalty over time

Definition	Author/year
The number of times a consumer prefers to buy from a given e-shop in proportion to the total number of online purchases, assuming the customer has a choice and other e-shops offer a comparable range	Neal (1999)
Convincing the customer to revisit and purchase from the e-shop	Gefen (2002)
The extent to which a customer is willing to prefer buying from a given online retailer over other online retailers	Grondin (2002)
Attitudinal and behavioural preferences over alternatives offered by other e-shops	Wallace et al. (2004)
E-loyalty is the consumer's psychological attachment and positive attitude towards the online retailer accompanied by the consumer's willingness to build a relationship between the company and the customer	Liang et al. (2008)
The customer's willingness to maintain a stable relationship in the future, to make repeat visits and purchases from a given online retailer that is the first choice among available alternatives, supported by trust and positive emotions towards the retailer despite possible influences and marketing activities that would otherwise lead to switching to a competitor	Toufaily et al. (2013)

Source: Adapted from Kvíčala and Starzyczná (2020)

e-loyalty (Learn and Lin 2003; Goode and Harris 2004). The different dimensions change as the customer progresses through the buying process, which consists of several phases—pre-purchase, purchase, post-purchase and e-loyalty phases (Toufaily et al. 2013). To fully introduce the process of building e-loyalty, it is also necessary to introduce the factors that influence this process; these factors are expectations, service quality and satisfaction (Zeithaml et al. 2002; Valvi and Fragkos 2012).

If all these aspects are taken into account, a comprehensive description of the e-loyalty building process emerges, which is explained in the following example for better understanding.

The **cognitive** dimension is based on the assumption that the customer (in the **pre-purchase** phase) has come into contact with a certain form of marketing communication from the company and on the basis of it has formed certain **expectations** or preferences towards the competitors' offers.

If a customer makes a purchase at the selected e-shop, thus entering the **affective dimension**, they will perceive the **quality of service** during the **purchase process**, which influences the extent to which the customer likes the process.

In the **conative** dimension there is a comparison of expectations and service quality in the **post-purchase** phase, upon which the customer's **satisfaction** with the purchase is based and the willingness or intention to purchase again arises.

These three dimensions fall under **attitudinal** e-loyalty as it is the first time the shopping process is used and the customer is still gathering cues to form an attitude towards the e-shop.

If the intention to repeat the purchase turns into action, the customer moves into the **action** dimension and **e-loyalty** is created. At this stage, the customer will make a purchase despite possible obstacles as the e-shop is favoured by the customer. In this

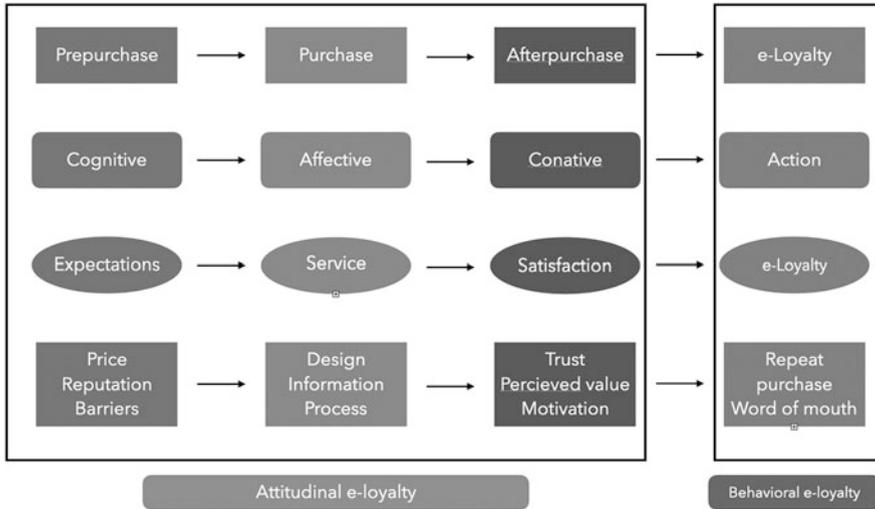


Fig. 3.1 Visualization of the e-loyalty process (Source: Adapted from Kvíčala and Starzyczná (2020))

dimension, the customer already performs specific actions, so it is **behavioural** e-loyalty.

The whole process of building e-loyalty, including all the above-mentioned aspects, is visualized in Fig. 3.1 for better clarity.

Figure 3.1 provides an overview of the process and also includes specific examples of the factors that influence the customer during the process. These will be described in more detail in the following subsection.

Factors Affecting E-Loyalty

Valvi and Fragkos (2012) conducted research that included 217 studies on e-loyalty. One of the outputs was the identification of factors leading to e-loyalty and their classification into three phases in the purchasing process—pre-purchase, purchase and post-purchase—and also into three dimensions of e-loyalty.

The impact of each factor on a particular customer may vary, but, in general, the degree to which customer expectations are met in the context of a given factor is positively correlated with the resulting level of e-loyalty (Valvi and Fragkos 2012; Toufaily et al. 2013; Rust et al. 1995).

Consequences of E-Loyalty and Its Measurement

Measuring loyalty in an online environment is often part of the metrics used in online marketing. These metrics focus primarily on the site's success in attracting potential customers and increasing market share. These measures aim to provide reliable information on sales revenue, e-commerce and customer actions (Laudon and Traver 2021).

In order to express the importance of e-loyalty for e-shops, it is necessary to explain the specific consequences of e-loyalty and its impact on the business results of e-shops. The consequences of e-loyalty are both behavioural and attitudinal. Behavioural loyalty is manifested by the customer's repeat purchases (frequency of purchases). However, it does not provide a comprehensive view of brand or corporate loyalty (Esmailpour 2015). Attitudinal loyalty is assessed by the level of relationship and emotional attachment the customer has towards the company or brand (Oliver 1999). Esmailpour (2015) talks about emotional attachment to the brand and the company. Roberts (2019a, b), who is a proponent of the emotional bond with the customer, points out that loyalty will decline if firms do not create this emotional bond. Through a literature search, additional effects of e-loyalty were obtained from the perspective of different authors. They are presented in Table 3.2 for ease of reference.

The above consequences are an example of how e-loyalty manifests itself. Their measurement will be dealt with in the next subsection.

Measuring the Consequences of E-Loyalty

For the purpose of measuring e-loyalty, its individual manifestations can again be divided into two areas—behavioural and attitudinal. Behavioural consequences are easy to measure as they are actions that the customer performs on the e-shop, so they can be measured, thanks to the available technologies, as long as the e-shop knows how to collect and evaluate this data. While customer attitude towards an e-shop is reflected in their actions, the attitudinal consequences, as such, cannot be expressed in an exact manner without independent research (Reichheld and Schefter 2000;

Table 3.2 Consequences of e-loyalty

Type	Consequences	Author
Behavioural	Repeat purchase, retention	Toufaily et al. (2013)
Attitudinal	Reducing price sensitivity	
Behavioural	Positive references	
Attitudinal	Preference over competitors	Reichheld and Schefter (2000)
Attitudinal	Willingness to spend more money	Srinivasan et al. (2002)
Behavioural	Repeated visits to the site	Rust et al. (1995)

Source: Authors' work

Table 3.3 Measuring the consequences of e-loyalty

Type	Consequences	Author	Measuring
Behavioural	Repeat purchase, retention	Toufaily et al. (2013)	E-shop data
Attitudinal	Reducing price sensitivity		Questioning
Behavioural	Positive references		Netnography
Attitudinal	Preference over competitors	Reichheld and Schefter (2000)	Benchmark
Attitudinal	Willingness to spend more money	Srinivasan et al. (2002)	Questioning
Behavioural	Repeated visits to the site	Rust et al. (1995)	E-shop data

Source: Authors' work

Srinivasan et al. 2002). The ways of measuring e-loyalty vary according to its manifestations. Some of them, especially the behavioural ones such as the number of visits or the number or frequency of purchases and sales volume, can be monitored and measured, among others, directly in the e-shop administration. However, attitudinal manifestations of e-loyalty, such as reduced price sensitivity, preference over other retailers or a positive relationship with the retailer, cannot be measured in this way and other methods of data collection are necessary. Specific examples of ways to measure e-loyalty, whether attitudinal or behavioural, have been explored by a number of authors, and some are listed in Table 3.3.

It is clear from these findings that multiple research methods are necessary for a comprehensive measurement of e-loyalty and ideally as many as possible should be used to achieve the relevant results. The question is, however, for what number of e-shops is such a complex solution realistic, what will be its real benefit for the e-shop and thus whether it is economically effective?

The Importance of E-Loyalty for E-Shops

The importance of e-loyalty can be viewed both from the theoretical level by the authors and from the practical level by e-shops and people who operate them. The views of the authors differ and will be discussed in more detail in the following section. The view of e-shops is also likely to differ, but no academic study has yet been carried out to look at this in more detail.

Similar to loyalty in offline environments, e-loyalty is also considered a key factor with a direct impact on a firm's business performance (Reichheld and Schefter 2000; Day 2000; Srinivasan et al. 2002; Zeithaml et al. 2002; Yun and Good 2007; Valvi and Fragkos 2012; Toufaily et al. 2013; Rust et al. 1995). In an e-commerce environment, customers only need one click to leave an e-store or switch to another retailer, which creates a strong need for building e-loyalty to reduce the likelihood of these phenomena and increase the likelihood of a repeat purchase and the other

positive consequences of e-loyalty (Reinartz and Kumar 2002), which are discussed in the previous section.

However, some authors also see some risks in building e-loyalty. If e-shops try to build e-loyalty without sufficient knowledge of their customers' real needs, they may end up alienating customers through their activities (Fournier et al. 1998; Villanueva and Hanssens 2007). Another important aspect is the costs that the company has to spend on building e-loyalty and whether these are spent efficiently. Rigby et al. (2002) state that some e-shops are not knowledgeable enough in building e-loyalty and thus their efforts may negatively affect the e-shop's profit. One means of building e-loyalty is loyalty programmes. In most cases, these are primarily a source of costs as firms try to create benefits that are not always aligned with customer needs, which may not ultimately lead to increased e-loyalty, market share or profitability, as reported, for example, in studies conducted by Dowling and Uncles (1997) or Meyer-Waarden and Benavent (2005). One of the risks of loyalty programmes is their design, which may not always be clearly understood by customers and may be confusing, which also has negative consequences for the e-shop's business results. The benefits of e-loyal customers are also questioned by Dowling and Uncles, who state that e-loyal customers are always less profitable as their purchase is accompanied by various benefits such as discounts, gifts or free shipping and other means of sales promotion.

Another aspect is the real number of e-loyal customers, the sales they generate and the ratio of these to the total number of customers and sales. Romaniuk (2011), for example, states that the majority of customers buy only once, and these also generate the majority of sales. However, according to Toufaily (2013), 35–45% of e-shop revenue is generated by returning customers. In the context of increasing profitability by building e-loyalty, Reichheld and Schefter (2000) report that increasing retention rates by as little as 5% can increase profits by 25–95%. They also state that e-loyal customers act as a channel for acquiring new customers by recommending the retailer to their friends. According to surveys, e-loyal customers also visit their favourite retailer's website twice as often as non-loyal customers and spend more money at the same time.

An interesting benefit of e-loyalty in the context of cost reduction was described by Reichheld and Schefter (2000), when they found that customers who bought from an eBay firm on the recommendation of their friends turned to their friends instead of customer support when they had questions. Such customers, therefore, represent the customer centre function. Another positive benefit in this context is the lower cost of making a purchase from returning customers compared to acquiring new customers. In some cases, e-loyal customers even act as 'advocates' for the vendor, which can reduce the costs that a firm would incur in communicating through its own employees in the event of a dispute, such as an Internet discussion (Goode and Harris 2004).

Another supporting theory for building e-loyalty is the Pareto rule, which in this context states that 80% of revenue is generated by 20% of customers (Chen et al. 2006; Buttle and Maklan 2015; Kim et al. 2017; Ivančić 2014). In relation to this theory, McCall and Voorhees (2010), based on research results, suggest that building

e-loyalty leads to an e-store gaining a group of loyal customers who will repeat purchases and bring in sales over the long term, with the same 20/80 ratio. However, these studies do not indicate whether these are the customers who shop most often or the customers who spend the most money. However, the relevance of these claims is limited by the lack of empirical data, in the sense that they are not supported by hard data from e-stores. On the other hand, there are studies backed by panel data that dispute the validity of the Pareto rule in the given context and argue that it is not a 20/80 ratio (McCarthy and Winer 2019). Therefore, to confirm or refute the validity of the Pareto rule in the context of customer e-loyalty, it is necessary to conduct a study based on e-shop data.

From the above findings of the literature review, it is clear that the authors' views on the importance of customer e-loyalty differ and the importance of e-loyalty is not sufficiently supported by empirical data, both in Czech e-commerce and in e-commerce in general. To define the meaning of e-loyalty in Czech e-commerce, it is, therefore, necessary to conduct research based on empirical data from e-shops. It is also necessary to explain how e-loyalty and its importance are perceived by e-shop owners.

