

**YANGON UNIVERSITY OF ECONOMICS**  
**DEPARTMENT OF MANAGEMENT STUDIES**  
**MBA PROGRAMME**

**EFFECT OF E-SERVICE QUALITY ON SATISFACTION  
AND CUSTOMER LOYALTY OF ONLINE ORGANIC  
PRODUCT SHOPPERS IN MYANMAR**

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**ACADEMIC YEAR (2016-2022)**

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A thesis submitted to the Board of Examiners in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA)

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## ACCEPTANCE

This is to certify that the thesis entitled “**Effect of E-service Quality on Satisfaction and Customer Loyalty of Online Organic Product Shoppers in Myanmar**” has been accepted by the Examination Board for awarding Master of Business Administration (MBA) degree.

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## **ABSTRACT**

This study aims to examine the effect of e-service quality on customer satisfaction and to analyze the influence of customer satisfaction on customer loyalty towards online organic product shoppers. The data are collected from 355 online organic buyers by using structured questionnaire designed with 5-point likert scale. The study reveals that five e-service quality dimensions: efficiency, system availability, fulfillment, privacy and security, and personalization have a strong positive effect on customer satisfaction while assurance does not have a significant effect on customer satisfaction. Among those significant practices, system availability is the main determinant of customer satisfaction. Regression result also reveals that customer satisfaction has a significant positive effect on the loyalty of online organic shoppers. For system availability, online organic shops should extend more channels such as twitter, telegram, and viber etc. Online organic shops should continue offer mobile banking payment with no additional percentage or cash on delivery for efficiency. Organic shops should use strong security measures to improve the security of their page and to keep the confidential information of the customers. To focus personalization, online organic shops should apply Facebook's consumer-centric targeting tools for greater precision. Finally, online organic shops should apply e-service dimensions in conducting market survey to find out the satisfaction levels of the online organic shoppers.

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# TABLE OF CONTENTS

<b>ABSTRACT</b>		<b>i</b>
<b>ACKNOWLEDGEMENTS</b>		<b>ii</b>
<b>TABLE OF CONTENTS</b>		<b>iii</b>
<b>LIST OF TABLES</b>		<b>v</b>
<b>LIST OF FIGURES</b>		<b>vi</b>
<b>LIST OF ABBREVIATIONS</b>		<b>vii</b>
<b>CHAPTER 1</b>	<b>INTRODUCTION</b>	<b>1</b>
	1.1 Rationale of the Study	2
	1.2 Objectives of the Study	4
	1.3 Scope and Method of the Study	4
	1.4 Organization of the Study	4
<b>CHAPTER 2</b>	<b>LITERATURE REVIEW</b>	<b>5</b>
	2.1 The Concept E-Service Quality	5
	2.2 E-Service Dimension	6
	2.3 Customer Satisfaction	12
	2.4 Customer Loyalty	12
	2.5 Previous Studies	13
	2.6 Conceptual Framework of the Study	15
<b>CHAPTER 3</b>	<b>PROFILE AND E-SERVICE PRACTICES OF ONLINE ORGANIC SHOPS IN MYANMAR</b>	<b>17</b>
	3.1 Online Organic Shops in Myanmar	17
	3.2 Profile of Online Organic Shops	18
	3.3 E-Service Practices of Online Organic Shops	19
	3.4 Research Design	21

	3.5	Reliability Test	22
	3.6	Profile of the Respondents	23
<b>CHAPTER 4</b>		<b>ANALYSIS ON INFLUENCING E-SERVICES DIMENSIONS ON CUSTOMER SATISFACTION</b>	<b>25</b>
	4.1	E-services Dimensions	25
	4.2	Customer Satisfaction	28
	4.3	Customer Loyalty	29
	4.4	Analysis on the Influence of E-service Dimensions on Customer Satisfaction	30
	4.5	Analysis on the Influence of Customer Satisfaction on Customer Loyalty	32
<b>CHAPTER 5</b>		<b>CONCLUSION</b>	<b>34</b>
	5.1	Findings and Discussion	34
	5.2	Suggestions and Recommendations	35
	5.3	Needs for Further Research	37
<b>REFERENCES</b>			
<b>APPENDIX A</b>			
<b>APPENDIX B</b>			
<b>APPENDIX C</b>			

## LIST OF TABLES

<b>Table No.</b>	<b>Descriptions</b>	<b>Page</b>
3.1	Reliability Test	22
3.2	Profile of Respondents	23
4.1	E-services Dimensions	25
4.2	Customer Satisfaction	28
4.3	Customer Loyalty	29
4.4	Influencing E-service Dimension on Customer Satisfaction	30
4.5	Influence of Customer Satisfaction on Customer Loyalty	32

## LIST OF FIGURES

<b>Figure No.</b>	<b>Description</b>	<b>Page</b>
2.1	Conceptual Framework of Ludin and Cheng	14
2.2	Conceptual Framework of Khamson	14
2.3	Conceptual Framework of the Study	15

## **LIST OF ABBREVIATIONS**

FDA	- Food and Drug Administration
ICTs	- Information and Communication Technologies

# CHAPTER 1

## INTRODUCTION

With the development of the Internet, consumers have swapped their shopping behavior from traditional shopping to the easier and time saving online shopping. Shoppers are getting remarkable benefits from purchasing goods as well as services from the global markets with one click.

The Internet dramatically changed the way of doing business and has extended the market wider and more accessible (Mujiyana, 2013). It also embraces the perfect online process in term of developing, marketing, selling, delivering, servicing and transaction of payment of the product and services that can be accomplished through the worldwide network of business partner support within internetnetworked, global marketplaces of customers. Nowadays, social media has been widely used by the business entities for their commercial activities that has changed the communication way among business communities (Mata & Quesada 2014). Thus, this platform provides virtual space for the people to communicate through the internet and becoming as an important consumer socialization agent.

The customer satisfaction is important for business because customer satisfaction is perceived to be an important indicator for customer loyalty and long-term organizational success (Anderson & Srinivasan 2003). The key for retaining the customer is customer satisfaction. Customer satisfaction is defined as the contentment of the customer with the respect to his/her prior purchasing experience with a given service firm. Satisfaction in online marketing is customer judgment of their online purchase as compared to their experience with traditional offline service provider or retail stores. Customer satisfaction is recognized as an important antecedent for customer loyalty. Customer loyalty is a measure of a customer's likeliness to do repeat business with a company or brand.

In online shopping, customer loyalty is defined as a customer's favorable attitude and commitment towards the online retailer that result in repeat purchase behavior. Customer-loyalty expresses customer favorable attitude toward an ecommerce website or online page that predisposes the customer to repeat buying behavior (Zeithaml et al.,

2006). The customer loyalty is easy to create when E-service quality improves customer satisfaction and strives to fulfil the desire (Parasuraman et. al 2005). E-service quality is the degree to which a website or online page assists for effective and efficient delivery, buying, and shopping. The E-service quality are normally measured with efficiency, fulfillment, system availability, privacy and security, assurance and personalization.

Today, the striking awareness of organic products has noticeably increased throughout the world. The definitions of organic products represent the perception of their being chemically-free and healthy products (Arttachariya, 2009). Nowadays organic products have incessantly gained the interests of customers due to various reasons such as the direct impact on consumer health, lifestyle concerns as well as environmental issues, and sustainable development. Higher prices of organic products compared to ordinary products, constant market demand, and governmental support for organic producers have turned organic production into a lucrative system for the producers. Organic products online shoppers are getting remarkable benefits from purchasing goods as well as services with the help of just clicking on the mouse.

In Myanmar, the knowledge of organic products is growing among people in order to improve their health conditions and accordingly lead to rising demand for organic products. However, with the increasing competition among organic product marketers, customer loyalty is vital for online organic shops because there is high switching behaviors of customer in online businesses. Therefore, it is imperative for online organic shops to examine the e-service quality factors on customer satisfaction and the effects of customer satisfaction on the customer loyalty of online organic shops.

## **1.1 Rationale of the Study**

In Myanmar, the organic market is only at the introduction stage for commercialization of the organic products because the organic products are perceived as the luxury for the elite social class with higher incomes. A large number of foreign import organic products can be found in the market and organic products are more expensive than synthetic products.

In driving growth of the business, online organic vendors are facing the challenge to attract new online customers and retain the existing ones to their online shops. To meet

the demand for organic products, the main players in the organic products market need to be aware of consumers' perception on these products.

As the Internet retail channel continues to grow, it is important for Facebook page of online shop to understand the customer's never-ending change in needs and wants. Therefore, the importance of customer satisfaction and customer loyalty for Facebook page of online shop want to be developed and retained. As such, all important influencing factors need to be understood. Customer's repetitive purchases, would link to the profitability and sustainability of the success of the online retail business.

Nowadays, customer satisfaction is one of the most important factors in determining the success of organizations in business. With the outbreak of Covid-19, online shops are booming in Myanmar and there is high competition in the market. The pandemic has changed consumer behavior forever and consumers shift to digital channels remain after the pandemic.

