

Chapter 2

Literature Review

Service Quality

Service quality refers to the extent to which a service meets or exceeds customer expectations. It is a subjective assessment made by customers based on their perceptions of the service received. Service quality is an important factor in customer satisfaction, loyalty, and overall customer experience.

Service quality is not an absolute measure but rather a perceptual judgment made by customers. It can vary from one customer to another based on their expectations, previous experiences, and personal preferences. Meeting or exceeding customer expectations regarding service quality is crucial for customer satisfaction and loyalty.

In 1982, the well-known marketing expert Gronroos (1982, pp. 10-12) based his theoretical research on cognitive psychology and introduced the concept of "perceived service quality" to the public for the first time. Then Gronroos (1984, pp. 36-44) summarized the "Total Service Quality Model". The difference between the service quality that customers expect and the service quality that customers actually perceive is called perceived service quality. When customers perceive a higher service quality than they expected, the perceived service quality is better; otherwise, the perceived service quality is not good. The main factors that affect customer service quality include market communication, corporate image, customer reputation, and customer demand.

The actual quality perceived by customers is mainly affected by the corporate image, and functional quality, also known as process quality, refers to the

way in which the enterprise provides services and the way in which customers obtain services. Functional quality includes the service attitude, service method, service process, and service behavior of business service personnel. When measuring functional quality, customers' personal feelings often account for a large part, making it difficult to make relatively objective evaluations. Technical quality, also known as result quality, refers to what customers finally get after enjoying the service. When measuring technical quality, customers are more likely to perceive the relevant technical content, so the evaluation will be more objective.

Importance of Service Quality

Customer Perceived Service Quality refers to the subjective assessment customers make about the overall quality of service they receive from a business or organization. It is a critical factor that influences customer loyalty, which is the extent to which customers continue to patronize a particular business or brand over time. When customers perceive high levels of service quality, they are more likely to develop positive attitudes towards the company, repurchase its products or services, and recommend it to others. On the other hand, low perceived service quality can lead to customer dissatisfaction, churn, and negative word-of-mouth.

Cronin Jr and Taylor (1992, pp. 55-68) propose a comprehensive model for measuring service quality and examines its relationship with customer satisfaction and loyalty. It emphasizes the role of service quality in shaping customer perceptions and subsequent loyalty behaviors.

Sureshchandar, Rajendran, and Anantharaman (2002, pp. 363-379) explores the impact of different dimensions of service quality on customer satisfaction and loyalty across various service industries. It highlights the importance of specific service quality factors in influencing customer perceptions and loyalty.

Homburg, Wieseke, and Hoyer (2009, pp. 38-54) investigate the influence of service quality on customer loyalty through the lens of social identity. It highlights the role of customer identification with the service provider in shaping loyalty and the importance of service quality in fostering this identification.

Service Quality Gap Model

The American Service Management Research group Parasuraman, Zeithaml, and Berry (1985, pp. 41-50) (hereinafter referred to as PZB) based on Gronroos's research theory and constructed the Service Quality Gap Analysis Model, also known as the 5GAP Model. The model is divided into two parts: the upper part is the degree of contact with customers, and the lower part is the degree of contact with marketing personnel. The main function of the 5GAP model is to analyze the origins of quality-related issues, demonstrate the process of service quality composition, and indicate the direction for enterprises to improve their service quality. The model believes that there is a significant difference between the service level that customers expect and the service level that they actually experience. PZB (1988, pp. 420-450) further studied the composition of perceived service quality and summarized the ten main factors that affect service quality. They are: reliability, responsiveness, competence, access, politeness, communication, credibility, security, understanding, and tangibility. Later, they integrated some factors in the scale and summarized the five main dimensions of service quality, namely: tangibility (facilities and equipment, customer service personnel, communication equipment, etc.), reliability (reliable service that can fulfill promises), responsiveness (willingness to help customers and respond quickly), assurance (the personal qualities and professional credibility of service personnel), and empathy (caring for customers and providing personalized services combined with customers' own characteristics). PZB

designed the SERVQUAL scale with a 7-level evaluation scale ranging from completely agree to completely disagree and with 22 indicators.