Research: Loyalty in E-Commerce

To confirm the theoretical background, two researches were conducted, namely, secondary research in e-shops based on Google Analytics data, and primary research, which is qualitative in nature.

Secondary Research in E-Shops

The activities that customers perform in connection with visiting and buying on an e-shop according to the findings from the theoretical part fall into behavioural e-loyalty, with e-loyal referring to those customers who have visited the e-shop again and consequently bought again after their first purchase. Thus, a fully comprehensive view of e-loyalty is not what is being investigated.

Research Methodology

The main objective of the research is to investigate customer buying behaviour, and consequently, customer e-loyalty in e-commerce and the consequences that arise for e-shops. Specifically, it is about how customers behave on e-shops, how often they buy from e-shops and what kind of revenue they bring to e-shops. To define the importance of e-loyal customers for e-shops, their behaviour will be quantified and compared with the overall performance of the e-shops. The subject of the research is,

therefore, customer buying behaviour in e-commerce, focusing on the manifestations of behavioural loyalty.

Object of Research

The object of the research is an e-commerce company operating e-shops in various foreign markets. Specifically, it is a company that operates on the Czech, German, English, Polish and Slovak markets in the online environment.

The selected company sells a specialized range of products. These are images of their own motifs or motifs that the customer sends and then a map is created from it, consisting of areas marked with numbers, which are gradually coloured to create an image. See Fig. 3.2 for reference.

Data

In order to meet the objective, research was conducted on secondary data concerning customer shopping behaviour at selected e-shops. This is data from Google Analytics, which collects data about customer shopping behaviour at the e-shop. The research will be based on empirical data describing real customer behaviour at selected e-shops between 2019 and 2020.

Examples of the indicators (metrics) used in online marketing can be found in the literature (Laudon and Traver 2021). Loyalty measures the percentage of visitors

Fig. 3.2 Product preview
(Source: Authors' work)



who return. The authors mention a return date within a year. This can be a good indicator of website tracking. The research presented here shows a 2-year period and does not directly track the 1-year time limit.

The authors chose the following as the basic metrics to be monitored:

- *Total number of all customers, number of e-shop visits, number of transactions and sales volume (see Table 3.5).*

The values of average order and average number of purchases were calculated for the above-mentioned basic variables. Next, the loyal customer was assessed. An e-loyal customer is taken as a customer who has made repeated purchases, that is, a customer with two or more purchases (Yun and Good 2007; Toufaily et al. 2013; Rust et al. 1995), in the period covered by the data under study.

As far as the evaluation of the data concerning loyal customers is concerned, the following indicators were evaluated, informing about the share of loyal customers on the basic variables monitored:

- *The percentage of loyal customers in the total number of customers.*
- *The percentage of visits by loyal customers in the total number of visits.*
- *The percentage of transactions (purchases) by loyal customers in the total number of purchases.*
- *The percentage of loyal customer sales in total sales.*
- *The percentage of the average order of loyal customers in the total average order.*
- *The average number of purchases of loyal customers as a percentage of the total average number of purchases.*

The research also included a comparison of customer purchasing behaviour and e-loyalty in the international e-commerce environment by involving foreign e-shops, as stated in the characteristics of the research object. For each market, there is a separate e-commerce platform adapted to the language of that market. The data is, therefore, disaggregated by country so that it can be examined and then compared.

Research Questions

Based on the findings from the theoretical part, the following research questions were defined to meet the research objective:

1. What is the percentage of loyal customers in the total number of customers?
2. What is the percentage of loyal customers in total sales?
3. What is the percentage of loyal customers in the total number of purchases?

The resulting values will be further compared with the values of customers who have purchased only once to assess the importance of e-loyal customers for the selected e-shops.

Analysis of Secondary Research Results

A total of 13,418 customers were included in the survey. The majority of customers are Czech (42%) and Polish (29%). Czech and Polish customers also made the most visits (40%, 31%) and purchases (42%, 29%). The same applies to revenue shares. Czech customers accounted for 49% of sales and Polish customers 25%. The situation is slightly different for average orders. The Czech customer remains in first place (CZK 1.157). The average order value of a Polish customer (CZK 863) has already been surpassed by the Slovak customer (CZK 943) and the English customer (CZK 916). However, the nature of the product range offered may also affect the results as only one product category is included in the research, so e-shops offering different products may have different results. An overview of the data broken down by country is shown in Table 3.4.

It can also be seen from the basic overview that the average number of purchases per customer is not higher than 1.2 in any of the monitored e-shops, which means that the average customer buys repeatedly, but the frequency is low, so it is a very low level of e-loyalty. Except for the Czech e-shop, the average order values of the individual e-shops are also very close to the overall average value. It can be concluded that the purchasing behaviour of the customers in the individual foreign markets is comparable for the company under study.

Behaviour of E-Loyal Customers

In order to quantify the percentage of e-loyalty customer action values in the overall results, the absolute values will first be quantified and are shown in Table 3.5. The highest number of loyal customers was found in the Polish e-shop (498) and the Czech one (341), which is more or less the same as the values for other indicators. The highest number of visits was from Czech customers (3.798) and then from Polish customers (3.518). Polish customers made the most purchases (1.127), with Czechs in second place with 1.171 purchases. As far as the sales volume is concerned, the highest volume was achieved by Czech customers (CZK 1.296.926), with the Poles in second place with CZK 971.828.

Table 3.4 Summary of individual e-shop variables for all customers in the selected countries

Country	Customers	Visits	Purchases	Revenue (CZK)	Average value (CZK)	Average purchase frequency
CZ	5630	22,393	6460	7,472,504	1157	1.1
DE	705	2736	750	652,210	870	1.1
EN	1299	4848	1496	1,370,434	916	1.2
PL	3850	17,077	4479	3,865,004	863	1.2
SK	1934	8595	2143	2,019,836	943	1.1
Summary	13,418	55,649	15,328	15,379,988	950	1.1

Source: Authors' calculations

Table 3.5 Overview of individual e-shop variables for e-loyal customers in the selected countries

Country	Customers	Visits	Purchases	Revenue (CZK)	Average value (KČ)	Average purchase frequency
CZ	341	3798	1171	1,296,926	1108	3.4
DE	36	401	81	91,078	1124	2.3
EN	164	1140	361	333,424	924	2.2
PL	498	3518	1127	971,828	862	2.3
SK	152	1886	361	359,346	995	2.4
Summary	1191	10,743	3101	3,052,602	1003	2.6

Source: Authors' calculations

The situation is different for average orders. Here, the German customer is in first position (CZK 1.124), although the Czech customer is not far behind (CZK 1.108). On the other hand, the Polish customer has the lowest average order value, that being CZK 862. Why this is so would require a deeper analysis, including the influence of the market environment in the countries concerned, especially the economic environment. It is also worth considering the customers' interest in the specialized product range in the countries studied in general.

Similarly to the overall results, it is also evident that customer behaviour is very similar, with the exception of the Czech e-shop, where the e-loyal customer buys on average three times in the period (3.4 times), the average number of purchases is almost the same and ranges between 2.2 and 2.4 times. The Polish e-shop (−141 CZK) and the German e-shop (+121 CZK) are the furthest away from the average order.

Table 3.7 provides an overview of the percentage of the monitored values in the total values and a comparison with the average values. E-loyal customers have the highest share of all customers at the English e-shop (13%) and also at the Polish e-shop (13%). The lowest share of loyalty concerns German customers (5%). English customers also have the highest percentage of loyal customers (24%), with Slovak customers in second place (22%). The Czech loyal customer is only in the third or fourth position in the indicators studied. As for German customers, they have the lowest shares for all indicators, the exception being the percentage of the average order. A similar situation, as for the percentage of customers, appears for the English and Polish e-shops, for the percentage of purchases and sales. Loyal customers have the highest percentages of these indicators (see Table 3.6).

With the exception of the English and Polish e-shops, the percentage values in the overall results do not account for more than 10% in terms of the number of customers and 20% in terms of visits, purchases and sales. In the case of the English and Polish e-shops, the values are almost identical, both for the percentage of customers, purchases and sales, as mentioned earlier. The percentage of the average order of all e-shops is almost the same, only the German e-shop has a 29% higher share. For the Czech e-shop, the average order value of a loyal customer is even slightly below the overall average. As far as this value is concerned, the behaviour of e-loyal customers is, therefore, comparable to the average behaviour of all customers of

Table 3.6 Proportion of values for e-loyal customers to values for all customers (%)

Country	Share of customers	Share of traffic	Share of purchases	Share of revenue	Share of average value	Share of purchase frequency
CZ	6	17	18	17	96	312
DE	5	15	11	14	129	205
EN	13	24	24	24	101	183
PL	13	21	25	25	100	189
SK	8	22	17	18	106	216
Average	9	20	19	20	106	237

Source: Authors' calculations

Table 3.7 Characteristics of the respondent sample

	Sortiment	No. of employees	Operation time	Annual revenue (CZK)	Brick-and-mortar store	Marketing education	E-shop platform
1	Fashion	5	4	5	No	No	Shoptet
2	Sport	2	2	0,2	No	No	Shoptet
3	Office supplies	4	4	4	No	Yes	Shoptet
4	Fashion	12	2	2	Yes	No	Shoptet
5	Handyman supplies	5	1,5	1,2	No	Yes	Rocketoo
6	Fashion	6	6	15	Yes	No	Shoptet
7	Fashion	15	5	8	Yes	No	Own
8	Fashion	11	4	6	Yes	No	Own
9	Handyman supplies	5	2	1,3	No	Yes	Upgrades
10	Sport/fashion	2	3	3	No	No	Shoptet

Source: Authors' calculations

the e-shops in question. The last column of Table 3.7 shows the proportion of the average number of purchases by loyal customers to the total average number of purchases per customer. For Czech customers, the average number of loyal customer purchases is more than three times higher than the overall average, except for English and Polish customers, where the percentage is less than 200%, and the value of the average number of loyal customer purchases is double the overall average.

The fact that, for the selected e-shops, e-loyal customers account on average for only 9% of the total number of customers and 20% of the sales, or at most 25% in the case of two e-shops, is not consistent with the claim that e-loyalty is a key factor for e-shops (Reichheld and Schefter 2000; Day 2000; Srinivasan et al. 2002; Zeithaml

et al. 2002; Yun and Good 2007; Valvi and Fragkos 2012; Toufaily et al. 2013; Rust et al. 1995) as the majority of purchases and sales are brought by customers who buy only once. Another potential negative aspect of e-loyalty is that e-loyal customers may be less profitable as their purchases are often accompanied by additional costs due to benefits, discounts, gifts, loyalty programmes and other means of sales promotion Bennet and Graham (2010). The obtained results also contradict the findings of Yun and Good (2007), who state that returning customers generate 35–45% of e-shop revenue and, on the contrary, they support Romaniuk's (2011) assertion that the majority of purchases and sales are generated by customers who purchase only once. Some authors have also reported that returning customers spend more money (Reichheld and Schefter 2000), which has not been confirmed, as e-loyal customers in that case spent, on average, almost the same amount as the average customer and in one case even less. However, it should be added that, in absolute terms, returning customers do spend more, as they make more transactions. Ultimately, in this case, customer e-loyalty was not found to be a significant factor in increasing the number of purchases and sales on the Czech or international e-commerce market. It is also necessary to add that the studies included in the discussion are primarily based on research data obtained through questionnaires, after which the authors processed empirical data from e-shops describing customer shopping behaviour.

Limits of the Research

The relevance of the research results is limited by the volume of data, which is insufficient for generalizing the results and applying them to the e-commerce market in general. The time series of indicators is short. Another limitation is the fact that the research included customers of only one company operating in an international market and selling one product category. The research also did not include the marketing activities of the company and their associated costs, which would have contributed to the results having a higher predictive value, as it would have been possible to quantify the cost of purchasing individual customers, which would have helped to estimate the profitability of e-loyal customers and thus add another factor to assess the importance of e-loyal customers for the given e-shop. All these facts create room for further research by including both a larger number of e-shops and more categories of data. It would also be interesting to link behavioural loyalty and attitudinal loyalty, but this would require exploring marketing activities that may contribute to the formation of emotional bonding.

Summary and Conclusion of Secondary Research

The aim of the research was to investigate customer shopping behaviour, and thus customer behavioural e-loyalty in e-commerce, and the consequences of this for e-shops. In this context, three research questions were defined to clarify the

importance of customer e-loyalty for e-shops. Through research of secondary data on customer behaviour in selected e-shops, an overview of customer behaviour in five selected e-shops operating in the e-commerce market in the Czech Republic, Poland, England, Germany and Slovakia was created. The results obtained contradict the claims of some authors that e-loyalty is one of the key factors for the success of e-shops and e-loyal customers generate a substantial part of the volume of purchases and sales, where it was found that e-loyal customers bring on average 20% of sales, 19% of purchases and account for 9% of the customer base. Given the limitations of the research mentioned earlier, the authors will continue this line of research to enrich the state of knowledge with new insights based on empirical data on real customer behaviour in e-shops.