The current market for natural and organic products is booming. People nowadays are not only concerned on what foods they consume, but also what they apply on their body or skin as well. These personal care products are important for the consumer, as they are used to build self-esteem and are seen as important products for daily use in order to help improve the quality of the consumer's life. However, prices are usually higher for these organic products in comparison to conventional products. A consumer often needs to pay a price premium for organic products. Facebook page of online shops are in lively competition with new store formats - e. g. organic supermarkets and conventional supermarkets which have developed their own organic product lines during the last few years. Customer satisfaction and loyalty to organic products become vital in order to promote healthy products and conserve environmental issues.

To earn more loyal customers, and enhance business sustainability and maximize profit of the company, it is important for organic online shop vendors to recognize what online shoppers value, what are the important dimensions of e-service quality, and how these key dimensions provide customer's satisfaction that also in turn affects the customer's loyalty to continue to shop in Facebook page of online shops. Thus, this study aims to analyse the determinants of customer satisfaction and loyalty of online organic product shoppers in Myanmar.

## **1.2 Objectives of the Study**

The main objectives of the study are:

- 1) To examine the effect of E-service quality on customer satisfaction on online organic product shoppers.
- 2) To analyze the influence of customer satisfaction on customer loyalty towards online organic product shoppers.

## **1.3 Scope and Method of the Study**

This study focuses on E-service quality dimensions that affect customer satisfaction and customer loyalty on online organic product shops. Analytical and descriptive research methods are used to achieve the above objectives. Both primary data and secondary data are used in this study. The study uses the two-stages random sampling method. Two online organic product shops are selected among 41 organic product shops in Facebook by using simple random sampling method. Sample population are calculated by Raosoft and get 355 online customers who are selected among 4500 customers of two selected online organic product shops. Primary data are collected from 355 online organic buyers by using structured questionnaire designed with 5-point likert scale. Secondary data is gathered from reports of online shops, previous research papers, textbooks, and other related information resources. The data collection period was from February to March 2022.

## **1.4 Organization of the Study**

This study is composed of five different chapters. Chapter one presents introduction of the study, and it includes rationale of the study, objectives of the study, scope and method of the study and organization of the paper. Chapter two presents about literature reviews including theoretical concepts and the results of empirical studies on online organic shops. Chapter three presents the profile and e-service practices of online organic shops in Myanmar. Chapter four presents the analysis on the effect of practices e-service quality dimensions on customer satisfaction and customer loyalty. Finally, chapter five describes the findings and discussions, suggestions, recommendations, and the needs for future study.

## **CHAPTER 2**

### **LITERATURE REVIEW**

This chapter presents the related literature review for this study. First, it presents the e-service quality. Then it contains the literature reviews of customer satisfaction and customer loyalty. Furthermore, it describes the previous studies with conceptual frameworks. Finally, it presents the conceptual framework of the study based on the previous literature reviews.

#### **2.1 The Concept E-Service Quality**

Parasuraman, Zeithaml, and Berry (1988) stated that the concept of service quality is to understand what customer expectations are and how well can the company serve the customers to meet the same level or exceed the customer's expectation. Service quality traditionally is non-online-based customer relations and experiences with the company. It has five dimensions which are reliability, responsiveness, assurance, empathy, and tangibles but there exists some similarities and differences between traditional service quality and e-service quality (Parasuraman, Zeithaml, & Malhotra, 2005).

Service quality can be defined as the difference between customers' perceptions of the service received and their expectations about service performance prior to the service offering (Asubonteng, McCleary & Swan ,1996). If service performance does not meet expectations, people will think that the service quality low. However, when performance goes over expectations, the perception of the service quality is higher (Connolly, 2007). Therefore, customers' expectations are crucial in evaluating service quality. In addition, Asubonteng et al. (1996) found that when service quality increases, intentions to use the service or product and satisfaction increase.

Owing to the Internet and Internet-based technologies development, online customers are increasingly acquiring unlimited access to information of which they are being offered a various choice for products and services uncompetitive price (Pauk & Kim, 2003). Along with the development of the internet and web-based technologies, online customers use necessary information on products and services. The idea of e-service is one of the prominent applications of utilizing the use of Information and

Communication Technologies (ICTs) in different areas but it is difficult to provide a comprehensive definition for E-service. According to Zeithaml, Parasuraman, and Malhotra (2001), e-service quality is defined as the extent to which a website facilitates efficient and effective shopping, purchasing, and delivering of products and services.

According to Santos (2003), E-service quality is defined as overall customer assessment and judgment of E-service delivery in the virtual marketplace. Businesses that have been experienced and successful in offering e-services are starting to apprehend that besides website presence and low price, the important success or failure factors also include the electronic service quality (Zeithaml, 2002). According to Asubonteng et al. (1996), e-service quality is the difference between customers' expectations for service performance priorities the service encounter and their perceptions of the service received while Bitner, Booms and Tetreault (1990) defined it as the consumers' overall impression of the relative inferiority/superiority of the organization and its services.

Most practitioners use web service quality and E-service quality synonymously. Collier and Bienstock (2006) provided a description of E-service quality as the user's perceptions of the result of the service delivery as well as their perceptions of service recover in case of service failures. E-service quality measurement in online shopping has been receiving increasing attention currently and as a result, many studies have tried to highlight major dimensions of E-service quality linked with online environment.

Although the concept of E-service quality is devised from the service quality construct in practice, there are virtually numbers of criteria that customers use in evaluating websites in general and service quality delivery through websites. Some of them include information availability and content, ease of use, privacy/security, graphic style and fulfilment (Babakus, Yavas, Karatepe, & Avci. 2003). Moreover, the strong effect of E-service quality on business performance has been recognised in many aspects such as profitability, lower costs, customer satisfaction and loyalty.

## **2.2 E-Service Dimension**

With the increasing application of e-commerce in organizations, the importance of measuring and monitoring E-service quality in the virtual world has been recognized. Some studies have been conducted aiming at developing measurement scales adapted to E-service quality field presented. Santos (2003) considered that the online service quality

in business is the key indicator for representing the company's competency, as well as an important aspect of the competitive advantage over others.

Wolfenbarger and Gilly (2003) constructed four E-service quality dimensions. Their dimensions were website design, customer service, reliability/fulfillment and privacy/security. Santos (2003) identified several determinants for E-service quality which include ease of use, appearance, communication, structure and layout, efficiency, content, reliability, support, security, linkage and incentive.

Lee and Lin (2005) identified five E-service quality dimensions. Their dimensions are website design, reliability, responsiveness, trust, and personalization. Zeithaml, Parasuraman and Malhotra (2000) stated the definition of E-service quality in their research articles as dimensions of quality of information, empathy, reliability, responsiveness, access, flexibility, ease of navigation, efficiency, assurance/trust, privacy and security, price knowledge, site aesthetics and customization/personalization.

### **2.2.1 Efficiency**

Efficiency is related to the layout and structure of the website. It indicates the degree in which the customer perceives the website design as user friendly, easy and how quickly customers can access and use the website. This also includes the customer's required minimum level of information in order to search for products that they need (Parasuraman et al., 2005). It is also called the 'design of the user interface' which is the tangible service quality in the SERVQUAL model. It includes ease of navigation, the design of the website, and the ease of use of the website, or the efficiency (Zeithamlet al., 2000).

According to Parasuraman et al. (2005), efficiency is defined as the ease and speed of accessing and using website. The efficiency dimension of service quality in online shopping is important to mobile consumers whose main reasons for shopping through the digital channel are conveniences and time saving (Ranganathan & Ganapathy, 2002). In other words, consumers usually have no patience to handle inefficient mobile-based websites and want to have hassle free services over mobile shopping.

According to Mummalaneni and Meng (2009), efficiency is defined as customer's ability to accessing and using the website quickly and easily. The traditional service efficiency varies from electronic service efficiency. According to Dmour (2005), efficient

traditional service related to skill knowledge and ability of the service provider that help them to perform their task properly while Parasuraman, Zeithaml and Malhotra (2005) acknowledged that electronic service efficiency involves the ability of site pages to load fast, simplicity in website use and easiness in quickly getting on to the site.

### **2.2.2 Fulfillment**

Fulfillment is related to activities that ensure customers receive what they ordered, including the time of delivery, order accuracy, and delivery condition (Blut, 2016). Fulfillment is the extent to which the online website retailer satisfied or fulfilled the order received through quick delivery and storing the posting in website items to avoid costs of lost sales or out of stock issues. It is also related to the degree of accuracy of services provided in terms of storage of the goods and correctly delivering to customers within the confirmation time frame for delivery (Parasuraman et al., 2005).

Fulfillment is in fact, online service providers' promise on delivery speed and item availability of order, and is identified as the strongest service dimension which influences customers' satisfaction (Wolfenbarger & Gilly, 2003). Fulfillment is the first service dimension influencing consumers' satisfaction toward retailers (Yang & Fang, 2004). For example, mobile consumers state that even though more than half mobile retailers claimed high product availability on their website, they were not notified by retailers about out of items until the checkout processes are nearly completed. This situation leads consumers to exhibit stronger dissatisfaction and lower purchase intention. Furthermore, fast delivery speed increases mobile consumers' preference toward retailers while slow delivery speed decreases their preferences (Kim, Kim, & Lennon., 2006). The assessment of services attributes to delivery speed and product availability in the fulfillment dimension can impact on their attitude and behavioural intentions.

