

# The Impact of Operational Criteria on Customer Satisfaction and Loyalty in E-commerce Environments: An Exploratory Study of Customer Ratings and Risk

Ramakrishnan Ramanathan

*Nottingham University Business School, Jubilee Campus*

**ABSTRACT:** *Risk plays an important role in transactions over the internet. In this study, we explore the moderating role of risk on the relationships between performance of websites in terms of various operational criteria and their ability to win customers. We use data from online ratings of customers of 538 websites. Using canonical correlation analysis, we have found evidence of the moderating role of risk on the importance of product-specific criteria, but not on the importance of service-specific criteria. We have also found that risk does not play a significant role on the relationships between pre-purchase and post-purchase criteria and customer satisfaction/loyalty.*

**KEYWORDS:** *E-commerce, Marketing/Operations Interface, Customer Satisfaction, Customer Loyalty, Operational Criteria, Risk, Statistics, Canonical Correlation Analysis.*

## 1. Introduction

In today's competitive marketplace, customer is the king. Customer satisfaction and loyalty ensure repeat business and profitability to organisations. Customer satisfaction and loyalty are often shaped by behavioural and attitudinal factors (Dick and Basu, 1994; Gremler and Brown, 1996; Otim and Grover, 2006) both in online and real environments. This paper focuses on the relationships between performances of firms in terms of various operational criteria and customer satisfaction/loyalty in the context of electronic commerce. Recent studies have highlighted the need for e-commerce firms to develop sophisticated strategies to build customer satisfaction and customer loyalty (Burt and Sparks, 2003) especially in the context of the pricking of the internet bubble. The pace of growth of e-commerce seems to be slowing in recent years. For example, according to the survey of the UK Office of National Statistics, internet sales by UK businesses in 2006 grew by 29.1 per cent over the 2005 internet sales figure, but this growth is much smaller compared to the growth of 62% of internet sales (excluding financial sectors) in 2001 compared to the year 2000.

Though e-commerce and the so called e-tailing are relatively recent phenomena, much has been written about the customer service criteria and quality measurement in