Primary Qualitative Research

In order to broaden the understanding of e-loyalty in Czech e-commerce, the authors consider it necessary to approach the perception of e-loyalty by e-shop owners and at the same time to obtain feedback from them. They ultimately determine how the e-shop will operate and what activities it will develop. The business results of e-shops are a source of income for the owners, so they have the highest interest in the long-term prosperity of the e-shop. The way they view e-loyalty, what it means for their e-shops and what steps they take in its context will be approached through qualitative research.

Research Methodology

The aim of the research is to investigate how e-loyalty is perceived among e-shop owners. The main research question was formulated as follows: 'How do e-shop owners perceive customer loyalty on the Czech market?'

This research is exploratory to better understand the issues and influences affecting these issues. The research can help identify alternative solutions and also serve to establish hypotheses for causal type research (Kozel et al. 2011). Due to the nature of the study, it is appropriate to apply qualitative research using non-standardized semi-structured interviews (Saunders et al. 2019). The research can be considered to be preliminary research enabling a better orientation in the issue under study. The subject of the research is the e-loyalty of customers in the Czech B2C e-commerce market. The object of the research are B2C e-shop owners.

Respondent Sample

The size of the respondent sample was not sophisticatedly determined, as is desirable in quantitative research. Also, the nature of the research (pre-research) does not

require it. The number of respondents was also influenced by the time available and the willingness of the owners to give an interview. The interviews took place during the COVID-19 pandemic.

A total of 30 respondents were contacted. Not everyone was willing to take part in the interview. In the end, only 10 respondents took part in the interviews. The interviews were conducted by video and telephone. Respondents were contacted in advance and informed about the purpose of the interview. They were given the topics in advance so that they could at least partially prepare. The authors did not want to surprise the respondents with the questions. Individual respondents were identified by a serial number from 1 to 10. Their anonymity is thus preserved.

In terms of positions in the company, these were owners, operators or managers of e-shops. In terms of the range sold, clothing accounted for the largest share (60%). There was also an e-shop selling office or DIY supplies and one of the e-shops sells sports training programmes in the form of audiovisual materials. Other identifying features were as follows. According to the number of employees, all the e-shops can be classified as small- and medium-sized enterprises. Most of them have been on the market for a relatively short time (from 1.5 to 6 years). Some e-shops (40%) also operate their own brick-and-mortar store. However, the research only took into account the turnover of e-shops (average annual turnover), which ranged from CZK 200,000 to CZK 20 million per year. We were also interested in how marketing education can affect knowledge in the area of customer e-loyalty. Only 30% of respondents had a marketing background, which is relatively low.

The last identifying feature was the nature of the 'e-shop solution', that is, the platform on which the e-shop operates. The identifying characteristics of the respondents are summarized in Table 3.7.

During the research it was found that 60% of the e-shops operate on the same platform (Shoptet). The authors, therefore, added this information to the characteristics of the respondents. A common feature of the respondents' e-commerce solutions is the fact that they all automatically monitor and collect customer behaviour data without the need for any intervention or setup. Yet the results of the interviews confirmed that respondents do not work with the data sufficiently, they do not analyse it. Rather, they make decisions intuitively and their perceptions of loyalty are not supported by real data, which has caused the limitations discussed in the final section of the chapter.

Specification of the Questions

As already mentioned, the main research question was 'How do e-shop owners perceive customer loyalty on the Czech market?' To evaluate this main research question, groups (batteries) of questions were formulated that focused on

- Issues relating to customer relations and the customer base.
- Issues related to customer e-loyalty.
- Issues related to the determinants of customer e-loyalty and building it.

The authors tried to formulate a set of open-ended questions so that they could be further elaborated in interviews with respondents in order to obtain the necessary information to understand the perception of e-loyalty.

The starting point for the formulation of the questions was a literature search. It was also inspired by a working paper (Kvíčala and Starzyczná 2020), which was prepared as part of a research project. The aim of the interviews was also to clarify to what extent individual e-shops register e-loyalty behaviour, what business results such behaviour generates, what activities they undertake to build e-loyalty and what leads them to implement these activities. The intention was also to find out why some companies do not carry out these activities and what is the level of respondents' knowledge in the area of customer loyalty and e-loyalty. This qualitative research into the nature of a preliminary study did not allow for generalization of the research results, but it did highlight possible problem areas that it is desirable to explore further. In the course of the research, the usefulness of some of the questions for the purpose of the study also became apparent. Some questions proved to be irrelevant and were therefore eventually discarded. Other questions have been modified and several questions have been added based on interim findings.

Except for respondents with marketing education, all of them draw knowledge from available online and offline sources such as articles, books, podcasts, conferences, meetings with other e-commerce operators, marketing service providers and consultants, etc. None of the respondents draw knowledge from academic articles and studies.

Analysis of Primary Research Results

The questions were evaluated using content analysis. This method can be broadly defined as the analysis of the content of a record of a particular communication. The main purpose of this method, which is based on the traditions of positivist methodology, is to search for specific words and concepts in the analysed communication and determine their frequency of occurrence, meaning, interrelation, etc.³ The method looks for the intersection of the respondents' answers.

For better clarity and orientation in the results, the respondents' answers were grouped into based on the intersection of responses.

Customer Relations and the Customer Base

In the first group of questions there are answers related to customer relations and the customer base. The majority of respondents (80%) build relationships with customers by trying to maximize customer satisfaction. The main emphasis was on

³ *Content analysis*. [online]. [vid. 27. 9.2021] Available from <http://www.antropologie.org/cs/metodologie/obsahova-analyza>

service quality and emotions. One respondent referred to building trust and other friendships and building a shared community. When asked whether companies differentiate between new and returning customers, the majority of respondents (60%) answered in the negative. There were several reasons. Either they didn't know how to do it. Ignorance played a role here. Some respondents saw no benefit or essentially considered it unnecessary due to minimal retention.

For the question on customer acquisition or retention, the answers were more varied. The majority of respondents (60%) admitted that all campaigns are acquisition based due to their lack of knowledge about implementing retention campaigns. The same number of respondents confirmed that acquisition campaigns are the main target, while retention campaigns are only sporadically run, also due to their poor results.

The respondents are primarily focused on customer acquisition, regardless of whether they have purchased in the past or not.

E-Loyalty, Its Perception and Consequences

The second set of questions focused on perceptions of loyalty and its consequences. Half of the respondents perceive loyalty as a very important factor (50%). However, this group of answers shows that respondents do not know the real impact of sales results on e-loyalty or consider it negligible; one respondent admitted that they did not know how to work with e-loyalty. Only one respondent sees any positives in being able to influence other potential customers through referrals. Also, 30% of respondents consider e-loyalty to be a key issue. They emphasize the impact on a substantial proportion of income, with one respondent admitting ignorance of the actual results.

We received a clear answer to the question of how customer e-loyalty manifests itself. All respondents (100%) perceive e-loyalty as repeat shopping. Only one of the respondents talked solely about purchases. For others, references and willingness to recommend products, love for the brand or promotion are also mentioned.

When asked whether respondents monitor loyalty in their e-stores, the majority of respondents (60%) answered in the affirmative. However, they cannot measure it. Only two respondents reported that approximately half of their customers are repeat purchasers. One said that a substantial proportion of customers are loyal, and another said that retention is minimal and that this does not match the company's expectations.

Determinants and Building E-Loyalty

Up to 80% of respondents agreed that e-loyalty is linked to customer satisfaction. They also associate it with trust, the nature of the products and service levels, the speed of delivery or the level of communication. They admit that emotions play a role here. However, only one respondent mentioned multiple determinants. Also,

60% of respondents try to satisfy customers; they consider this essential in building e-loyalty. Some emphasize maximizing service quality and customer service or loyalty programmes. Regarding the results of building e-loyalty, 60% of respondents were unable to express these results. Rather, they guess or rely on feelings. Only 40% of respondents offer unique products, the rest do not sell unique products.

So the question concerning building e-loyalty did not do well. Most respondents have no system or rules for building e-loyalty, no actions or relevant results. Other respondents already rely on feelings and don't know how to build on them. There were also references to emotions.

Discussion of Primary Research Results

The majority of respondents did not give a clear answer to the question on building customer relationships. They stated that they basically perceive customer relationship management to be based on customer satisfaction. Therefore, they try to maximize customer satisfaction in general and use emotions to do so. According to their answers, they consider this to be a fundamental pillar of relationship building. However, studies looking at this issue also have no clear view on this. Some research confirms a positive relationship between customer satisfaction and loyalty (Ahmad and Khan 2017; Jeon and Jeong 2017), but, at the same time, it is important to consider the findings of authors who state that due to customer heterogeneity, the relationship between satisfaction and e-loyalty may vary across customers (Fang et al. 2016). There are also opinions that loyalty cannot be clearly linked to customer satisfaction. Some studies show that even satisfied customers do not always buy from the retailer again (Hope and Player 2012). Some satisfied customers need a change at some point in their lives, and so they leave anyway. Storbacka and Lehtinen (2002) also point out that, purely theoretically, customer satisfaction can grow up to a certain point because the customer does not know what to expect. However, according to the authors, this is not true for long-term relationships. The second issue may be whether the customer can tolerate poor service quality before it is reflected in a change in behaviour. Practice shows that it is so. So the question is whether and how customer tolerance can be increased.

However, many authors consider customer satisfaction as a crucial factor for building long-term relationships and e-loyalty (Toufaily et al. 2013), but focusing only on satisfaction is insufficient (Faraoni et al. 2018). E-shop owners need to understand the deeper context of customer relationship management and the entire sales process. Relationship building starts before the purchase, when customers judge the quality of products and services and have certain expectations (Toufaily et al. 2013). A number of questions arise. How to work with customer expectations? How to guarantee a quality of service that leads to customer satisfaction. If there is a gap between customer expectations and perceived quality, it can lead to dissatisfaction, which in turn has a negative effect on e-loyalty (Valvi and Fragkos 2012; Rust et al. 1995; Prasetya et al. 2021). Many authors emphasize service quality and emotion, which they consider a positive determinant of customer e-loyalty. Thus,

they perceive not only the offer of products and services but the whole process of selling and providing services to the customer, which is related to relationship marketing (Burnham et al. 2003; Kotler et al. 2016; Rust et al. 1995). Current studies point to the importance of the emotional aspect and the emotional connection with the customer that is characteristic of attitudinal e-loyalty, as already mentioned in the theoretical discussion (Liang et al., 2008; Toufaily et al. 2013). It turns out that most respondents do not distinguish between new and returning customers. Some don't know how to do it. Others find it unhelpful. It can also be assumed that most respondents do not segment their customers and do not adequately research their needs. Therefore, they do not know their customer base and key customers. In the long run, this may negatively affect the success of the e-shop in the long run as their marketing activities do not seem to include systematic segmentation, targeting and positioning, which would help to separate acquisition and retention campaigns. Studies also confirm that building customer relationships leading to e-shop loyalty must be based on the strategic setup of data-driven acquisition and retention campaigns, as reported, for example, by Tripathi (2014). Otherwise, all marketing activities may be ineffective. Customer relationship building will not be targeted at specific audiences. Thus, firms' marketing efforts may not lead to actual increases in e-loyalty and may ultimately be loss-making (Reinartz and Kumar 2002; Hope and Player 2012; Tripathi 2014). Knowledge of new and returning customers and the customer base can be considered essential to assess and evaluate customer e-loyalty. PriceWise's study of e-shops in the Czech Republic also confirmed that a significant number of respondents admitted that they didn't really know why customers return to them and buy repeatedly. This came as a surprise to the authors of the study. Also, 47% had just a certain feeling as to why this was the case, 12% not at all. However, only 21% of respondents reported a serious approach based on regular data analysis and customer research (Fáborský 2020). Knowing the customer cannot be done without regularity. Regularity is essential. In the framework of CRM architecture there is an analytical part, which then influences the strategic, operational and collaborative parts of CRM, which, at the same time, are involved in creating value for the customer, as discussed in the theory. A sophisticated value system (quality of service, product, process) that appeals to the customer is important. As found in this research, the majority of respondents are implementing acquisition campaigns either due to lack of knowledge about effective retention campaigns, or they are implementing them, but only to a minimum degree. Related to this problem is the cost of acquiring one customer. The PriceWise study confirms that more than 60% of their respondents are focused on acquisition campaigns. This raises the question of whether retention campaigns are worthwhile at all. Of course it is. A company that doesn't have retention campaigns ultimately pays for this by not having repeat customers. Interestingly, large e-commerce companies pay much more attention to retention. In total, 42% of them were SMEs compared to 33% (Fáborský 2020). In our sample, these were mainly micro- and small enterprises.

E-Loyalty, Its Perception and Consequences

Most respondents perceived e-loyalty as very important. This view is consistent with the views of authors who consider loyalty/e-loyalty as a key factor in firm success (Reichheld 2001; Day 2000; Srinivasan et al. 2002; Zeithaml et al. 2002; Yen 2011; Valvi and Fragkos 2012; Toufaily et al. 2013; Rust et al. 1995). All respondents associate e-loyalty behaviour with repeat e-shopping. Some respondents also valued customer referrals to other customers, preference over competing offers and emotional attachment to the brand.