In e-service, to inform customers of the right information about products or service availability is important when purchasing. Incorrect information can result in negative impact to customer's future repurchasing intention. In addition, flexibility in purchasing can increase customer's confidence to company. Most e-commerce transactions initiated online are terminated via the offline fulfillment mode. Reliability of offline fulfillment has been found to positively affect customers' satisfaction (Birgelen & Streukens, 2005). Fulfillment has been defined as the delivery of the right product within

the assured time with the product description as specified on the website and therefore in essence delivering to customer what they expected to receive (Wolfenbarger & Gilly, 2003). Allowing for fulfillment as representative of outcome service quality, Collier and Bienstock (2006) noted that getting the exact product as was ordered, receiving the product within the expected time setting and in the guaranteed condition has a positive impact on online satisfaction.

Fulfillment is also meant to include relevant features regarding prompt order confirmation and tracking of the delivery process (Bauer, Falk & Hammerschmidt, 2006). Management and shipment products have always been challenging for the online dealers. Reynolds (2000) found that customers are mostly concerned about order fulfillment in order to establish trust with online traders.

### **2.2.3 System Availability**

According to Zeithaml et.al (2000), the system availability is similar to reliability a perception which is also related to technical aspects of the user interface which is measured by the outcome aspects based on the accuracy of services promised, billing and product information. E-service can be regarded as information-driven service process. In E-service, information is vital for customers to make their decision since they cannot physically examine what they want to purchase and how about the company. It mainly specifies the technological functions and the performance of the website; that is, the information technology applied by the website can provide the users with a good browser environment; users can also leave the un-responding or slow-loading website as soon as possible.

System availability can be regarded as the correct technical function of the website. In E-service, the system availability makes customers always accessible to the online service offered by online companies, which can help customers to have a good image of online companies. If customers cannot use the online system when they need online service, they will switch to some other online companies. System availability is part of the technical function in web site which could affect the customer satisfaction in relation to the availability of a web site. Customers can feel dissatisfied with the experience provided in the website, if the level of system availability on the website is low.

#### **2.2.4 Privacy and Security**

Privacy and security are the safety level of the website to protect customer information as it is high or low. According to Yoo and Donthu(2001), privacy and security pertain to the protection of information which includes personal details along with banking or financial information. Privacy and security is among one of the vital factors in intention of customers to visit or revisit a website and make purchases (Ranganathan & Ganapathy, 2002). It is also referred to as the degree perceived by the customer that the website is safe from intrusion (Parasuraman et al., 2005).

Privacy and security mean the protection of personal and financial information (Yoo & Donthu, 2001) and the degree that a site is considered by consumers as being safe from intrusion (Parasuraman et al., 2005). Security has been identified as a vital factor to determine E-service quality for consumers of online banking services (White & Nteli, 2004). Security is the most important factor on intention to visit a site and make purchases (Ranganathan & Ganapathy, 2002).

Wolfenbarger and Gilly (2003) described security and privacy as including security of credit card payment and of maintenance of privacy of information shared. Threat related to privacy and security of customer's information was noted as an essential barrier in the initial researches on e-commerce adoption (Hui, Teo & Lee, 2007). Szymanski and Hise (2000) described that online security is an important factor in online satisfaction and buying intention.

#### **2.2.5 Assurance**

The concept of assurance has been used as one of the dimensions in the SERVQUAL service quality dimensions (Parasuraman et al., 1988). Assurance is the extent to which the customer service personnel and website initiates trust in the customer. Reichheld and Scheffer (2000) stated of that the online customers generally cannot have personal interaction with employees or visit the physical facilities unlike the traditional store therefore, it is important that trust is needed to be built in other ways. Therefore, it is very important that the website initiate assurance perceptions in the customers mind, and this could eventually lead to creating trust with the customers.

Assurance is inspired by representation of truthful information (Parasuraman et al.,2005). Reputation and good image of every organization represent the assurance in a

Service. It is that ability of the service provider to inspire confidence and trust to their customers on the service that are being delivered (Lin & Hsieh,2006).

### **2.2.6 Personalization**

Personalization refers to the degree to which the website can easily be made to customize as per shopping behaviour, customer's individual preferences, and previous purchase histories (Parasuraman et al., 2005). The concept of personalization helps the customers to be able to customize everything from both products and services to the information that they require (Voss, 2003).

Personalization is a synthesis of the empathy dimension from SERVQUAL, and customer service dimensions (e.g., willingness of personnel to help and to solve problems) Wolfinbarger and Gilly, (2003). Personalization is related to the level of customization available under the control of the users per their needs and requirements. Suomi et al. (2009) endorsed the importance of customization, as it helps to design the services pattern according to citizens personal choice. Wolfinbarger and Gilly (2003) identified that personalization in an online environment enhanced the trust and satisfaction of citizen over the system and allow them to provide personal information freely on their systems.

Personalization involves an understanding of customer needs and preferences so that the content of the Web pages give the feel that it is specifically designed for them. Through personalized Websites, customers are empowered to customize the company's Website to suit their preferences and facilitate navigation. A Web-based collaborative filtering technology makes it possible for companies to send filtered information that matches the interests of individual customers, including recommendations about product selections based on the ranking of others with similar preferences (Moon, 1999). It also enables the user to create personal virtual bank and increases the user's perceived control of processes and enjoyment (Hoffman & Novak, 1996). Hence, by involving customers in the personalization process, customers feel more comfortable and appreciated, thus increasing the likelihood to revisit the Websites or page.

### **2.3 Customer Satisfaction**

Angelova and Zekiri (2011) defined satisfaction as a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations. Yi and La (2004) stated that customer satisfaction is a collective outcome of perception, evaluation and psychological reactions to the consumption experience with a product/service.

Zeithaml, Bitner, and Gremler (2006) states that customer satisfaction is when customers evaluate the service or product in respect to the actual perceived value against the expectation. If the actual value perceived, exceed the customer's expectation, it is stated that the customer is satisfied and on the other hand, failure to meet up to what the customer expects leads to dissatisfaction with the product or service. According to Oliver (1997) customer Satisfaction was defined as the customer's fulfillment reaction in providing judgment towards the product or service attributes, or the product or the service itself, provided (or is providing) a satisfying level of consumption-related fulfillment, including levels of under or over fulfillment. It is very important for companies, especially in such dynamic competitiveness to best serve their customer and satisfy what they desire. Customer satisfaction is considered as one of the key elements that indicates how the company performs in the eyes of the customer, which has either positive or negative effects.

According to LaBarbera and Mazursky (1983), satisfaction influences repurchase intentions, whereas dissatisfaction has been seen as a primary reason for customer defection or discontinuation of purchase. Realizing customer satisfaction can lead to customer loyalty and thus results in a company making profit since the customer makes repeat purchase over the firm's products as long as they are satisfied (Nai, 2008). Moreover, customer satisfaction may lead to customer to come back to repurchase product or services, and generated customer loyalty as well as they introduce the product to other people surrounding them, as a consequence, lead to an increase on long term profitability of the company.

### **2.4 Customer Loyalty**

Jeong and Lee (2010) described customer loyalty as the customer's behavior to repetitively buy a specific subject such as a brand, product, service, features etc. with

affection by ignoring the changes in circumstances. Customer loyalty may have a different degree of commitment by the purchaser because of the existence of many dependent factors such as the switching costs or cost of buying from the other brands, the accessibility of the product or service substitution for other similar brands, social attachment to the company and the risks perceived associated with the purchase, the satisfaction received from the past purchase experiences (Zeithaml, et.al 2006). Once the customer is loyal to the company, they become a "regular customer" allowing the seller to gain knowledge of the customer's tastes and preferences and therefore further enhance the overall customer's satisfaction to maintain them.

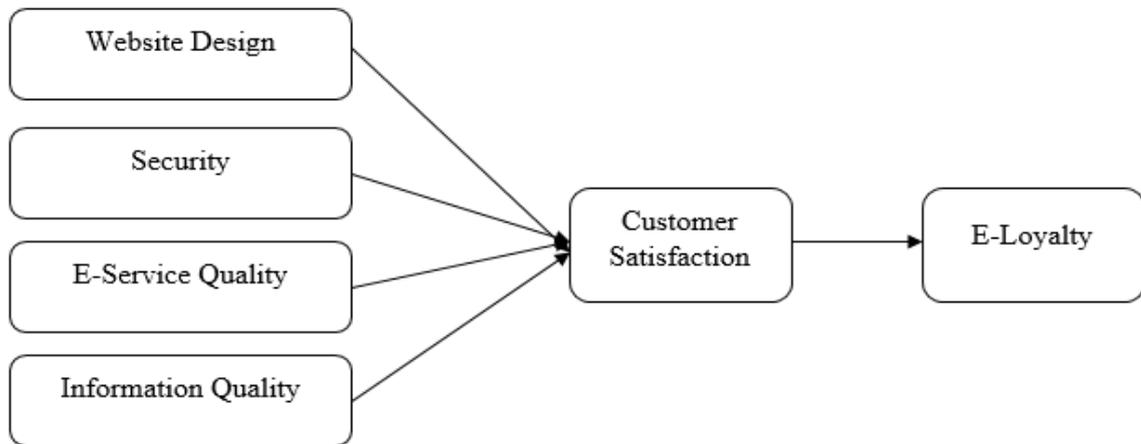
Customer loyalty represents a buyer's aim or tendency for consuming the commodities or services from the identical providers or corporations repeatedly. Customer loyalty is the main success factors a business, since it leads to generate sustainability overtime and competitive advantage of the corporation.