E-commerce Service Quality Model

E-commerce uses browser or server connection methods, and buyers and sellers can complete buy-and-sell transactions without seeing each other. The popularity of online transactions enables customers to shop online anytime and anywhere without being limited by time and space. Enterprises can conduct online transactions and payments with other enterprises across vast distances and even time zones, as well as other various internet comprehensive service activities. Marketing experts Zeithaml, Parasuraman, and Malhotra combined research on service quality and its measurement methods to give the first definition of E-service quality (abbreviated as E-SQ): the degree of convenience that a website can provide for efficient and effective shopping, purchasing, and transportation.

Zeithaml et al.(2020, pp. 362-345) believe that compared with website design and price competition, e-commerce service quality is more important. Therefore, if enterprises want to provide high-quality e-commerce services, it is essential to understand how customers evaluate online customer service. Based on the characteristics of the e-commerce industry, Zeithaml et al. modified the SERVQUAL model based on the adaptability of website design and operation environment and proposed the E-SQ model through empirical research. The E-SQ model includes 11 dimensions: reliability, responsiveness, flexibility, ability to successfully enter, easy-to-operate navigation, efficiency, assurance, security, customization, pricing knowledge, and webpage aesthetics, with a total of 121 measurement indicators.

Then, building on the previous theoretical research, Zeithaml et al. proposed an online service quality evaluation model. The evaluation index is divided

into two parts: core service quality (E-S-QUAL) and after-sales service quality (E-RecS-QUAL). E-S-QUAL comprises four dimensions: efficiency, fulfillment, reliability, and privacy, which are broken down into 22 indicators. The after-sales service quality consists of three dimensions: responsiveness, compensation, and contacts, which are measured by 11 indicators (Parasuraman, et al., 2005, pp. 420-450; Zeithaml, et al., 2002, pp. 362-375).

The information quality of text and images is also a very important factor in social e-commerce activities. Sellers present product details in the form of advertising information, and buyers make purchasing decisions almost entirely based on this information.

As stated previously, social e-commerce exhibits characteristics of authenticity, openness, interaction, and community, which have similarities with the traditional SERVQUAL model, but also notable differences. As a result, this study utilizes the five evaluation dimensions of the traditional SERVQUAL model, combined with existing literature research and the service characteristics of social e-commerce platforms, to create a new service attribute for evaluating social e-commerce service quality.

1) Reliability

The reliability dimension refers to the service provider's ability to provide reliable services and fully realize the promised service. Customers expect the products they receive to be free from damage and defects and to arrive within the promised time frame.

Mahmood et al. (2018, pp. 135-154) examined the influence of service quality on customer loyalty, and aimed to determine if this relationship was mediated by customer satisfaction. Results revealed a significant effect of reliability on customer loyalty. Leninkumar attempted to find the relationship between service quality dimensions and customer loyalty in the Commercial Banks of Sri Lanka. The

findings revealed that three dimensions of service quality including reliability have significant positive effect on customer loyalty. Ivanauskien and Volungnait revealed that the three dimensions of service quality, namely, personal interaction, policy and product reliability have a positive impact on customer loyalty across household retail markets in the three researched countries.

Therefore, the research in this article focuses on the seller's reliability, which is demonstrated by timely delivery of products that are as advertised and free from defects. Features such as the tracking and feedback function of logistics information after delivery can enhance the reliability of social e-commerce services.

2) Responsiveness

Responsiveness refers to the frequency with which an online business provides essential services to its customers in a timely manner.

This paper studies the influence of elasticity, responsiveness and quality on customer loyalty. It is pointed out that supply chain response has a positive impact on the competitive advantage of home appliance industry and the improvement of customer satisfaction and loyalty. Research has also shown that information sharing, decision synchronization, and incentive alignment can enhance a firm's competitive advantage. To determine the impact of responsiveness, customer relationship management, corporate image and confidence on customer loyalty. The results show that responsiveness has a direct positive effect on confidence.