Experts dealing with this issue point to other benefits of e-loyal behaviour. Price sensitivity is reduced (Reinartz and Kumar 2002). Customers are willing to spend more money (Srinivasan et al. 2002) and are more tolerant of shortages (Rust et al. 1995). An interesting finding is the fact that most of our respondents cannot reliably measure customer behaviour, even though their e-shops automatically collect and report this data directly in the e-shop administration. The implication of this is that most respondents do not know the true implications of their customers' loyalty. This leads to a decrease in the likelihood that e-commerce marketing activities will be effective as data is the key to properly assessing the situation and making strategic decisions (Rust et al. 1995). The research results show that e-shops do not implement their activities based on data, which practically means a reduction in their chances of long-term and consistent profitability (Hope and Player 2012). The e-shops interviewed also do not know the real consequences of e-loyalty and, therefore, cannot define its impact on business results. The question is: How would they behave if they had a better understanding of e-loyalty and knew its real impact on e-commerce? While expert studies have confirmed many of the potential benefits of e-loyalty listed above, there is also evidence that building e-loyalty may have no or even a negative impact on profitability, if not supported by data (Meyer-Waarden and Benavent 2005; Sharp et al. 2017). However, respondents are not familiar with them because they do not analyse the data sufficiently and do not have sufficient knowledge of the issue, which is one of the key findings of the research.

Determinants and Building E-Loyalty

When it comes to the factors that influence e-loyalty, most respondents emphasized customer satisfaction, and many experts agree (Bhattacharjee 2001; Chiou, 2004; Goode and Harris 2004; Flavián et al. 2006; Valvi and Fragkos 2012). Less mention is made of emotions or quality of service. Although quality is related to customer value, customer expectations and therefore customer satisfaction. A number of authors emphasize emotion (Reichheld 2001; Zeithaml et al. 2002; Li et al. 2015; Kaya et al. 2019). They consider emotional attachment to be a very important factor manifested in attitudinal loyalty. E-loyalty programmes were also discussed during the interviews.

None of the respondents have a systematic approach to building customer e-loyalty in their company, and if they implement certain marketing activities, they are irregular and random. Loyalty is built in a rather intuitive manner.

A number of experts (Reichheld 2001; Srinivasan et al. 2002; Abu-Alhaija et al. 2018; Prasetya et al. 2021) point to the complexity of the system of building long-term relationships and a clear plan; otherwise, there is little chance of building these relationships successfully.

A common feature may be the perception of customer relationships and e-loyalty as important factors for the success of an e-shop, but they don't know how to do it.

Scientific studies offer frameworks for building e-loyalty, including its manifestations, determinants and consequences. These could be useful for the e-shops interviewed and at least help them to better understand e-loyalty issues (Valvi and Fragkos 2012; Toufaily et al. 2013; Kaya et al. 2019). The authors' attention was also drawn to the relationship between the availability of products in competing e-shops and perceived e-loyalty. All respondents who sell products, which are not available from competitors, register e-loyalty behaviour, at least as an estimate. However, it should be added that this is not supported by any empirical data. Some previous studies have addressed this (Suhartanto et al. 2018; Hsu et al. 2018) and confirmed a direct positive correlation. However, none of these studies worked with empirical data from the e-commerce market.

The aim of the qualitative research was to explore the perception of e-loyalty by owners of e-shops operating on the Czech B2C market. E-shops operated by the selected respondents showed similar average annual turnover. Except for two e-shops, all e-shops were built on so-called box solutions and most of them on the most widespread Czech platform Shoptet. Most of the respondents were in the fashion industry and sold clothing. Most of the respondents did not have a marketing background. They all draw information from similar sources, but no one uses scientific studies. It can be concluded that the reserves in building relationships with customers are also a reflection of a certain ignorance and lack of education or irrelevant information, which is reflected in business activities and e-shop development.

Respondents did not respond clearly to the question of whether they build relationships with customers. As many as 80% of them emphasized maximizing customer satisfaction, whilst it is known that there are also opinions that customer satisfaction may not always be the deciding factor. It is also surprising that they do not differentiate between new and returning customers, even though they have the software to do so. They are not using the potential of their e-commerce solution. A common feature of respondents' answers is the perception of customer loyalty as one of the key factors of their success. Yet they are ignorant of both the theoretical knowledge in the field and the actual impact on business results. The existing gap between theory and actual practice can thus be a barrier to the successful development of online business and using the potential of e-loyalty.

One of the key findings is that e-shops that offer a product that customers cannot purchase from competing e-shops show increased customer retention rates. It should be added, however, that this retention is not supported by relevant data, but is rather

an estimate of customer behaviour. This finding is very interesting. There is room for exploring the relationship between product uniqueness and e-loyalty, which evokes the following assumption: 'E-shops that offer unique and distinctive products may experience higher retention rates, which will positively affect customer loyalty than e-shops offering commonly available products.'

There are already studies that have shown that product uniqueness has a positive effect on increasing the level of attitudinal and behavioural loyalty/e-loyalty (Halim 2006; Hsu et al. 2018; Su and Chang 2018). In the Czech B2C e-commerce market such a study has yet to be conducted. In order to confirm or refute this assumption, it will be necessary to conduct quantitative research including data on customer purchasing behaviour on the Czech market. Other assumptions or hypotheses may relate to the knowledge or perception of e-loyalty by respondents, as well as the use of e-shop platforms, etc. Subsequent research could contribute to furthering knowledge in this direction and the practical use of building customer relationships, which is very challenging in today's highly competitive environment. Recently, the pandemic situation has led to an increase in online customer purchases, which has contributed to the digitalization of sales, but also to further competition for customers. Only thoughtful relationship building and offering value to customers can guarantee success in the marketplace.

In order to ensure the highest possible effectiveness of marketing activities, e-loyalty should be systematically built from the pre-sales phase, when the customer forms their needs and has certain expectations. It should ensure adequate quality of products and services, which in turn leads to increased customer satisfaction and, according to the available literature, leads to e-loyalty. E-shops should also segment customers so that they know their customer base and are able to respond to customer needs and enhance their relationship with the e-shop. Getting to know the customer base should lead at least to a differentiation of new and existing customers (loyal and disloyal) and subsequently to the differentiation of acquisition and retention campaigns. The survey found significant gaps in e-loyalty and data analytics knowledge among all respondents in these SMEs. If an e-shop can remove them, it can gain a significant competitive advantage, as can be seen in practice with some well-known e-commerce companies such as Datart.⁴

The limitations of the research include the sample size of respondents, which is not representative as it was a preliminary research. Another limitation is the category of products offered by the e-shops, where most of the respondents fall into the fashion/sport category and all of them also belong to micro- and small companies, based on the number of employees. Perhaps the most significant limitation is the fact that respondents' answers were based on their own perceptions, which may be biased by a lack of knowledge of the real data; the inclusion of hard data will be key to the results having greater predictive value. The literature search also revealed a lack of literature focused on e-loyalty in Czech e-commerce, which motivates the

⁴Mikoško, Retail Summit 2020.

authors to further explore this issue and creates the potential for discovering new insights.

Conclusion

This chapter dealt with the issue of customer loyalty in the e-commerce environment. The theoretical background focused on building and strengthening e-loyalty, that is, loyalty in the online environment. Acquiring customers on the Internet is no cheap matter. If these customers do not buy repeatedly over the years, companies will not meet their profit targets. Companies should work on the creative potential of the web to use the value created to appeal to the customer. If the rules of loyalty and its monitoring are not set, even the best-designed e-commerce model can collapse.⁵

To support the theoretical background, the authors conducted two researches, namely, secondary research in e-shops and primary research focused on e-shop owners. Secondary research analysed data from Google Analytics on customer buying behaviour important for building e-loyalty. The results of the secondary research showed that customer e-loyalty was not found to be a significant factor in increasing the number of purchases and sales on the Czech or international e-commerce market. It is also necessary to add that the studies included in the discussion are primarily based on research data obtained through questionnaires, after which the authors processed empirical data from e-shops describing customer shopping behaviour. The primary research, which was more of a qualitative research, focused on the perception of e-loyalty by owners of e-shops operating on the Czech B2C market. It was found that as many as 80% of respondents emphasized maximizing customer satisfaction, whilst it is known that there are also opinions that customer satisfaction may not always be critical. It is also surprising that they do not differentiate between new and returning customers, even though they have the software to do so. They are not using the potential of their e-commerce solution. A common feature of respondents' answers is the perception of customer loyalty as one of the key factors of their success.

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⁵Closer *Loyalty rules*. [online]. [seen. 25. August 2021]. Available from <https://www.bain.com/insights/loyalty-rules-how-todays-leaders-build-lasting-relationships/>

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Chapter 4

Online Sales of Regional Brands



Ondřej Mikšík and Halina Starzyczná

Abstract The aim of the chapter is to evaluate the results of qualitative research conducted among regional e-commerce firms. The chapter begins by characterizing the current state of knowledge, which focuses on regional branding in the Czech Republic using the VOSviewer and historical methods. Concepts from the literature sources dealing with branding and regional branding are visualized, and then authors who deal with branding and regional branding are visualized. The empirical section describes the methodology of the primary qualitative research concerning the object and subject of the research and the respondent sample. The research questions have been formulated. In the evaluation of the content analysis, it was found that the e-shop and its implementation have a positive effect for regional companies. Regional firms are introducing e-shopping because of business growth and development, interest in increasing sales and also in response to the circumstances surrounding the COVID-19 pandemic. In terms of loyalty, this is perceived as positive and important by managers of regional firms, but half of them do not evaluate repeat purchases and more than half of the respondents do not conduct satisfaction surveys. This is, therefore, an area on which regional firms could work more.

Keywords Brand · Regional brands · Regional products · e-Commerce

Introduction

The regions produce interesting products that have special characteristics influenced by the natural wealth, culture and rich traditions of the people who have lived in the region for centuries. The regions of the Czech Republic have their own unique character. The range of regional products is quite rich. The products produced can be

O. Mikšík · H. Starzyczná (✉)

School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

e-mail: starzyczna@opf.slu.cz

awarded the regional brand label, which is awarded by the Association of Regional Brands. The designation is awarded on the basis of established rules. These include, in particular, the origin of the product, its ecological characteristics and its regional uniqueness. Regional labels are characterized by their uniform visual style. Regional branding material states that the official sales outlets for regional labels are mainly tourist information centres, museum outlets and hotels. Regional products are also offered in smaller shops or in the shops of the producers themselves, at fairs, markets and pilgrimages. The sale of regional brands in e-commerce seems to be more of a vision of the future. During the pandemic there were some market and travel restrictions. The COVID-19 pandemic contributed to the digitalization of the market and sales. There has been a greater consumer interest in the e-commerce offer. Has this also affected regional products? What is the situation there?

So far, these brands have worked very well in the context of tourism and tourism development. However, this is not the case in the current pandemic situation due to the aforementioned travel restrictions. However, the COVID-19 pandemic has accelerated the digitalization of sales and increased consumer interest in e-commerce offerings.

Small- and medium-sized enterprises (SMEs), which are often characterized by their unique product offerings, are also involved in selling regional products. These are not always regional brands. SMEs also have an original relationship with their customers. The behaviour of SMEs in the online environment and in offering regional brands is one of our research areas focused on regional product labelling. How SMEs perform in the online environment and how they participate in offering regional brands is our focus.

The aim of the chapter is to characterize the research results on selected areas of regional product labelling and related customer loyalty. The object of the research was small- and medium-sized enterprises in the Moravian–Silesian Region selling regional products and operating in e-commerce. The subject of the research is broader. The chapter first deals with the current state of knowledge. The theoretical background is focused on professional literature and studies oriented on regional branding. The VOSviewer method was applied to specify selected terms that are included in the publications. The use of the method allowed to find out what attention has been paid to this issue in professional publications so far. Both VOSviewer method and historical method are used in the theoretical discussion. The empirical research involves primary qualitative research. This is qualitative research focusing on SMEs operating e-commerce businesses, including regional brands. The research focuses on the business strategy, the establishment of e-stores, the nature of the offerings, as well as customer loyalty and performance of the businesses.

Theoretical Framework of Regional Brands

At the beginning of the research activity it was necessary to evaluate the current state of knowledge of this issue and assess the situation in the field of regional branding and regional brands in the current market conditions based on the frequency of occurrence of the subject of research in the scientific literature. The starting point was a brief theoretical discussion focusing on regional brands, small- and medium-sized business and e-commerce. To complement the brief theoretical discussion, taking into account different sources, a citation analysis was also used, but it focused only on scientific journals in Web of Science databases.