Lewis and Soureli (2006), described that various factors play the role as precedents of customer loyalty including customer satisfaction, perceived service quality, service attributes, corporate image, perceived value, and switching costs. Lee and Chung (2009) proposed e-loyalty as the willingness to observe and to revisit a website or to make a transaction in the future while Ha and Stoel (2009) stated that e-loyalty is a perceived tendency to visit or reuse of website and purchasing from that website in the future.

## **2.5 Previous Studies**

Ludin and Cheng (2014) studied the effect of e-service quality on customer satisfaction in their research paper titled factors influencing customer satisfaction and e-loyalty: online shopping environment among the young adults. The study aimed to examine the factors influencing customer satisfaction, and how customer satisfaction subsequently affects e-loyalty towards online shopping among young adults. The conceptual framework of Ludin and Cheng (2014) is shown in Figure (2.1).

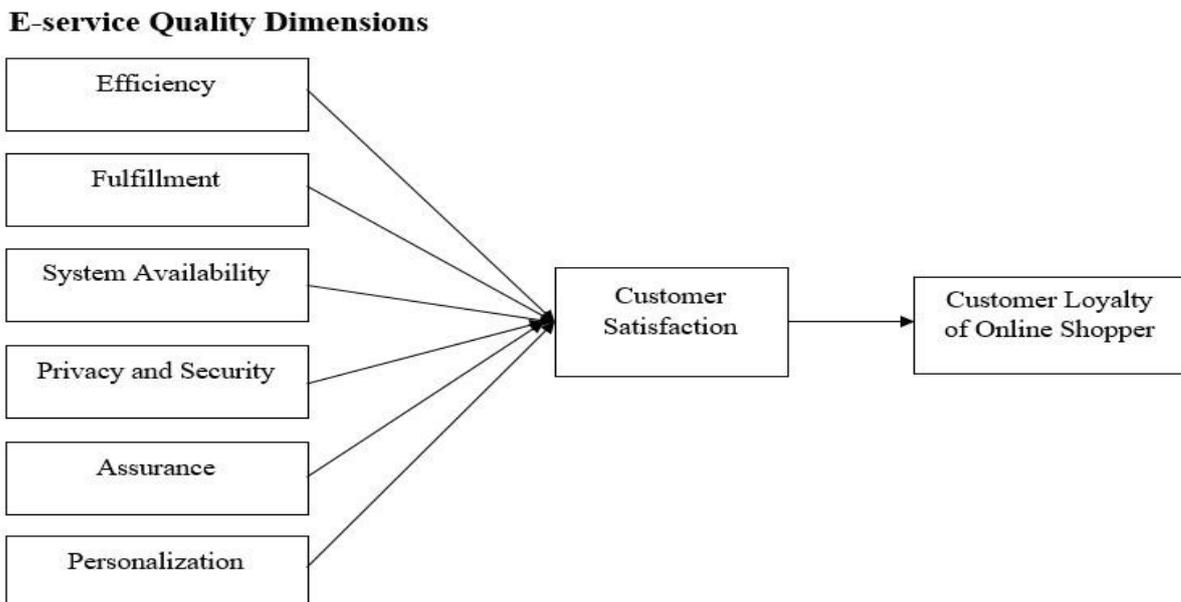
**Figure (2.1) Conceptual Framework of Ludin and Cheng**



Source: Ludin & Cheng (2014)

Findings showed that only E-service quality and information quality had effects on customers satisfaction. It was also found that customers satisfaction does positively impact e-loyalty. On the other hand, the findings reveal that website design and security were insignificant towards customers satisfaction.

**Figure (2.2) Conceptual Framework of Khamsorn**



Source: Khamsorn (2014)

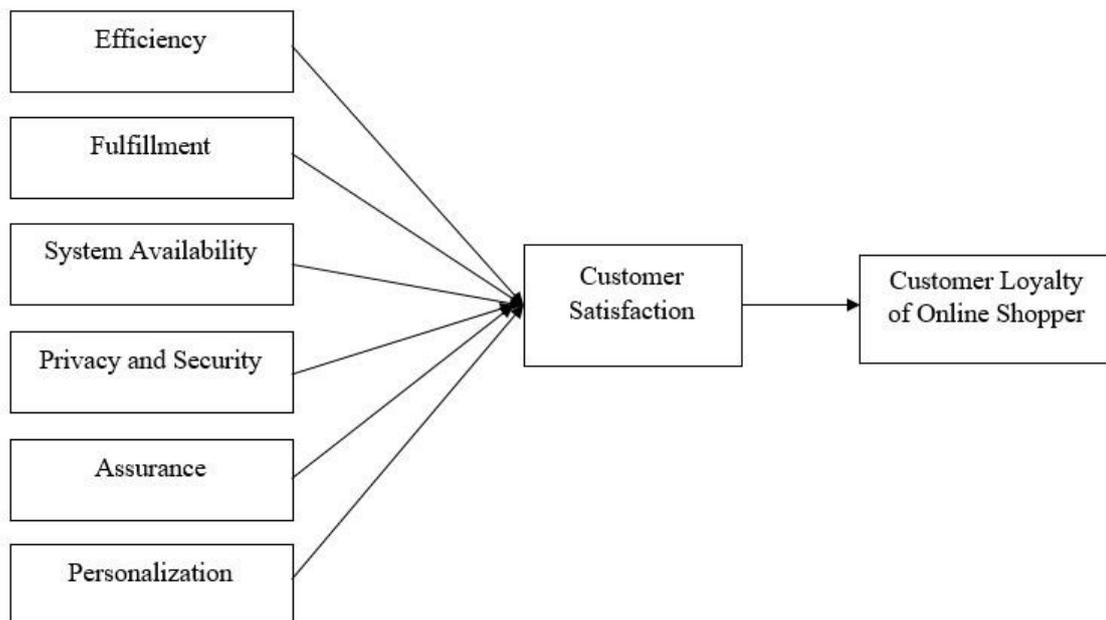
Khamsorn (2014) studied the effect of E-service quality dimensions on customer satisfaction and customer loyalty in his research paper titled effect of the E-service quality on satisfaction and customer loyalty for online shoppers in Thailand. The study focuses on six E-service quality dimensions which were efficiency, fulfillment, system availability, privacy and security, assurance and personalization. The conceptual framework of Khamsorn (2014) is shown in Figure (2.2).

The results indicated that among the six E-service quality dimensions, only four had a positive influence over customer satisfaction. The four dimensions are efficiency, fulfillment, system availability and personalization. While the other two dimensions (i.e. privacy/security and assurance) were found to have a negative relationship with customer satisfaction. Additionally, the significant relationship between customer satisfaction and customer loyalty was shown.

## 2.6 Conceptual Framework of the Study

The conceptual framework of the study is developed based on the theoretical concepts and finding of previous studies. This study focuses on E-service quality dimensions that can have effect on customer satisfaction and loyalty of consumers. The conceptual framework of the study is presented in Figure (2.3).

**Figure (2.3) Conceptual Framework of the Study**



Source: Adopted from Khamson (2004)

E-services are services delivered over the Internet. E-service quality is defined as overall customer assessment and judgment of e-service delivery in the virtual marketplace. In this study, there are six E-service quality dimensions such as efficiency, fulfillment, system availability, privacy and security, assurance, and personalization. Based on the E-service quality, customers evaluate the service quality of service providers or online shops according to their satisfaction level. Delivering high quality services is a prerequisite for achieving customer satisfaction and only through customer satisfaction the company can gain loyal customers. Customer satisfaction means the degree to which perceived performance of customer on a product or services matches a customer's expectations while customer loyalty is defined as the characteristics of customers to repetitively purchase organic products from specific online shops and recommend others to purchase from the online shop him or her always purchase. This study is designed to find out the influences of e-service quality dimensions on customer satisfaction. In addition, it also analyses the effects of customer satisfaction customer loyalty.

## **CHAPTER 3**

### **PROFILE AND E-SERVICE PRACTICES OF ONLINE ORGANIC SHOPS IN MYANMAR**

This chapter presents profile and e-service quality practices of online organic shops in Myanmar. In this study, e-service practices include efficiency, fulfillment, system availability, privacy and security, assurance, and personalization.

#### **3.1 Online Organic Shops in Myanmar**

In Myanmar, the organic market is only at the introduction stage for commercialization of the organic products because the organic products are perceived as the luxury for the elite social class with higher incomes. Skin is the fifth and largest organ of the human body, which is exposed to weather, sun, scratches, insects. Therefore, many people are aware of their skin by finding reliable and good products. Rising consumer awareness as well as changing lifestyles, increasing disposable income and health and environmental concerns are expected to fuel sales of natural and organic cosmetics in Myanmar.

Online organic shops are booming in Myanmar and trying to gain market share by focusing e-service quality practise. These organic shops are selling all products make by organic. Online organic shop allows customer to shop at the comfort of customer's home with a number of benefits and irresistible deals. The products of online organic shop are ingredients that stem from controlled organic farming are cultivated without the use of synthetic pesticides or mineral fertilisers, which is less strenuous on the environment. Organic certified skincare products are free from all harmful chemicals and preservatives. Generally, cosmetics are certified as organic when at least 95% of the ingredients are organically cultivated substances or contain substances of wild collection. Organic products do not contain any ingredients that stem from animals e.g. gelatine, honey, beeswax or collagen. The products are free from any chemicals or preservatives as a result of which unwanted chemical reactions especially rashes, dark patches, red bumps and other related ones can be easily avoided. Natural ingredients in organic products are

full of helpful nutrients, anti-aging compounds, and better fragrances and ultimately, they are better for every skin type.