VOSviewer Method Application

VOSviewer software is used to create scientific bibliometric maps that capture the occurrence of a given concept (category) in research papers. We are talking about the visualization that the VOSviewer software creates automatically based on the import of input data files. Based on the strength of the links between categories, the software automatically calculates their position in a two-dimensional cartesian space and calculates their size (weight) and the interrelationships (their length and strength) between all other categories. These categories then represent the individual points in the resulting visualization. Secondly, these points (categories, classifications) are assembled into colour clusters based on common properties (Němečková and Vavříková 2013). The size of the cluster indicates the number of occurrences of the given words. The colour shows the average influence of publications. The colour scale is from blue, showing the lowest citation impact, to red, showing the highest citation impact. VOSviewer software should be used to process maps that contain at least a moderate number of items (e.g. at least 100 items). Van Eck and Waltman (2010) point out that most programs used for bibliometric mapping do not provide a sufficient display. The chapter authors worked with a file that was larger than 100 items. Thus, they considered VOSviewer software to be appropriate because it provides the ability to visualize objects of study located some distance apart. The distance between concepts expresses the strength of the link between them. A small distance between concepts is explained by a strong bond between the concepts under investigation and vice versa. The software only works with documents that are in the English language (Van Eck and Waltman 2011).

Four bibliometric maps were created. Two maps were produced for each concept brand and regional brand. When examining the concept brand, 365 articles from the Web of Science database were examined, and the same was the case for the regional brand. The examined period covered the years 2011–2021. For the authors of the bibliometric maps, examples of publications dealing with the examined issue were given.

Brand as a Key Concept

There are many definitions of brand in the literature. For example, the American Marketing Association (AMA) defines a brand as ‘a name, term, designation, symbol, and design, or a combination of these terms, used to identify products and services provided by one or more sellers’. A brand enables competitive differentiation. Many marketing experts agree with this perception of brand (Kotler and Keller 2016; Burrow 2021). Burrow (2021) further emphasizes the uniqueness of the name, symbol and design that identifies not only the product, service but also the business. Already in 2007, however, Keller reminded that practitioners are of the opinion that a brand is something more. They define it as something that has already penetrated the human consciousness and has an important position in the commercial sphere. The AMA definition is associated with brand with a small ‘z’ and the managers’ definition with brand with a capital ‘Z’.

A brand has value. Kotler and Keller (2013) emphasize that brands are one of the most valuable intangible assets of a business. In practical terms, this means that businesses need to plan and implement marketing activities that enable brand value to be increased and maximized. Brand positioning is important in the strategic brand management process. Brand value is linked to the consumer’s mindset, their relationship with the brand and price. The brand’s market share and economic contribution (turnover, profitability) are important. The consumer reacts to the brand in a certain way, whether or not he is aware of it. Brand preferences are the focus of many businesses and researchers.

Figure 4.1 shows a visualization of the concept of brand using a bibliometric map. Using VOSviewer, 5830 phrases occurring in at least 10 publications were searched using the keyword ‘brand’. The map in Fig. 4.1 is made up of 99 terms that met this criterion. Overall, the map shows four clusters, each depicted in a different colour. Furthermore, the map in Fig. 4.1 contains a total of 3089 connections and the total strength of all connections is 7373.

The main keywords found in each cluster include the following: **value, brand experience, brand trust, brand image, equity, attitude and perception of a branding.**

The bibliometric map in Fig. 4.1 shows that the concept of value is located in the centre of the map and is linked to many other concepts—it has a total of 98 links and the total strength of all links is 784. The tag has a value. As already mentioned, it is one of the most valuable intangible assets of a company according to Kotler and Keller (2013).

In addition to all of the keywords already listed, the concept of value is also associated with, for example, time (strength of connection is 10), benefit (strength of connection 9), service (strength of connection 6), management (strength of connection 11), development (strength of connection 13), brand image (strength of connection 13), etc. Other concepts mentioned have their place in the literature. Value has the strongest links with brand personality (strength of link 25), equity (strength of link 20), perception (strength of link 19), brand manager (strength of link 18),

Concept of the Regional Brand

In a globalizing market, the opposite trend to its characteristic unification is also occurring. There is an increase in regional brands (Vysekalová and Mikeš 2010). Regional brands represent a specific quality that is influenced primarily by the place of origin of their creation. These brands are created by local producers, craftsmen and farmers. They are often small- and medium-sized enterprises or even micro enterprises. Regional labels are also important in that they enable various forms of cooperation between local businesses and public authorities or nature conservation bodies.

Local production and consumption is promoted in the interest of environmental protection and expanded with regard to the sustainability of tourism (Stoklasa et al. 2014). The response of regional companies was not always optimistic as businesses did not perceive the actual benefits gained by the regional brand very optimistically. On the contrary, some disappointment was noted, especially with the increase in cooperation with other companies or gaining a competitive advantage. The effects related to personal recognition, increased prestige of the businesses and promotion were the most highly rated.

Regional brands and regional branding have been studied by scholars all over the world and in different parts of the world in studies reported in various journals. Let us take some examples. In Scandinavia, for example, the development of regional brands is addressed by Cassinger and Eksell (2017). Their qualitative research has enabled them to arrive at some step-by-step suggestions for changes in regional brand planning. Coe (2019) looks at regional brands, particularly in Southern Africa and Southeast Asia. He highlights their importance within the international environment in terms of the region's influence and the region's ability to raise resources from investors and donors or to cooperate with each other. The effectiveness of brands in Russian regions has been discussed by Illarionov and Makarov (2018). The authors linked brand development to the quality of governance of regional authorities. As a result of their research, they explored ways to apply project-based approaches to regional brand management and proposed a model of the structural role of the regional project. Their conceptual framework for the research assumes a division between marketing and management aspects of regional branding. According to their evaluation, this allows to clarify the contradiction between high methodological provision, on the one hand, and numerous failures in brand development in Russian regions, on the other hand. This allowed them to define the direction of further development of the methodology. The development of regional brands from the perspective of public administration was also discussed by Lu et al. (2020) in the context of the Chinese market, where the regional brand is sometimes the result of public authorities rather than a consequence of historical development linked to the experiences of citizens in a given place.

There are studies that focus on customer attitudes towards regional brands. The results of the studies cover a longer period, which is useful to assess development trends. A study by Pícha and Skořepa (2011) can be mentioned, who presented

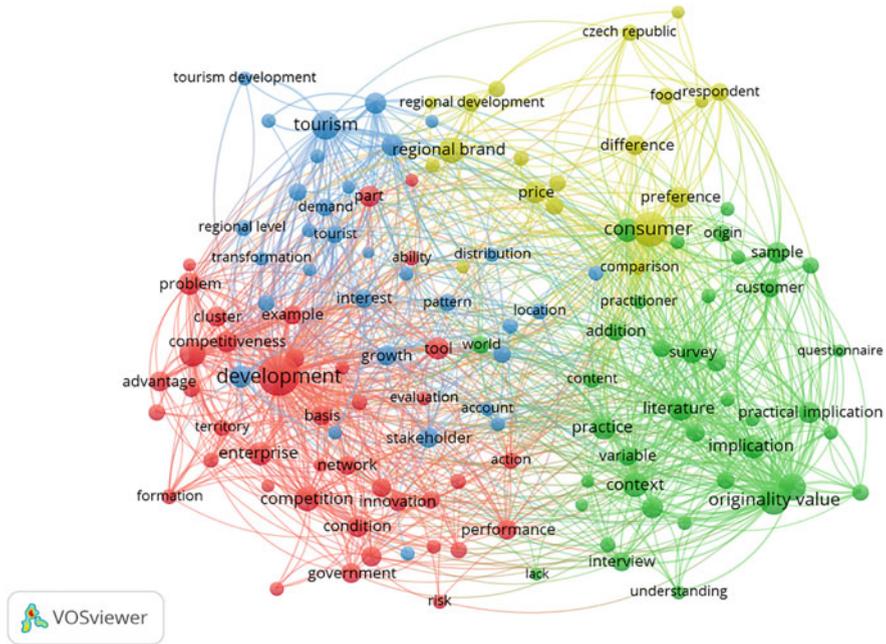


Fig. 4.2 Visualization of regional brand concepts (Source: Authors’ work using VOSviewer software)

research results from 2003 to 2010. This study confirms the growing consumer preference for regional products in the Czech Republic, as well as consumers’ perception of the improved quality of local and regional products. A significant proportion of consumers preferred regional brands and were interested in their quality and composition. Also, Margarisová et al. (2018) analysed selected indicators related to the purchase of regional products in the Czech Republic. The study monitored the specific region of Bohemian Paradise. Most often, respondents associated regional brands with tangible products, especially food and agricultural products with a certain tradition. Awareness of the regional brands of the studied region was 46%. On the other hand, some studies point to the manifestation of a lower degree of consumer perception of regional brands for agricultural products, which makes it more difficult to establish the brand. Models for regional branding are being sought. Various factors affecting the successful development of brands are being investigated. Researchers assess and evaluate the historical aspects of regional brands. Household behaviour is examined. The potential of developing regional agricultural product brands in an online environment is also assessed (Yu et al. 2018).

The visualization of the concept of regional brand in the citation analysis mentioned above is shown in the bibliometric map in Fig. 4.2, for which the program compared 9389 phrases occurring in at least 10 publications in the field of regional

branding. On the basis of these criteria, the program produced a map containing 130 entries. The map consists of 4 clusters and 6161 links, and the total strength of all links is 14,817.

The most important keywords are shown in four clusters: **development, originality value, and consumer and tourism.**

Development, which is the most prominent concept (it has 128 links, the total strength of all its links is 966, and it appears in the publications studied a 114 times), is linked to all the other clusters, and in addition it is also linked to concepts such as growth (strength of 9 links), interest (strength of 9 links), enterprise (strength of 21 links), network (strength of 5 links), economy (strength of 28 links), advantage (strength of 13 links), etc. The concept of originality value is most closely associated with practical implication (strength of link 26), implication (strength of link 14), context (strength of link 14) and practice (strength of link 10). On the other hand, this concept is not associated at all with, for example, economy and price. The concept consumer is most closely associated with the following concepts: preference (strength of association 15), origin (strength of association 8), difference (strength of association 8), price (strength of association 17) and sample (strength of association 11). The latter, tourism, is most closely related to regional brand (link strength 5), destination (link strength 19), demand (link strength 7), sustainable development (link strength 6), culture (link strength 12), local community (link strength 5) and form (link strength 7). Development has the strongest links with tourism (link strength 25), economy (link strength 28), consumer (link strength 18), example (link strength 11), price (link strength 6), regional brand (link strength 14) and regional development (link strength 12).

It can be concluded that the bibliometric maps in Figs. 4.1 and 4.2 are linked by the concept of value. The difference is that the value is more specific for the regional mark. What does this mean? A regional brand is perceived as something original. This original value means the uniqueness of the product. This corresponds to what has already been discussed in the introductory part of the chapter. The authors mentioned the uniqueness of the regional label, indicating its special origin and local cultural traditions. A regional brand thus brings regional value to consumers. Specifically, it can be, for example, regional foodstuffs that are made from natural ingredients. Consumers may find these regional foods more valuable and are willing to spend more money on them.

Authors Dealing with Branding and Regional Branding in the Web of Science Database

The bibliometric map in Fig. 4.3 shows the 17 authors who deal with the issue of tags in the database under study. The main cluster is represented by author Mohan, who is one of the frequently cited authors. Mohan's publications focus on brand, more specifically brand strategy, but also regional brands and local brands (Mohan et al.

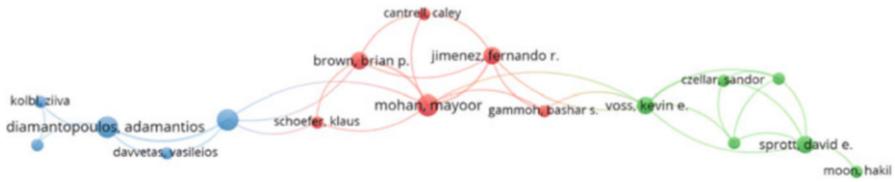


Fig. 4.3 Visualization of the frequency of authors dealing with the brand (Source: Authors’ work using VOSviewer software)

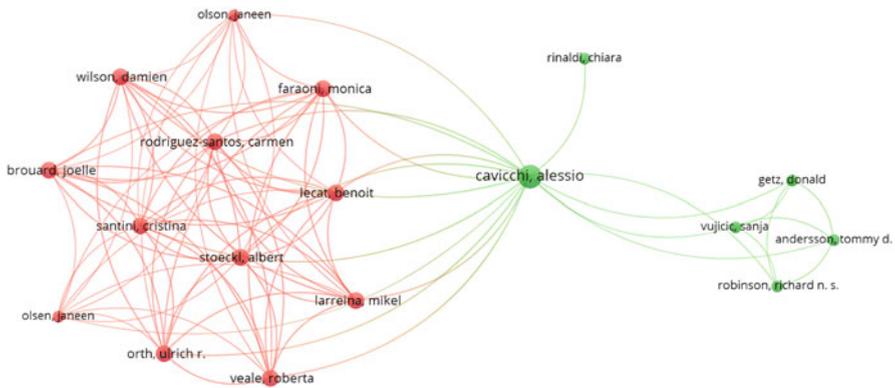


Fig. 4.4 Visualization of authors working on the regional brand (Source: Authors’ work using VOSviewer software)

2018). Among other things, he also deals with B2B strategy or innovation strategy as a co-author. As another co-author to Mohan, one can include Voss, who focuses on brand relatedness and research methods (Voss and Mohan 2016).

In addition to these mentioned authors, other prominent authors can be included in the map, such as Brown et al. (2011), who, like Mohan, focuses on the B2B market and brand strategy. Furthermore, this includes Sprott (Hermann et al. 2013; Muehling et al. 2014), who focuses in his publications on the marketing of the issue under study, user psychology, etc. Diamantopoulos is also a prominent author (e.g. Koschate-Fischer et al. 2012).

Figure 4.4 shows a visualization of the co-authors’ work on regional branding. The bibliometric map contains 18 authors in two clusters. Cavicchi can be identified as the most prominent author (Tomasi et al. 2020). Cavicchi has the strongest links with 10 other authors. For example, we can mention Lecat (Orth et al. 2012; Pelet and Lecat 2014), who deals with luxury goods and marketing in wine sales. Stöckl (Cavichi et al. 2012; Orth et al. 2012; Orth and Stöckl 2013; Stöckl 2015), who focuses on tourism, gastronomy or customer satisfaction, is among others. Faraoni (Faraoni et al. 2019) focuses his research activities on e-sales and tourism. In addition, she has produced several scientific papers in which she has dealt with

organic products and also with wine sales. Santini has also dealt with wine, besides sustainable development and entrepreneurship, and like the previous co-authors (Aleffi et al. 2020). In some of her contributions she combines tourism with gastronomy.

The last co-author that can be mentioned is Orth and Wirtz (2014), who focuses on, for example, customer psychology, consumer behaviour and retail, among others. Many of these authors also have a common direction for their publications in the field of wine and wine marketing in the sale of wine, which strongly corresponds to the regional brand.

E-Commerce and SME and Regional Brands

E-commerce can be considered a phenomenon of the times, and this can be said even without considering the current pandemic, which has further accelerated the processes of digitalization of sales and services, not only in the Czech Republic but all over the world (Mikšík and Starzyczná 2021). Kotler et al. (2016) point out the productivity growth in the digital world in the context of Marketing 4.0, which is also characterized by the humanization of sales, brand humanization and multi-channel marketing.

New and progressive business models can be used in the e-commerce environment. Entrepreneurs, especially SMEs, have the opportunity to access new markets, both domestic and foreign. A study in the V4 countries has clearly shown that digitalization and technological advancement is an important attribute for SMEs. They can reach customers they have not been able to reach before. While it is widely known that SMEs are close to their customers, they can get to know them even better and identify their economic potential. It also offers the opportunity to better reach the younger generation, who are closer to the technological advances of the time. Technological advances in goods distribution and logistics are expanding the market and enabling almost every business to operate on a global scale. This can also be true for smaller and locally oriented businesses.

Studies confirm that small- and medium-sized enterprises are also implementing e-commerce. They are looking for new ways to create added value. Their biggest problem in this form of business, apart from financial barriers, is their product range, which does not always meet the needs of e-commerce (Savrul et al. 2014). This can also apply to regional products and their potential sale in e-stores.

Researchers study the benefits and barriers of e-commerce, often for SMEs. If brands are important in the regions, businesses can invest in sales. A study on East Asian SMEs confirmed that brand and corporate image are the most important benefits of e-commerce (Jahanshahi et al. 2013). The biggest barrier to e-commerce is security concerns. Finally, this is also mentioned in the study of Savrul et al. (2014), but this is a barrier that applies generally.

E-commerce is not just the domain of the global market, although there are large dominant markets. It can also be beneficial for local businesses that operate in a more

limited space. A German study (Hildebrandt 2015) focused on the use of local e-commerce in the sale of bakery goods. The study confirmed optimal revenue growth, higher efficiency, customer satisfaction and brand loyalty. The retailers combined physical and digital distribution channels in selling fresh bakery goods. The researchers explored the extension of the product range to other assortments. Subsequent research should follow this line of inquiry, identifying cultural differences in consumer behaviour that reflect the traditions and customs of specific regions and local living conditions. These findings have been confirmed by the work of other researchers (Zhang et al. 2011; Heinemann et al. 2013; Niranjanamurthy et al. 2013).

Therefore, selling regional SME products in an online environment is also the focus of our qualitative research.

Research: SME Selling Goods Online and Using Regional Brands

In order to confirm the theoretical assumptions, a qualitative primary research was conducted, which is in the nature of a preliminary research that would specify the further direction of the research.

Primary Qualitative Research Methodology

Disman (2000, p. 285) defines qualitative research as ‘non-numerical inquiry and interpretation of social reality. Its aim is to uncover the meaning underlying the information communicated’. According to Olecká and Ivanová (2010), the aim of qualitative research is to understand a social situation and develop a theory based on the results of the study. Qualitative research, unlike quantitative research, explores the issue in depth. If we do not have enough information about the issue and we need to understand it, it is appropriate to use qualitative research (Olecká and Ivanová 2010).

The qualitative research was conducted as part of the SGS project and served as a pre-survey. The method used was a questionnaire interview technique. Specifically, it was a structured interview. Respondents were asked identification and factual questions. The factual questions were evaluated based on content analysis.

Content analysis allows comparing the occurrence of certain features in the respondents’ answers and looking for commonalities and intersection in the answers. Although content analysis relies on a quantitative mode of inquiry, qualitative aspects are included.

Research Object and Respondent Sample

The surveyed subjects were small entrepreneurs and small- and medium-sized enterprises (SMEs) that produce regional products and one or more of these products is awarded a regional label (regional certificate) by the Association of Regional Labels (ARZ). The ARZ is responsible for 29 regions and a total of 30 regional labels. At the same time, these entrepreneurs/businesses run an e-shop. Prior to the actual qualitative research, a database of regional entrepreneurs and e-commerce companies was compiled using the ARZ web portal. The database contained 81 regional e-commerce firms.

A total of 81 respondents were contacted from the pre-compiled database. These were contacted first by email, with those willing to participate in the research being contacted by telephone to arrange an interview date. The telephone interview was chosen for two main reasons—the enterprises are located in different regions of the Czech Republic and it was also not possible to visit the enterprises for pandemic reasons. As the enterprises were initially not very willing to participate in the research, the sign managers were contacted and with their help the enterprises were contacted again and asked to participate in the research.

Ten respondents participated in the pre-survey. These were regional businesses (from different regions as divided by the Regional Brands Association) running an e-shop. Identification questions were asked at the beginning, which took the form of closed questions with the possibility of choosing one answer. The remaining questions were open-ended. An overview of the identification questions serves to characterize the respondent sample and is presented in Table 4.1.

Table 4.1 shows that only four respondents (40%) have been running an e-shop since the establishment of the business. In terms of the length of time they have been running an e-shop, these are mostly businesses that have been running an e-commerce for more than 1 year. However, there are two respondents in the sample who have been running an e-shop for a shorter period of time, up to 1 year. One of these respondents was forced to set up an e-shop due to the COVID-19 disease pandemic. The third identification question shows that the sample of respondents can be classified as small and medium enterprises based on the number of employees. This is also suggested by the last identification question which shows that 80% of the respondents were direct business owners—entrepreneurs with up to 10 employees (micro enterprises).

Research Subject and Research Questions

The subject of the qualitative research was to find out how the introduction of e-shop has affected regional businesses. Respondents were asked 26 questions, of which 4 were closed-ended multiple choice questions (identification questions) and 22 were open-ended. The research questions for the qualitative research were as follows:

Table 4.1 Characteristics of the respondent sample

Respondent	E-shop since the beginning of the business (established with this purpose)	Length of time the e-shop has been in operation	Number of employees	Position in the company
1	No	1–5 years	<10	Business owner (entrepreneur without employees)
2	No	Within 1 year (based on COVID-19)	<10	Business owner (entrepreneur without employees)
3	Yes	6–10 years	<10	Business owner (entrepreneur with 1–10 employees)
4	Yes	1–5 years	<10	Business owner (entrepreneur with 1–10 employees)
5	No	6–10 years	<10	Manager (in a company with 1–10 employees)
6	No	Within 1 year (COVID-19 had no effect)	<10	Business owner (entrepreneur without employees)
7	No	1–5 years	<10	Business owner (entrepreneur without employees)
8	No	11–20 years	More than 10 but up to maximum of 50	Manager (in a company with up to 50 employees)
9	Yes	6–10 years	<10	Business owner (entrepreneur with 1–10 employees)
10	Yes	1–5 years	<10	Business owner (entrepreneur with 1–10 employees)

Source: Authors' works

Q1: What impact has the introduction of an e-shop had on the company?

Q2: Why do businesses with regional products set up an e-shop?

Q3: How do businesses with regional products operating an e-shop approach customer loyalty and customer relationships?

Analysis of Research Results of Regional Companies in E-Commerce

The answers to the research questions were provided by the content analysis that was used to evaluate the qualitative research, and these answers are mentioned in the discussion section of the chapter.

Business Strategy and Setting Up an E-Shop, Changes in the Sales Process

The identification questions were followed by a set of questions focusing on business strategy and e-shop set-up, changes in e-shop process assurance.

When asked whether respondents use a customer relationship management system in their company, 70% said that they do not use a customer relationship management system. Most of these admitted that they do not have sufficient resources, especially staff (30%). There was also the opinion that they do not have the time or do not consider this system important. A third of respondents confirmed that they try to use a customer relationship management system, but rather in the simpler form of contacting them.

When asked when and for what reasons businesses started using e-commerce, 40% of businesses confirmed the existence of e-sales since the beginning. However, there were also enterprises that first set up an e-shop and then built up a business. However, the majority of enterprises (60%) started using e-shop later after the establishment of the company. The main reason was to increase sales. Two factors played a role for the companies that decided to set up an e-shop later. The majority of the companies wanted to boost sales, and some companies were forced to set up e-shop due to the COVID-19 pandemic. The other question was asked to find out why the companies decided to set up e-shop later, after the establishment of the company. One-fifth of the firms gave the reason for this as promoting sales. Responses included the view that there was no reason to do so, or they were responding to competitors and customers and saw it as the future or crossing regional boundaries. When asked whether businesses had to change their business strategy in any way because of the introduction of e-commerce, 80% of respondents said that there was no need to change strategy because of e-commerce, and one respondent even mentioned that they had no strategy at all. Only one respondent admitted that initially they only wanted to trade on the B2B market and resell raw materials to other companies. However, there was no interest in this, so they switched to the B2C market, started to sell through the e-shop and in stores, and gradually added the B2B market. So he had to adjust the strategy. The penultimate question in this set asked whether respondents were considering upgrading their e-shop in the near future. Seventy percent of respondents said they would like to improve the e-shop in the near future. A third answered in the negative. The reason was satisfaction with the current state or lack of funds and time. Most of the companies that answered positively cited various solutions. Some companies want to make the e-shop clearer,

others want to expand the range of goods and product documentation. One company combines two domains with a more modern domain that has a better template. One respondent said they do everything themselves and make adjustments gradually as they learn and deepen their knowledge in this way of doing business online. One company is not happy with the way they have it set up currently. They had a student set up the e-shop, but they think it was probably not a good idea, they don't see any effect (the e-shop has been in operation for about a year so far, author's note). This company said that they are thinking about working with professionals.

The last question in this set of questions asked whether businesses had to change their delivery system because of the COVID-19 pandemic. Only a third of the respondents admitted to some change in business strategy, with 70% answering in the negative. Although the main answer to this question was yes/no, the more detailed responses were very varied. Some businesses were already using various carriers such as ČP, PPL and mail order companies to deliver products to customers and therefore did not need to fundamentally change the delivery of goods. However, before the pandemic, some enterprises mainly used personal collection, either at the shop, at home, at the factory, etc. It depended on the size of the business and also on the product range. These businesses were therefore forced to change their delivery method because of the pandemic. So they started to use carriers more, or some of them changed carriers—because of the cost of transport or because of the rules that some carriers had for transporting certain types of goods—preserves, spirits, etc. One of the companies uses a carrier to transport spirits and takes the beer to Olomouc, where customers can pick it up in person. One of the companies uses TopTrans for transport, but this company did not have to change the method of transport. One respondent has been significantly affected by the pandemic—it produces and sells homemade preserves, which are mainly sold at farmers' markets. This firm has rather suspended sending out products at the moment as it is more difficult to send preserved products through a carrier.

E-Shop Assortment

The second set of questions focused on the e-shop product range, which is central to the strategic decision-making of SMEs in the online environment.