These ingredients are beneficial for skin in terms of smooth, nourishing and restorative. Generally, organic products are safe for consumers since they have no chemicals and thoroughly tested by skin experts. There are thousands of organic cosmetic online shops. The organic cosmetic products selling at those shop can be sorted in five distinct categories, which include skin care products, hair care products, color cosmetics, fragrances, and personal care products.

### **3.2 Profile of Online Organic Shops**

Online organic shops in Myanmar sell organic products made in Myanmar or products imported from oversea countries. In this study, two organic online shops, DEAR AK and NANN are selected as sample shops.

#### **(i) DEAR AK Online Organic Shop**

DEAR AK online organic shop was established in 18<sup>th</sup> October 2020. Most items are imported from Thailand and got Food and Drug Administration, FDA in Myanmar while two facial foam and hydrosol are made in Myanmar. Currently, DEAR AK is selling eight organic products at online. Its products include foaming facial cleanser, healthy skin hydrosol, tamarind face scrub, glow drop moisture essence, white strawberry soap, coffee & clay scub soap, herb scub (body scub) and herb scub. All products are organic products made with no chemical ingredients.

#### **(ii) NANN Online Organic Shop**

NANN online organic shop was established in 1<sup>st</sup> November 2018. All items are local products made in Myanmar. Currently, NANN is selling 14 organic products at online. Its products include shampoo, hair serum, face gel, coffee scrub, aloe serum, rose serum, face oil, face oil cream, body oil, lip balm, shower gel, gold shower gel, lemongrass mosquito spray, and lemongrass mosquito gel. All products are organic products and no chemical ingredients.

### **3.3 E-Service Practices of Online Organic Shops**

Online organic shops in Myanmar are trying to give good service quality to attract and maintain customers. Therefore, they focus E-service quality practices to achieve competitive advantage. In this study, E-service quality practices refer efficiency, fulfillment, system availability, privacy and security, assurance, and personalization.

#### **3.3.1 Efficiency**

Organic online shops arrange search optimization so that customers could easily find the page when they enter the organic shop name in the search box of Facebook. Organic online shops' pages have autoreply message system. In addition, customers can get real time response during office hours from page admins. Regarding payment, all mobile payments with no percentage and also can pay by Cash on delivery (COD) is available. In addition, organic online shops assign region representatives (Dealers) to service customers effectively.

#### **3.3.2 Fulfillment**

Organic online shops carefully pack and deliver the products by the order list. There are supervisors who check product lists and customer order list before delivering the cargo to the customers and door to door service is available except high floor. Online organic shops clearly mention the products descriptions including product photos, ingredients and price. Moreover, the shops exactly delivers the products according to those at online descriptions.

#### **3.3.3 System Availability**

Myanmar organic online shops mainly use Facebook to do online shop by creating page, and live sales. Therefore, system availability can be said 24/7. Online page has 24/7 reply system and customers get autoreply message including hotline numbers and viber numbers too. Some shops give their shops address so that customers could visit the shops. This could increase the trust of customer towards online organic shops. Customers could also contact to shops by other means. Online organic shops arrange their pages not to be downed because of various comments and spams. When customers make the order, page

records the order list. Furthermore, online organic shops do not use jargons and use only simple words understandable to all customers. To explain about the products, online organic shops usually post videos and lives.

### **3.3.4 Privacy and Security**

Myanmar online organic shops used to pay high attention to keep privacy and security of customers. Customers often consult about their skincare, hair and other issues to get the recommendation about products. This information are confidential and must be kept. In addition, shops keep payment information and personal information because some people or shops could use these data in unappropriated way. Hence, keeping privacy and caring security are important for both online shops and customers to build trust and long-term relationship.

### **3.3.5 Assurance**

Organic online shops appoint capable employees who can explain about the products and give feedback to customer enquiries. Whenever new products available, online shops train all employees about the product knowledge. Page admin and employees give transparent information about the products so that customers could decide it is suitable or not according to their preference. In addition, customer enquires within one week are collected and post videos or at live sales that explain those questions for all customers so that customers will have common knowledge about the organic products which are they choose. If some discrepancies occur, organic online page usually follows up to make sure customers are satisfied.

### **3.3.6 Personalization**

Most organic online shops usually record purchase history of the individuals. Then, shops usually give promotions and discount for later purchases. Furthermore, when new products are launched, shops usually inform customers according to their previous purchaes. Caring each customer in mind that the company provides the product depending on individual's choice. The company is providing and sharing the information consistently to the customers based on their purchase experience and inquiries about the

products and services. By doing those thing, the company is able to keep the customers for sticking to the same brand and chasing the non loyal customers to consume the product.

The company keeps all the customers in mind and learn each customer's consuming since the company is not only prioritizing selling but the customers care as well. Regarding to the customer care and after sales service, the company is asking for the feedback to the customers who bought the chemical free product. The feedback is vital for the company to offer personalized products and services to create customer satisfaction and repeat purchase behavior.

### 3.4 Research Design

The sample size is calculated using Raosoft online sample size calculator. The calculation is based on 50 % response distribution, 5 % margin of error and 95 % confidence interval. Raosoft sample formula is as follow:

$$x = Z(c/100)^2 r(100-r)$$

$$n = \frac{N x}{(N-1)E^2 + x}$$

$$E = \text{Sqrt}[\frac{(N-n)x}{n(N-1)}]$$

Total population is 4500 entered to the Raosoft formula. According to Raosoft sample formula, the sample size is 355 online organic customers. This study aims to investigate the effect of e-service quality on customer satisfaction on online organic product shoppers and to analyze the influence of customer satisfaction on customer loyalty towards online organic product shoppers. Besides, different measurements are constructed to measure each theoretical concept and a population is also specified. Therefore, this study is categorized as a descriptive design which attempted to investigate the relationship between different variables. The descriptive survey method is applied and analytical method is also used to analyse the effect of customer satisfaction and loyalty of online shopper towards online organic shops in Myanmar.

To get the primary data, structured questionnaire with 5-point likert scale is used. According to Best (1977), findings are interpreted as Strongly Disagree (1.00-1.80), Disagree (1.81-2.61), Neutral (2.62-3.41), Agree (3.42-4.21) and Strongly Agree (4.22-5.00).

### 3.5 Reliability Test

Reliability is a measure of the stability or consistency of the variable in the structured questionnaire. Questions are developed by using 5-point likert scale. The result of the reliability test by Cronbach's Alpha is presented in Table (3.1).

**Table (3.1) Reliability Test**

Sr. No.	Variable	No. of Items	Cronbach's Alpha	Reliability Level
1	Efficiency	5	.924	Reliable
2	Fulfillment	5	.893	Reliable
3	System Availability	5	.989	Reliable
4	Privacy and Security	5	.867	Reliable
5	Assurance	5	.942	Reliable
6	Personalization	5	.908	Reliable
7	Customer Satisfaction	5	.934	Reliable
8	Customer Loyalty	5	.884	Reliable

Source: Survey Data (2022)

According to Table (3.1), Cronbach's alpha values for all variables show that all the scores are greater than 0.7, Cortina (1993). Therefore, it is said to have good reliability and the findings are valid for this study.

### 3.6 Profile of the Respondents

To analyse the effect of E-service quality on customer satisfaction and customer loyalty, demographic characteristics, such as gender, age, income, education level, occupation and online buying experience are firstly presented. Profile of the respondents is shown in Table (3.1).

**Table (3.2) Profile of the Respondents**

Sr. No.	Particular	No. of Respondents	Percent
	Total	355	100.00
1.	Gender: Male	62	17.46
	Female	293	82.54
2.	Age : 18 – 25 years	61	17.18
	26 – 35 years	85	23.94
	36 – 45 years	130	36.62
	46 – 55 years	68	19.15
	55< years	11	3.10
3.	Income : < 250,000 Kyats	8	2.25
	250,001 - 500,000 Kyats	59	16.62
	500,001 - 750,000 Kyats	82	23.10
	750,001 - 1,000,000 Kyats	176	49.58
	Above 1,000,000 Kyats	30	8.25
4.	Education : High School	16	4.51
	Certificate/ Diploma	38	10.70
	Bachelor's Degree	258	72.68
	Master's Degree and above	43	12.11
5.	Occupation : Student	14	3.94
	Staff / Employee at private business	237	66.76
	Business Owner	63	17.75
	Government / Staff	41	11.55
6.	Shopping Online : Less than 1 year	67	18.87
	1 – 3 years	162	45.63
	More than 3 years	126	35.49

Source: Survey Data (2022)

According to the Table (3.2), female respondents represent 82.54 percent of the total respondents and male respondents represent 17.46 percent. Thus, majority of online organic customers are female consumers. In addition, most of the respondents are between 36 and 45 years old and they represent 36.62 percent of the respondents. The second largest group is between 26 and 35 years old representing 23.94 percent of respondents. The minority of the respondents are above 55 years old representing only 3.10 percent of the total respondents.

Among 355 respondents, majority of the respondents get monthly salary between 750,001 and 1,000,000 Kyats and they represent 49.58 percent of total respondents. Second largest group earn from 500,001 to 750,000 Kyats. The minority group gets salary less than 250,000 Kyats.

Regarding education level, 72.68 percent of the total respondents have bachelor's degree representing the majority group among 355 respondents. The second largest group includes people with master's degree representing 12.11 percent of total respondents while Certificate/ Diploma holders and high school level people representing 10.70 percent and 4.51 percent respectively.

Regarding occupation, 66.76 percent of the total respondents are working at the private companies presenting the majority group among 355 respondents. The second largest group includes business owners representing 17.75 percent of total respondents while government staff representing 11.55 percent and students presents only 3.94 percent.

According to the survey result, 45.63 percent of the total respondents are using shopping at online from 1 to 3 years while 35.49 percent of total respondents are using more than 3 years. Only 18.87 percent of the respondents have online buying experience less than 1 year.

## CHAPTER 4

### ANALYSIS ON INFLUENCING E-SERVICES DIMENSIONS ON CUSTOMER SATISFACTION

This chapter presents the perceptions of online organic buyers on e-services dimensions. Furthermore, analysis of the effect of E-services dimensions on customer satisfaction and the effect of customer satisfaction on customer loyalty are conducted by using multilinear regression analysis.

#### 4.1 E-services Dimensions

In this study, E-services dimensions consist of efficiency, system availability, fulfillment, privacy and security, assurance, and personalization. Table (4.1) presents the customer perceptions on E-services dimensions of online organic shops. The detailed analysis on each dimension with means values and standard deviations are shown in Appendix B.

**Table (4.1) E-services Dimensions**

Sr. No.	E-services Dimensions	Mean Score
1.	Efficiency	4.26
2.	System Availability	4.01
3.	Fulfillment	4.27
4.	Privacy and Security	4.24
5.	Assurance	4.25
6.	Personalization	4.26
	<b>Overall Mean</b>	<b>4.22</b>

Source: Survey Data (2022)

As shown in Table (4.1), most respondents are accepted with each E-service dimension of the online organic shops since all mean scores are above 4.0. The overall mean score 4.22 indicates that online organic buyers are accepted with the overall e-service dimensions.

**(a) Efficiency**

Efficiency of online shops is important for online shoppers. As presented in appendix (B), the highest mean value 4.36 indicates that most respondents state that online organic shops have clear and easy payment process since online shops post their mobile banking accounts and payment process at each post. In addition, online organic shops offer all mobile payments with no percentage and cash on delivery (COD) is available. The second highest mean value 4.35 shows that respondents get service right at the first time since organic online shops assign region representatives (dealers) at different townships to service customers effectively. Therefore, customers get the feedback and receive the authentic organic products exactly according to their orders. The overall mean score 4.26 indicates that customers acknowledge that online organic shops are efficient.

**(b) System Availability**

System availability is related to the accessibility to the online service. As presented in appendix (B), the highest mean value 4.35 indicates that most respondents can read the post at online page since online organic shops as online organic shops do not use jargons and use only simple words understandable to all customers. In addition, online shops apply readable fonts for all customers who are using zawgyi or unicode. The second highest mean value 4.26 shows that respondents can see photos and post fast since online organic shops usually select good resolution photos that can easily be accessed fast. The overall mean score 4.01 indicates that customers perceive that online organic shops are easily accessible at any time.

**(c) Fulfillment**

As shown in Appendix (B), the highest mean value 4.29 indicates that most respondents state that the online organic shops deliver the products once they ordered. Organic online shops always carefully pack and deliver the products according to the order list. The second highest mean value 4.28 shows that respondents receive the products exactly what they ordered because online organic shops appoint supervisors for checking product lists and customer order list before delivering the cargo. Furthermore, online organic shops keep the stocks to deliver the products at the time promised.

According to the overall mean score 4.27, respondents perceive that online organic shops can fulfill their needs.

**(d) Privacy and Security**

Privacy and Security are important for online shoppers. Customer perceptions on privacy and security offered by online organic shops are presented in Appendix (B). The highest mean value 4.41 reveals that most respondents feel that online shops keep customer data safe. Generally, online organic shops used to pay high attention to keep privacy and security of customers since some online sellers can misuse the confidential data of the customers. According to the second highest mean value 4.39, respondents feel that online shops will not share personal information of customers with others. Online shops recognize that keeping privacy and caring security are important for both online shops and customers to build trust and long-term relationship. According to the overall mean score 4.24, respondents feel that their privacy is safe with online organic shops.

**(e) Assurance**

Assurance is the extent to which the customer service personnel and website initiates trust in the customer. Customer perceptions on assurance of online organic shops are presented in Appendix (B). The highest mean value 4.34 shows that most online shoppers get sufficient information about the organic products since organic online shops appoint capable employees to give feedbacks when customers enquire via message box or phone. In addition, page admin and employees give transparent information of the products at the page or message box so that customers can choose the suitable products for them. According to the second highest mean value 4.30, respondents state that employees of the online shops are polite and knowledgeable as online organic shops train all employees about the product knowledge and how to treat customers politely. According to the overall mean score 4.25, respondents are accepted with the assurance dimension of the online organic shops.

**(f) Personalization**

Personalization refers to the degree to which the website can easily be made to customize according to the shopping behaviour and preferences of the online shoppers. Customer perceptions on personalization of online organic shops are presented in Appendix (B). Giving customer personal attention. According to the highest mean value 4.41, most online shoppers get personal attention from online organic shops since online organic shops records the enquires, preference and buying behaviours of the customers to pay individual attention or personalization service. The second highest mean value 4.35, respondents state online shops offer promotions and discounts to customers according to previous purchase records. Moreover, those shops usually inform customers according to their previous purchases when new products are introduced in the market. According to the overall mean score 4.26, customers are accepted with the assurance dimension of the online organic shops.

**4.2 Customer Satisfaction**

Every online shop is trying to achieve the customer satisfaction in order to retain their valuable customers. Customer satisfaction levels toward online organic shops are presented in Table (4.2).

**Table (4.2) Customer Satisfaction**

<b>Sr. No.</b>	<b>Customer Satisfaction</b>	<b>Mean Score</b>	<b>Std Dev.</b>
1.	Happy for the online purchase decision	4.37	0.482
2.	Satisfied with organic products sold by online page	4.23	0.418
3.	Satisfied with process of purchase from online organic shop	4.25	0.434
4.	Satisfied in buying from FB page of organic shop.	4.14	0.342
5.	Feeling doing the right thing by shopping online organic shop	4.19	0.390
	<b>Overall Mean</b>	<b>4.23</b>	

Source: Survey Data (2022)

As shown in Table (4.2), the highest mean score 4.37 indicates that most respondents are happy for the online purchase decision. Online organic shops deliver the exact products according to their posts. The second highest mean score 4.25 shows that respondents are satisfied with the purchase process arranged by the online organic shops as online organic shops transparently post their mobile banking accounts and contact phone numbers at each post. Therefore, customers feel safe about their online payment and purchase. According to the overall mean score 4.23, customers are satisfied with the products and services offered by online organic shops.

### 4.3 Customer Loyalty

Customer loyalty is a measure of a customer's likeliness to do repeated purchase from certain online organic shop. Customer loyalty of online organic shoppers are presented in Table (4.3).

**Table (4.3) Customer Loyalty**

<b>Sr. No.</b>	<b>Customer Loyalty</b>	<b>Mean Score</b>	<b>Std Dev.</b>
1.	Preference for shopping through FB page of organic shop	4.44	0.497
2.	Giving recommendation to friends to buy organic products from specific online shop	4.31	0.462
3.	Always considering specific online organic shop as the first choice for future purchases	4.23	0.422
4.	Always saying positive things about specific online organic shop	4.02	0.129
5.	Hardly considering shopping from another FB page of organic shop.	4.29	0.456
	<b>Overall Mean</b>	<b>4.26</b>	

Source: Survey Data (2022)

According to the highest mean score 4.44, most respondents have preference for certain online organic shops at Facebook as online organic shops used to records the preference and buying behaviour of customers. Thus, customers prefer to buy from the online organic shops that they usually purchase. The second highest mean score 4.31 indicates that most respondents give recommendations to friends to buy organic products

from certain online shops they are satisfied. According to the overall mean score 4.26, most of the online shoppers are loyal to the online shops they usually purchase.

#### 4.4 Analysis on the Influence of E-service Dimensions on Customer Satisfaction

To find out the influence of e-service dimensions on customer satisfaction, data are collected with structured questionnaires from 355 online organic shoppers. Multiple regression is applied to analyse the influence of e-service dimensions on customer satisfaction. Regression result is shown in Table (4.4). Customer satisfaction is regressed with six e-service dimensions: efficiency, system availability, fulfillment, privacy and security, assurance, and personalization.