The set of questions examining the product range consisted of five questions. When asked about the range of products sold by the firms, 70% of them said that they sold food products. Of these, 40% of respondents offer a wider range of food products, while 30% sell alcoholic beverages—liqueurs, spirits, beer. However, one of these companies does not sell beer via e-shop, only products more or less related to beer drinking—coasters, glasses, badges and other promotional items. The remaining businesses already sell a diverse range of products, with 10% selling hand-knitted and crocheted products, hand-painted pictures and cernite products. Another 10% sell honey and bee products, and the last 10% sell cosmetics of their own production. Another question in this set asked whether businesses sell only regional products through the e-shop. Only 30% of the companies sell products that

are regionally certified (cosmetics, hand-knitted products and regional liqueurs) via the e-shop.

The remaining businesses (70%) sell products that do not carry a regional certificate on their e-shop in addition to regional products. The approximate share of regional products in total sales was also investigated. Respondents gave figures ranging from 2% to 20% to 50%. Some of the respondents, however, only roughly estimated, in their words, what has a regional brand certificate and what does not. The penultimate question in this set focused on whether enterprises use other protective labels found in the Czech Republic (e.g. Regional Food, Klasa, Czech Food, etc.) in addition to the regional labels under the auspices of ARZ. Specifically, respondents mentioned the Regional Food label. The last question in this set of questions focused on whether respondents also use EU protection for their products—PDO (Protected Designation of Origin), PGI (Protected Geographical Indication) and TSQ (Traditional Speciality Guaranteed). Only 10% of respondents indicated that they would like to obtain a Protected Geographical Indication. A further 10% said they did not use any of these designations but produced kosher products for one customer. The other 80% of companies said they do not use these designations.

Customers and Loyalty

The third set of questions focused on customers. This set asked how regional e-tailers approach loyalty, repeat purchases, etc.

The question on how businesses perceive the concept of customer loyalty was a bit more difficult for some respondents because the concept of customer loyalty had to be explained first. Almost all rated it positively (90%). Businesses reported that they were satisfied customers. It is important to monitor loyalty and to value loyal customers; one of the companies has a loyalty programme for loyal customers, which gives these customers certain benefits, mostly in the form of various promotional products.

Another respondent said that they add small free gifts to the order for regular customers who order regularly and for a long time. In contrast to these responses, two respondents stood out. One of them commented on the concept of customer loyalty, stating that 1 in 10 people order goods and do not pick them up. The other stated that loyalty is related to getting to know someone better and having personal contact, for example, at a farmers' market. The next question was to find out whether businesses have loyal (regular) customers: 100% of respondents said they have loyal customers. Some businesses have more and some have fewer. Businesses that trade in both the B2C market and the B2B market said they have loyal customers in both markets. The next question asked whether businesses evaluate repeat purchases. Responses to this question were evenly balanced. Fifty percent of respondents said that they do not evaluate repeat purchases. The reasons were varied—lack of time; they don't care how many sales they make; they don't yet, but plan to address this once the new e-shop is in place. A further 50% of respondents do evaluate repeat

purchases. Mostly they are able to find out the repetitiveness of purchases using the e-shop. However, for some, the repetition is low, about 10% of all customers. One company stated that they do not have repeat purchases within the B2C market, but they do within the B2B market. The last question in this set asked us to find out whether respondents evaluate customer satisfaction and attitudes. For this question, two or three groups of respondents can be distinguished. Sixty percent of respondents do not evaluate customer satisfaction in any particular way. Some claim that if customers were not satisfied, they would not return. Some consider the feedback to be that the base of regular customers is expanding and new customers are coming in, and some are satisfied with what they hear from customers at farmers' markets, fairs, exhibitions, etc. Forty percent of respondents are involved to some extent in evaluating customer satisfaction, but only 10% of them (one respondent) use surveys—but not yet for e-commerce. The other respondents (the remaining 30%) use 'verified' by customers from Heureka, or reviews on [list.com](https://www.list.com) and [google.com](https://www.google.com).

Company Performance

The fourth set of questions focused on business performance. These questions were used to find out how e-commerce has affected the sales of the firms, how the regional firms are doing in terms of e-commerce and conventional sales, and also to find out the situation in the context of the COVID-19 pandemic.

The first question in this set asked whether businesses had experienced an increase in sales in conjunction with the introduction of the e-shop and when sales started to change. For this question, half of the respondents answered that they did not experience an increase in sales after the introduction of the e-shop. The other half of the respondents confirmed an increase in sales. However, it was interesting to see how respondents commented on this question further. It was pointed out that it was difficult to define the change in e-commerce sales because they have been using e-commerce since the beginning and do not have sales separated on these two different distribution channels. Sales growth was also highlighted, but it was not known why this was occurring. There was also a response that the e-shop has been in existence for a very short time, so they are not able to make an informed judgement as to whether the changes in sales are due to its existence. One respondent noted an increase in e-commerce sales when they started to do more advertising in the business. They inform customers on social media and have regular customers. Only one respondent confirmed splitting the two distribution channels and monitoring the sales development on them. The next question was also related to sales. It was asked whether the change in sales related to the e-shop affected the sales from regular sales. The majority of respondents (70%) believe that it did not. Some of them reiterated that they do not separate sales from the e-shop and from regular sales in the brick-and-mortar store and do not detect any impact. A third of respondents said they have split e-shop and brick-and-mortar sales. Ten per cent of respondents confirmed mainly growth in sales from e-shop. A fifth of respondents also confirmed the main share of e-sales in total sales. The next question asked what respondents

considered to be the main reasons that their sales had not changed after the introduction of the e-shop. The respondents who did not experience a significant increase in sales through the introduction of e-commerce were half of the respondents as mentioned above. There were more reasons given. The main reason given was that customers are worried about the future and are therefore likely to postpone their consumption and do not want to spend unnecessarily on goods they do not normally use. This statement is to some extent related to the fact that the goods sold are untypical and unique that businesses offer on the e-shop or the lack of investment in running the e-shop. Untypical product range was reported by up to 30% of respondents.

Another question asked how the situation around COVID-19 had affected businesses, whether it had brought them new customers or increased the volume of online purchases. A significant proportion of respondents (70%) confirmed the impact of COVID-19 on the volume of purchases. A fifth of respondents were positive but noted that the changes were slight. A further fifth confirmed increased online sales. The remainder (30%) confirmed an increase in customers but could not assess what was causing this. There was also a view that new demand had emerged and they had responded quickly. This situation may have been due to the closure of some brick-and-mortar outlets. There was an increase in customers from both the B2C market and the B2B market, so they decided to upgrade the e-shop to separate this.

The final question in this set focused on whether businesses were using any elements from sales enablement. The majority of respondents (80%) said that they do not use any sales support because they do not have the resources, both financial and personnel, to do so. A fifth of respondents admitted that they do, but only a little or irregularly. Respondents confirmed that they are still learning everything. However, one respondent who does not use any sales support said that they plan to introduce sales support with the new e-shop and will start with QR codes.

Positives and Negatives of Operating an E-Shop

The last set of questions dealt with the final summary. The positives and negatives of e-commerce were explored, as well as whether businesses would do anything differently if they were to reintroduce e-commerce. However, there is less intersectionality in the responses as the respondents gave a wide variety of answers, so the table shows their responses in a condensed form. They are then more fleshed out in the comments. There are more responses than respondents because businesses mentioned both the positives and negatives of e-sales.

The next to last question of this research was to find out what positive and negative experiences, if any, the e-shop brought to the companies. We will now elaborate on their responses. Respondents cited the following experiences as positives. Customers buy new products right away, which has led to an increase in sales. The company is growing, they have filled a big gap in the market and have reached beyond the region. More people get to know about them, and the goods reach a wider

range of customers. Their economic situation has improved as a result of higher sales. Without the e-shop from the beginning, the businesses would not have sold. Respondents mainly mentioned complications due to the sale of beer and the restrictions of carriers on beer sales as negatives that e-commerce brought to businesses. At times, orders were bought up so that they did not keep up and delivery difficulties were experienced. There were problems with the carrier, and they were losing money on transport. For example, TopTrans set their price according to distance, they tried to set some optimal price for transport, but in 90% of cases they did not fit into this price and had to contribute from their own resources. There was also the opinion that there should be a law on the recommended selling price because the manufacturer has no chance to protect the price of his product on the market. They would also like to see a legal treatment regarding the recovery of the cost of unclaimed packages. The last question that was asked was to find out what, if anything, businesses would do differently if they were again in a situation where they were deciding to set up an e-shop. A third of respondents would do some activities differently. Of the activities that businesses would have done differently, they mainly reported that they would have left the creation of the e-shop to vetted professionals from the start. In the past, they had fallen for a scam. They would have had the e-shop created by someone who could communicate better with them and teach them. They would have paid more attention to gauging customer feedback and monitoring customer behaviour and gauging customer loyalty. They would work proactively with data. One of the respondents said that they would not change anything on the e-shop but would create a product that would be more suitable for online trading; they see a lot of potential in the online environment. The majority of respondents who would not change anything (70%) gave the following reasons. They would consider any changes as extra work with minimal earnings; this is how they like it. Shopted is simple and clear. They manage the e-shop themselves and are satisfied, they like to understand things and have an overview, and they would just gradually improve the e-shop with learning to make it even clearer.

From the sections and tables above, it is clear that the responses were very varied. It can also be seen that some respondents were more forthcoming, but others provided only the necessary information for the questions asked. With the research responses recorded and commented upon, attention can now turn to the evaluation of the research questions and discussion.

Discussion on Selected Results of Qualitative Research

Based on the previous results, we can proceed to discuss some interesting intersections in the respondents' answers. The evaluation of the question focused on the use of customer relationship management system revealed that the majority of respondents do not use customer relationship management system (70%). The reasons for not using this management system are varied. The majority emphasized that they did not have sufficient resources. This reason appears in a number of studies. Two

respondents do not consider this management method important and one does not have the time, which obviously means that he does not perceive much benefit from a customer management system. Implementing CRM is not a simple process. It happens that even the management of companies have a problem with it. Even TOP management is sometimes a barrier to strategy implementation in general. Employees' resistance to change can also be the biggest barrier (Starzyczná and Pellešová 2018). Studies on SMEs confirm that there are more of these barriers because they have an undeveloped organizational structure, division of labour and organizational structure. According to Vysekalová et al. (2011), these are mainly financial resources or lack of technological knowledge. Limited knowledge of CRM and its architecture can also be a barrier to CRM implementation (Liagkouras and Metaxiotis 2014; Piskar and Faganel 2009; Kmiecik 2010). This reason was also confirmed by the studies of Starzyczná et al. (2007). The 30% who answered in the affirmative also took a differential approach. Only one respondent stressed that he knows his customers, another uses customer relationship management when selling offline but not in an e-shop, which is interesting because online sales in particular can provide a lot of valuable information about customers and their behaviour. For the third respondent, it is not clear how he perceives the customer management system as he mentions only one sub-tool of marketing communication. Although this tool can also be addressed and targeted. However, this is not a surprising finding as often smaller businesses use CRM specifically to communicate and contact customers, especially in the initial stages of its use. Today's SMEs benefit from proximity to customers. Many of them operate at a regional level. They serve diverse segments. CRM can provide them with a competitive advantage (Stoklasa et al. 2013). However, most SMEs are not aware of the benefits that CRM can bring.

Customer loyalty is perceived by the majority of respondents (90%) as something that is important to monitor. The most frequently mentioned issue was that loyal customers should be valued. For some, there was mention of a loyalty and rewards programme to drive interest and motivate customers to return. The statement that loyalty is related to closer contact and knowledge of customers was also seen as a positive response. This is evident, for example, at the farmers' market, where specific regional products related to certain traditions and regional customs are offered. Closer contact can be positively influenced by the place of origin of the product and the customer. Pilík et al. (2012) state that in order for an 'ordinary' customer to become a loyal customer, it is necessary that they are satisfied and trust the company. The positive attitude and loyalty of the customer to their retailer, which results in repeat purchase behaviour, is also emphasized by Kim et al. (2009). Pelsmacker et al. (2003) view loyalty as a mental positive relationship that exists between the customer and the product. Zamazalová (2009) defines the concept of customer loyalty as the relationship between the customer and their attitude towards the brand, company, service and preferred behaviours. If the respondents' answers were compared with these definitions, it could be found that the respondents have to some extent captured the concept of customer loyalty correctly. Most authors link it in the simplest terms to behavioural and attitudinal loyalty (Esmaeilpour 2015; Buttle and Maklan 2015). However, it is interesting to highlight the negative

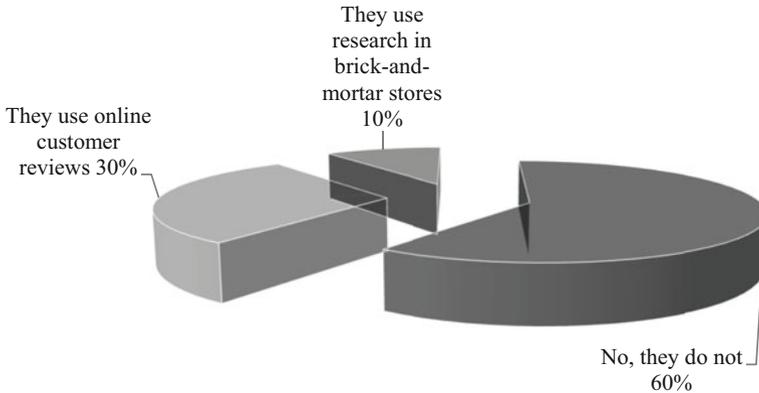


Fig. 4.5 Graphical representation of respondents' answers to the customer satisfaction evaluation (Source: Authors' works)

perception of loyalty, even if this only applies to one respondent. This negative perception of unclaimed goods trumps the positive perception of loyalty and the likely effort to find out why this is happening.