**Table (4.4) Influencing E-service Dimension on Customer Satisfaction**

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig	VIF
	B	Std. Error	Beta			
(Constant)	.068	.041		1.645	.101	
Efficiency	.188***	.049	.190	3.848	.000	7.660
System Availability	.646***	.044	.573	14.736	.000	7.656
Fulfillment	.072**	.031	.084	2.332	.020	7.395
Privacy and Security	.113***	.041	.100	2.723	.007	7.646
Assurance	.019	.056	.020	.343	.732	7.752
Personalization	.236***	.049	.232	4.818	.000	7.010
R Square	.979					
Adjusted R Square	.979					
F Value	2765.559***					

Source: Survey Data (2022)

\*\*\* Significant at 1% level, \*\* Significant at 5% level, \* Significant at 10% level

According to Table (4.4), since the value of adjusted R square is 0.979, it can be concluded that this specified model can explain 97.9% of variation of customer satisfaction which is predicted by e-service dimensions such as efficiency, system

availability, fulfillment, privacy and security, assurance, and personalization. As overall significance of the model, F value is highly significant at 1 percent level, this model can be said valid. All the VIF values are less than 10. It shows that there is no multicollinearity problem in this case. This means that there is no correlation among independent variables.

Among five independent variables, efficiency, system availability, fulfillment, privacy and security, and personalization are strongly significant with customer satisfaction while assurance does not have a significant relationship with customer satisfaction.

The variable of efficiency has the expected positive sign, and the coefficient of the variable is strongly significant at 1 percent level. The positive effect means that the increase in efficiency leads to more customer satisfaction because online organic shops offer clear and easy payment process. In addition, online organic shops give the service right at the first time. Therefore, customers are satisfied when they receive the desired products and service via online efficiently.

System availability has the expected positive sign, and the coefficient of the variable is significant at 1 percent level. The positive effect means that the increase in system availability leads to more customer satisfaction because customers want to get product information and feedback for their enquires right away.

Fulfillment has the expected positive sign, and the coefficient of the variable is significant at 5 percent level. The positive effect means that the increase in fulfillment leads to more customer satisfaction. Customers want the exact products according to the product description posted at Facebook. Online organic shops usually appoint supervisors to check the products with customer orders before delivery.

The variable of privacy and security has the expected positive sign, and the coefficient of the variable is significant at 1 percent level. The positive effect means that the increase in privacy and security leads to more customer satisfaction because customers are worried about their information to be misused. They feel that saved addresses, credit card information, purchase history, phone numbers, bank account numbers, email address, and any personal information need to be protected. Online organic shops used to keep customer private information to be secured. Thus, the more private and security offered by online shops, the more customer will be satisfied.

Personalization has the expected positive sign, and the coefficient of the variable is significant at 1 percent level. The positive effect means that the increase in personalization leads to more customer satisfaction. Online shops usually keep the records regarding the enquires, preference and buying behaviour of customers to offer individual care. Therefore, the more personalization offered by online organic shops, the more customer will be satisfied.

According to the standardized coefficient (Beta) system availability has the largest value among five significant explanatory variables. It indicates that system availability has the greatest contribution to increase customer satisfaction when the variance explained by other variables is controlled for. It means that system availability is the most important factors for creating customer satisfaction because of the features of the system by which customer can find the required information and order the organic products at any time with the system.

#### 4.5 Analysis on the Influence of Customer Satisfaction on Customer Loyalty

This study analyses the effects of customer satisfaction on customer loyalty. Multiple regression method is used in which customer loyalty is regressed with customer satisfaction. The findings of the analysis are shown in Table (4.5).

**Table (4.5) Influence of Customer Satisfaction on Customer Loyalty**

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
(Constant)	.587	.075		7.795	.000
Customer Satisfaction	.867***	.018	.933	48.891	.000
R Square	.871				
Adjusted R Square	.871				
F Value	2390.325***				

Source: Survey Data (2022)

\*\*\* Significant at 1% level, \*\* Significant at 5% level, \* Significant at 10% level

According to Table (4.5), since the value of adjusted R square is 0.871, it can be concluded that this specified model can explain 87.1% of variation of customer loyalty which is predicted by customer satisfaction. As overall significance of the model, F value is highly significant at 1 percent level, this model can be said valid.

The variable of customer satisfaction has the expected positive sign, and the coefficient of the variable is strongly significant at 1 percent level. The positive effect means that the increase in customer satisfaction leads to raise the customer loyalty. Most of the respondents are happy with their purchase decision. In addition, they are satisfied with the payment process and delivered products matched according to the online advertisements at the page. Therefore, customers consider to buy the organic products from certain shops again and recommends friends to buy from those shops as they are satisfied with online organic shops.

## **CHAPTER 5**

### **CONCLUSION**

This chapter presents the findings and discussions, suggestions and recommendations and need for further research. Based on the findings, this study suggests and makes recommendations to improve customer satisfaction and loyalty of online organic shoppers.

#### **5.1 Findings and Discussion**

This study aims to examine the effect of e-service quality on customer satisfaction and analyze the influence of customer satisfaction on customer loyalty towards online organic product shoppers. The primary data are collected by using structured questionnaire from 355 online customers. Multiple regression analysis is conducted to examine the effect of e-service quality on customer satisfaction. Moreover, this study also finds out the effect of customer satisfaction on customer loyalty.

For the first objectives, the effect of e-service quality on customer satisfaction, the study reveals that five e-service quality dimensions (efficiency, system availability, fulfillment, privacy and security, and personalization) have a strong positive influence on customer satisfaction while assurance does not have a significant effect on customer satisfaction. Among those practices, system availability is the main determinant of customer satisfaction because online organic shops use Facebook to promote their products and avoid jargons so that online shoppers can get the required information and order the products anytime. In addition, online organic shops use good resolution photos that can be accessed fast.

The study reveals that efficiency has a strong positive effect on the satisfaction of online organic shoppers. Online organic shops set clear and easy payment policy by arranging mobile banking with no percentage and cash on delivery. Online organic shops appoint supervisors to check the products before delivering the products to customers. Customers are satisfied when they get the service right at the first time. In addition, online organic shops arrange supervisors or dealers at different townships to assist customers.

By giving quick respond and service right at the first time, online organic shops care the efficiency for customers.

The study finds out that fulfillment also have the positive effect on the satisfaction of online organic shoppers. Organic online shops record the order list and pack the products once customer orders the products. Online shops can deliver the exact products without any discrepancies. Customers preceive that their needs are fulfilled by online organic shops.

The study reveals that privacy and security have a strong positive effect on the satisfaction of online organic shoppers. Online shoppers want their private data to be safe since some people or online shops can misuse those data. Therefore, online organic shops pay high attention to customer's data to get trust of the customers and build long term relationship with customers. Thus, online shoppers feel safe while purchasing the products online.

The last E-service dimension, personalization, has a strong positive effect on the satisfaction of online organic shoppers. Online organic shops record the enquires, preference and buying behaviours of the customers to focus individual attention. In addition, those shops offer promotions and discounts for regular customers. Thus, online shoppers are satisfied and intend to buy organic products from those shops again.

For the second objective, regression result shows that customer satisfaction has a significant positive effect on the loyalty of online organic shoppers. The survey data reveal that most online organic shoppers are satisfied as they are happy with their online purchase decision for organic products. They state that they will buy the organic products via online in the future and will also recommend other friends to buy organic products from online. As online organic shoppers are satisfied and trust the organic products from online, they have intention to buy the products in the future.

## **5.2 Suggestions and Recommendations**

In order to raise the satisfaction and loyalty of online organic shoppers, online organic shops should pay more attention to the influencing e-service dimension on customer satisfaction. By focusing those determinant dimensions, online organic shops can adjust e-service dimensions currently practicing.

System availability is the main determinant of satisfaction of online organic shoppers. Online organic shops should focus system availability first when planning e-service strategies. In order to improve system availability, they should also extend more channels such as twitter, telegram, and viber etc. In addition, online organic shops develop e-commerce website so that online shoppers can access the product information in many ways. Slow loading time on online pages can cause doubt in the mind of the shopper and force them to exit. Therefore, online organic shops should always check their posts for fast loading. By doing so, online organic shops can be more accessible anywhere and anytime.

Regarding efficiency, online organic shops should continue offer mobile banking payment with no additional percentage or cash on delivery. They should also arrange as various mobile banking payment options as possible. Moreover, online organic shops should appoint more page-admins so that customer can get quick feedback instead of autoreply messages. Hence, online organic shoppers can get the right products and service at the first time.

For fulfillment e-service dimension, online page officials should make sure that the product is delivered in good condition and within the promised time. They should have partnerships with several delivery courier services and letting customers choose which one they want might be a good idea. They should also enter into agreements with delivery services for exact delivery data and tracking system so that online shoppers could also trace the update information of the ordered products.

For privacy and security, online shoppers want their information to be kept confidentially. Online organic shops should use strong passwords and apply two-factor authentication to their Facebook accounts to improve the security of their pages. In addition, online organic shops should manage access permissions of Facebook business page. In addition, online shop managers should review all authorized logins. If page admins or other team members regularly access online business page from a phone, third party application that can protect admins and team members in the event of a lost or stolen phone. By doing so, online organic shops can improve the security of the business page and privacy of customers.

Regarding personalization, online organic shops should apply Facebook's consumer-centric targeting tools allow for greater precision, which organic products can

leverage to cater to segments aligning with overall business goals. By using Facebook IQ to unlock category insights, marketers can also leverage audience insights to aggregate information such as demographics, page likes, location and language, Facebook usage, and past purchase behaviour. Online organic shops should offer more promotions and develop relevant products according to the interests and purchase behaviours of online organic shoppers.