However, the fact that 50% of the respondents do not evaluate the repetitiveness of their purchases does not correspond with the question evaluated above. The most common reason is lack of time. There was also a completely incomprehensible opinion that the company does not care how many products they sell. But then it is not clear what their business objective is. The other half of the respondents who evaluate repeat purchases say that running an e-shop enables them to do so. Also interesting was the response that they observed behavioural loyalty in the B2B market, but not in the B2C market. Here it would be desirable to analyse the situation with regard to the nature of the business range sold. According to the research of Suchánek et al. (2019), there is a relationship between repeat purchase and gender, income, education, preference for more expensive but better-quality items and level of optimism. The authors report that in the case of gender, women tend to repeat purchases. In the case of optimism, people who are optimistic mainly tend to buy products repeatedly (Suchánek et al. 2019). Repeat purchase and loyalty are concepts that are related. Repeat purchases are associated with the aforementioned behavioural loyalty. This statement can be confirmed by the already reported definition of Kim et al. (2009), which implies that loyalty leads to repeat purchases. It is unfortunate, therefore, that there is little assessment of repeat purchases by regional businesses when the previous questions showed that all those approached have loyal customers.

Relatively surprising results were found in the answers to the question that examined whether respondents evaluate customer satisfaction and their attitudes (Fig. 4.5). These respondents have the view that if customers were not satisfied they would not return and there was also the view that it is enough to expand the

customer base. Customer satisfaction and repeat purchases are facts that are again very closely related to customer loyalty (see definition above). According to PilÚk et al., customer satisfaction can be defined ‘as the fulfillment of customer expectations; it is the customer’s perception of how the product or service itself increases the degree of satisfaction of customer expectations’. It is also possible to say that there is a direct link between trust and satisfaction, as studies confirm. A customer who has confidence in a product, company, etc., should be satisfied. Lošťáková et al. (2009), who conducted with their research team a number of studies in this area concerning Czech companies on the B2B and B2C market, state that customer loyalty depends on the level of satisfaction (and other factors). Blecharz (2015) considers the smooth satisfaction of customer needs as a way to build customer loyalty, which makes customers repeat their purchase and recommend the purchased product to their friends. A customer loyalty index can also be calculated, which is influenced by the customer satisfaction index, customer retention index and the index of spontaneous recommendation of the company to other customers (Best 2005; Lošťáková et al. 2009). On the other hand, there are also opposite opinions, namely, that even a satisfied customer may leave because he needs some change in his life and the current competitive market makes it very easy for him (Storbacka and Lehtinen 2002). According to Storbacka and Lehtinen (2002), the usefulness of different methods of measuring satisfaction may also be debatable. The authors point out that a customer’s satisfaction may grow to a certain point because he or she does not know what to expect. Then a break may occur and the customer leaves. However, this is not the case with long-term relationships that already have a stronger foundation and customers have an emotional attachment not only to the company but also to the product and are willing to forgive a mistake.

Mention that online stores in particular may have a problem with customer loyalty. The customer retention index has a very low value—the cost of changing the store is very small for the customer, the customer has several acceptable alternatives to buy within a short time. However, this could be somewhat different for regional e-shops. There are not so many of these e-shops and their product range is often unique. Leung et al. (2019) investigated customer attitudes towards cosmetics products and concluded that customer loyalty is positively influenced by expected value, corporate image and customer satisfaction. A similar study, but in the food industry, was conducted by Bouranta et al. (2019), and Pitchayadejanant and Nakpathom (2016) developed a model showing the relationship between variables—for example, the influence of demographic characteristics that affect customer satisfaction. However, satisfaction can also be investigated, for example, by using various applications and websites such as [Heureka.com](https://www.heureka.com) or reviews on [google.com](https://www.google.com). These elements are used by 30% of the respondents. One of the respondents stated that they use surveys to measure satisfaction, but these surveys are not used in the online environment.

The majority of respondents (70%) stated that they do not use sales promotion elements because they cannot afford it for economic reasons (Fig. 4.6). One company will start using sales support with the introduction of a new e-shop. Two respondents already have experience with some elements of sales support. One firm

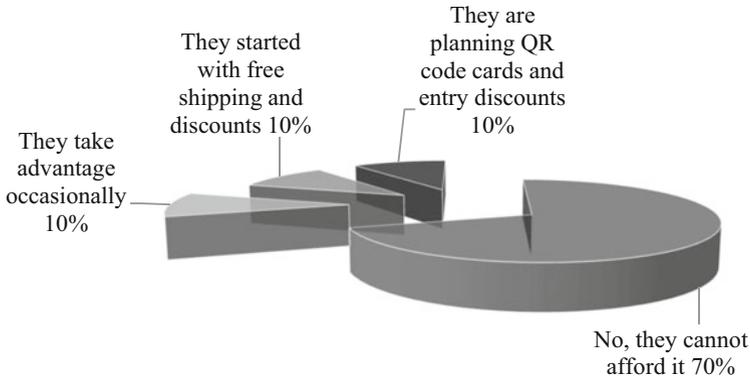


Fig. 4.6 Graphical representation of respondents' answers on the use of sales promotion elements (Source: Authors' works)

has tried free shipping and discount codes, but they are 'amateurs' in marketing. Some respondents admitted that they are learning—both in marketing and e-commerce, etc. The final respondent said that they only use these elements occasionally, for example, at Christmas time, or during the year they provide discount codes as part of their newsletter. A number of authors discuss the possibilities of sales promotion. The type of market (B2B, B2C) may also play a role.

In their study, Blatberg and Neslin (1993) deal mainly with the retail market. According to them, sales data as well as household panel data are important. Support in the retail market is also addressed by Gedenk et al. (2010). According to them, one typical example of sales promotion is a temporary price reduction. Elements of sales promotion also play an important role in the marketing programme of retailers. Price reductions can also be seen in regional e-shops, but here price adjustments through discount codes rather than overall product price reductions are more common.

Research Limits

The validity of the research results is limited by the volume of data, which is not sufficient to generalize the results and apply them to the e-commerce market focused on the sale of regional brands in SMEs. This was a qualitative research, which does not work even with a large volume of data, and its purpose was to reveal problem areas of the researched issue. This research is suitable at the beginning of the research activity to point out the future research direction as the research team needs more information to refine the research objectives. There was also a certain limitation in that the respondents were less oriented in the area of CRM and customer loyalty, even though they were competent persons in the management of the

companies. It appears that in SMEs, the owner is often also the marketing manager due to the division of labour.

Answering Research Questions

From the results presented above, attention can be focused on answering the predefined research questions. As a reminder, three research questions were defined at the beginning of the research:

Q1: What impact did the introduction of the e-shop have on the company?

- The introduction of an e-shop has had a positive impact (new customers)
- Crossing regional borders
- Strengthening of sales, increase in sales

Q2: Why do businesses with regional products set up an e-shop?

- Interest in increasing sales
- Growth and development of the business
- Response to the current situation of market constraints (COVID-19 pandemic)

Q3: How do businesses with regional products operating an e-shop approach customer loyalty and customer relationships?

- Loyalty is perceived as important
- Respondents have loyal customers
- Efforts to broaden the customer base
- However, half do not evaluate repeat purchases
- More than half do not conduct satisfaction surveys
- Almost two-thirds believe they cannot afford sales promotion
- If they do offer sales support, it is very sporadically
- Most businesses report that they cannot engage in customer management due to lack of resources

Chapter Summary

This chapter dealt with the issue of regional brands in e-commerce. In assessing the current state of knowledge regarding regional brands, it was found that a significant proportion of authors do not focus on this issue. If they do, they mainly deal with specific products, which corresponds to the uniqueness of regional products, which can include wine.

In order to test the theoretical basis for the intended larger-scale research, the authors chose to start with qualitative primary research focused on e-shops selling also regional brands. It turned out that the majority of respondents (70%) do not have a coherent business strategy and do not use a customer management system.

Although the reasons were more varied, most respondents said they did not have the resources to do so. This reason appeared frequently in studies dealing with SMEs and CRM (see theoretical discussion). Customer loyalty was perceived by the majority of respondents (90%) as something important to monitor. However, the paradox is that half do not evaluate it at all, nor do they monitor repeat purchases in the context of behavioural loyalty. Yet it was noticeable that the respondents to some extent captured the concept of customer loyalty correctly, although the overall understanding of the issue was at a lower level. Most authors link it in the simplest terms to behavioural and attitudinal loyalty. The respondents' reactions to customer satisfaction monitoring were surprising. More than half do not engage in it and are of the opinion that it is essentially unnecessary to survey it because if customers were not satisfied they would not return. It is enough for them that the customer base is expanding, which has a positive impact on sales development. The primary qualitative research confirmed a rather intuitive approach to customers. Less sophisticated approaches are also a consequence of SMEs not having a sophisticated division of labour and a simpler organizational structure.

To summarize the overall research findings, it can be said that e-commerce is a good option for regional businesses and could be used by more regional businesses. Businesses get the opportunity to boost sales, expand their customer base and can take their products beyond the region. Moreover, in these rather difficult times, e-commerce is a definite advantage. Despite the closure of shops, businesses still have the opportunity to sell their products. However, businesses need to be proactive in this respect—it is not enough to just set up an e-shop and not think about their business strategy anymore. The e-shop needs to be managed and analysed. It is also important to deal with marketing communication—to inform customers (regular and potential) about their offer, about new products, about promotions, etc. Thus, businesses can benefit from the introduction of an e-shop and e-commerce can provide some profit, but businesses need to be proactive and it is essential that they provide the most up-to-date information within the e-shop. It is desirable to validate this pre-research with a larger sample of respondents and to complement it with further questions on business strategy, also taking into account the size structure of SMEs where there may be greater differences.

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Chapter 5

Conclusion



Šárka Zapletalová and Halina Starzyczna

The successful development of business enterprises is significantly influenced by setting up a strategic planning system, which can influence customers' buying behaviour in the desired direction and can promote customer loyalty. In addition, the development of new technologies and the process of digitization make significant contributions to the development of e-commerce.

This publication, which is based on and follows a student grant project, was intended to answer two research questions: What drives customer loyalty to a business organization in an online environment? Which factors of buying behaviour are guiding the business strategy of commercial organizations operating in online markets? In order to find answers to these two research questions, the book has been divided into four chapters to introduce readers to an understanding of the issue of the relationship between the business strategy of business enterprises, customer buying behaviour and customer loyalty.

Chapter 1 deals with the issue of business enterprises' business strategies not only in a more general perspective but in the context of their online format. The chapter highlights the importance of a strategic planning system for the success of a business enterprise and its competitiveness in the marketplace. The aim of the research study, which is part of the first chapter, was to find out what business strategies are applied by business enterprises operating in the Czech Republic and whether these business enterprises have a strategic planning system, that is, a defined strategy, mission, vision and strategic goal. Based on the research, it was found that most of the

Š. Zapletalová (✉) · H. Starzyczna

School of Business Administration in Karviná, Silesian University in Opava, Karviná, Czech Republic

e-mail: zapletalova@opf.slu.cz; starzyczna@opf.slu.cz

respondents have a strategic planning system and a clearly defined strategy. The majority of respondents prefer a business strategy of differentiation, differentiating themselves from competitors with a different offer.

Chapter 2 is seemingly unrelated to Chap. 1, but nevertheless builds on it. The set business strategy is reflected in the behaviour of the business enterprise not only towards competitors but especially towards customers, thus influencing customers' buying behaviour. This chapter focuses on the monitoring of customers' online grocery shopping behaviour. The area of online grocery shopping, to illustrate the relationship of business strategy and shopping behaviour, was chosen because it is currently the most emerging category of e-commerce, and is predicted to reach \$100 billion by 2025. The research part of the chapter deals with the behaviour of Czech customers in the case of online grocery shopping. Based on the research, the typology of Czech food shoppers was identified.

Chapter 3 is a continuation of Chap. 2. Customer buying behaviour and its trend allow customer loyalty to be strengthened. In the context of online shopping, we then talk about e-loyalty, which is based on the same principles as regular customer loyalty. The research, which was the focus of this chapter, investigated the loyalty of Czech and foreign customers when shopping online and the behaviour of e-loyal customers when shopping at e-shops.

Chapter 4 deepens the issue of customer loyalty in the area of regional brands. The sale of regional brands in e-commerce seems to be more of a vision of the future. The research part of the chapter deals with the impact of e-commerce introduction on regional businesses and customer loyalty. To summarize the overall research findings, it can be said that e-commerce is a good option for regional businesses and could be used by more regional businesses.