Finally, online organic shops should conduct market survey regularly to find out the satisfaction levels of the online organic shoppers. E-service Dimensions should be adapted according to the perceptions of the online shoppers so that online organic shops can improve their service that are matched the needs and wants of the individual online shoppers. By doing these suggestions, online organic shops can gain more customer satisfaction and loyal consumers.

### **5.3 Needs for Further Research**

This study focuses on e-service quality of online organic shops and excludes other online shops. Therefore, further study focusing the E-service quality of online shops ordinary products can be worthwhile for e-service marketing. In addition, since this study does not cover the full marketing mix of online shops, conducting the study focusing on marketing mix of online shops can be fruitful research for online shop industry. Moreover, further study can be conducted including the personality of the online shoppers by using BIG Five theory so that online shops can offer products and services in accordance with each personality of the shoppers.

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# APPENDIX A

## Structured Questionnaire

**Instruction:** Please choose the category for each question that best describes you by make “√” symbol in the box.

### PART I: Demographics

1. Gender

Male

Female

2. Age

<18

18 – 25

26 – 35

36 – 45

46 – 55

55<

3. Income (MMK)

< 250,000 Kyats

250,001 ~ 500,000 Kyats

500,001 ~ 750,000 Kyats

750,001 ~ 1,000,000 Kyats

Above 1,000,000 Kyats

4. Education Level

High School

Certificate/ Diploma

Bachelor’s Degree

Master’s Degree and above

Others ..... (Please Specify)

5. Occupation

Student

Staff / Employee at private business

Business Owner

Unemployed

Government / Staff

Others ..... (Please Specify)

6. How long have you been shopping online?
- Less than 1 year                       1 – 3 years
- More than 3 years

**PART II: E-SERVICE DIMENSIONS, CUSTOMER SATISFACTION AND CUSTOMER LOYALTY**

**How much degree do you agree for the following factors?**

**Scale definition:**        (1 = Strongly disagree, 2 = Disagree, 3 = Neither disagree nor agree, 4 = Agree, 5 = Strongly agree)

**FB = Facebook**

Efficiency	Degree				
	1	2	3	4	5
1. The FB page of organic shop is easy to search for what I need.					
2. The FB page of organic shop responds quickly when enquires.					
3. The FB page of organic shop performs the service right the first time.					
4. Payment process is clear and easy.					
5. The online shop offers convenient options for returning items.					
System Availability	1	2	3	4	5
6. The FB page of organic shop is always available.					
7. The FB page of organic shop does not crash during peak hours.					
8. The FB page of organic shop photos and post launch fast and runs right away.					
9. Once I enter my order information, Facebook page does not hang (freeze/glitch).					
10. The font used on the Facebook page is easy to read.					
Fulfillment	1	2	3	4	5
11. The FB page of organic shop delivers the products exactly what I ordered.					
12. The FB page of organic shop delivers the order at the					

time it promises to do so.					
13. The FB page of organic shop sends the product to customer once the order is placed.					
14. The FB page of organic shop has the available stocks for the product that they claim to have.					
15. The FB page of organic shop is truthful about its product's offering.					
<b>Security / Privacy</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
16. These FB page of organic shop keeps customer's personal data safe.					
17. This FB page of organic shop does not share my personal information with others.					
18. This FB page of organic shop protects my credit card details and transactions information.					
19. It is secured to do shopping on Facebook.					
20. This FB page of organic shop provides a telephone number to reach the retailer.					
<b>Assurance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
21. Employee from FB page of organic shop behaves well when contacted.					
22. The FB page of organic shop can provide sufficient information about the organic products they offered.					
23. Employee from FB page of organic shop is courteous every time customer seeks for assistance.					
24. Employee from FB page of organic shop has good knowledge to answer customer's questions regarding organic products.					
25. This FB page of organic shop takes care of customer problems promptly.					
<b>Personalization</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
26. The FB page of organic shop gives customer personal attention.					
27. The FB page of organic shop offers the product in a way that meets the personal preferences of customer.					

28. The FB page of organic shop offer promotions to customers based on previous purchase records.					
29. The FB page of organic shop understands my specific needs.					
30. The FB page of organic shop regularly sends new product information based on my preferences.					
<b>Customer Satisfaction</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
31. I am happy with my decision to shop organic products from the FB page of organic shop.					
32. I am satisfied with organic products sold by this FB page of organic shop					
33. I am satisfied with process of purchase from this FB page of organic shop.					
34. I feel satisfied in buying from this FB page of organic shop.					
35. I feel that I am doing the right thing by shopping this FB page of organic shop.					
<b>Customer Loyalty</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
36. I prefer shopping through FB page of organic shop whenever I need to make a purchase.					
37. I will recommend my friends to buy organic products from this online shop that I always purchase.					
38. This FB page of organic shop will be the first choice for my future purchases.					
39. I always say positive things about this online organic shop that I regularly purchase to others.					
40. I hardly consider shopping from another FB page of organic shop.					

## APPENDIX B

### E-services Dimensions

Sr. No.	Particular	Mean Score	Std. Dev
<b>Efficiency</b>		<b>4.26</b>	
1.	Easy to search online organic shops	4.26	0.439
2.	Quick respond from enquires	4.13	0.339
3.	Providing the service right at the first time.	4.35	0.478
4.	Having clear and easy payment process	4.36	0.482
5.	offering convenient options for returning items	4.17	0.380
<b>System Availability</b>		<b>4.01</b>	
1.	The FB page of organic shop always available	3.20	0.403
2.	Never crash during peak hours	4.06	0.236
3.	Launching Photos and post fast and running right away.	4.26	0.437
4.	Never freeze when entering order information	4.15	0.360
5.	Using readable font at page	4.35	0.479
<b>Fulfillment</b>		<b>4.27</b>	
1.	Delivering the products exactly	4.28	0.450
2.	Delivering the order at the time promised	4.25	0.436
3.	Sending the product to customer once the order placed	4.29	0.456
4.	Available stocks for the product posted at the online page	4.25	0.436
5.	Truthful about the product offering at online	4.26	0.442
<b>Privacy and Security</b>		<b>4.24</b>	
1.	Keeping customer's personal data safe	4.41	0.492
2.	Not sharing personal information of customers with others	4.39	0.488
3.	Protecting credit card details and transactions information	4.23	0.420
4.	Able to do shopping on Facebook securely	4.06	0.241

<b>Sr. No.</b>	<b>Particular</b>	<b>Mean Score</b>	<b>Std. Dev</b>
5.	Providing a telephone number at Facebook page to reach the retailer.	4.13	0.336
<b>Assurance</b>		<b>4.25</b>	
1.	Employee behaving well when contacted	4.30	0.460
2.	Providing sufficient information about the organic products	4.34	0.473
3.	Courteous employee every time customer seeks for assistance.	4.23	0.420
4.	Having good knowledge to answer customer's questions regarding organic products.	4.27	0.445
5.	Taking care of customer problems promptly.	4.12	0.330
<b>Personalization</b>		<b>4.26</b>	
1.	Giving customer personal attention.	4.41	0.493
2.	Offering the product in a way to meets the personal preferences of customer.	4.21	0.411
3.	Offering promotions to customers based on previous purchase records.	4.35	0.477
4.	Understanding specific needs of customers	4.10	0.306
5.	Regularly sending new product information based on preferences of customers	4.22	0.413

Source: Survey Data (2022)

## APPENDIX C

### Effect of E-service Dimension on Customer Satisfaction

#### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.990 <sup>a</sup>	.979	.979	.05346

a. Predictors: (Constant), Personalization Mean, Fulfillment Mean, System Availability Mean, Security / Privacy Mean, Efficiency Mean, Assurance Mean

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.426	6	7.904	2765.559	.000 <sup>b</sup>
	Residual	.995	348	.003		
	Total	48.421	354			

a. Dependent Variable: Customer Satisfaction Mean

b. Predictors: (Constant), Personalization Mean, Fulfillment Mean, System Availability Mean, Security / Privacy Mean, Efficiency Mean, Assurance Mean

#### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	VIF
		B	Std. Error	Beta			
1	(Constant)	.068	.041		1.645	.101	
	Efficiency Mean	.188	.049	.190	3.848	.000	7.660
	System Availability Mean	.646	.044	.573	14.736	.000	7.656
	Fulfillment Mean	.072	.031	.084	2.332	.020	7.395
	Privacy and Security Mean	.113	.041	.100	2.723	.007	7.646
	Assurance Mean	.019	.056	.020	.343	.732	7.752
	Personalization Mean	.236	.049	.232	4.818	.000	7.010

a. Dependent Variable: Customer Satisfaction Mean

## Effect of Customer Satisfaction on Customer Loyalty

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.933 <sup>a</sup>	.871	.871	.12339

a. Predictors: (Constant), Customer Satisfaction Mean

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.396	1	36.396	2390.325	.000 <sup>b</sup>
	Residual	5.375	353	.015		
	Total	41.771	354			

a. Dependent Variable: Customer Loyalty Mean

b. Predictors: (Constant), Customer Satisfaction Mean

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	VIF
		B	Std. Error	Beta			
1	(Constant)	.587	.075		7.795	.000	
	Customer Satisfaction Mean	.867	.018	.933	48.891	.000	1.000

a. Dependent Variable: Customer Loyalty Mean