Customers anticipate quick responses to their inquiries. The private message function of social e-commerce facilitates direct and timely interactions between sellers and buyers. Through this feature, buyers can communicate with sellers instantly, asking for prices and product details, and even negotiate. Such interactions help build buyers' confidence in sellers, as they show eagerness to service their sale.

3) Assurance

Assurance refers to the service provider's knowledge and courtesy, as well as its ability to convey trust and confidence to consumers. In the context of social commerce services, social media fosters growing social interactions between people. These interactions benefit sellers by allowing them to provide unique information, politely answer buyers' questions, and communicate their knowledge to buyers. Additionally, online transactions can create an experience similar to buying in a physical store, increasing trust in the seller. Some social platforms also offer privacy protection for customers, allowing them to query transaction information through the message function, enhancing their sense of security.

Setyawan conducted the research due to the presence of business phenomena experienced by Yani Salon regarding to their customers' complaints. The results show that the physical evidence, reliability, responsiveness, assurance, and empathy have positive and significant influence on customer satisfaction. Ali empirically examined 270 B2B firms based in Guangdong province, China, in an attempt to increase understanding of the interplays between service quality, relationship quality and customer loyalty from a social exchange theory viewpoint. The study revealed that assurance, as one dimension of service quality, is positively related to customer loyalty. Koduah and Farley found assurance (knowledge and courtesy of employees and their ability to inspire trust and confidence) to be a significant driver of customer loyalty.

4) Empathy changed to Reputation

The reputation of a C2C auction site depends on customers' perceptions of the site's past behavior. Seller reputation information on social networking sites can be obtained from seller profiles, such as personal information, number of friends, number of mutual friends, and past business activities. Such

information can help buyers make informed decisions and can impact a seller's reputation.

Reputation is a crucial determinant when potential buyers choose a seller. Previous studies revealed that brand reputation helps customers to gain trust and enhances satisfaction and commitment. Therefore, brand reputation significantly fosters customer-brand relationships. Moreover, previous research has examined factors that influence seller trustworthiness and impact seller selection. The findings highlight that the most significant factors in this context are the seller's reputation and the quality of previous transactions. These factors allow for a direct evaluation of the seller's honesty and good intentions.

5) Tangibility changed to Information Quality

Under this dimension, complete, accurate, and easy-to-understand product and transaction information can have a positive impact on consumers' online purchase decisions.

Harrison investigated the multi-dimensional aspect of information quality and advances the proposition that it acts as a strategic success factor to customer relationship performance. Specifically, this study explored information as a resource for the firm and suggests that higher quality information will yield better decisions, which in turn, induces higher customer perceived relationship investment and relationship quality. Patma and Fienaningsih proved the effect of information quality on experience quality and customer perceived value, as well as satisfaction, from using the GoFood application in Malang City. The results of Subali Patma's research showed that information quality has a positive and significant effect on trust and customer loyalty with the experiences in using mobile applications.

Customer Loyalty

Definition of Customer Loyalty

Customer loyalty has always been a key issue in marketing research, also known as the degree to which customers are loyal to a company or brand, their preference for products or services, and their willingness to maintain long-term repurchase behavior. How to cultivate new customers into loyal customers, how to cultivate loyal customers, and cultivate long-term loyal customers are crucial to the sustainable development of companies and the stability of their operations. It has always been a focus of marketing academia and major enterprises to study this topic.

Brown (1952, pp. 127-139) was the first to define customer loyalty as the continuous behavior of customers purchasing products from a company or brand. Jacoby, Chestnut, and Fisher believed that customer loyalty includes both customer attitude loyalty and customer behavior loyalty. Customer attitude loyalty is understood as the psychological preference and emotional dependence of customers on a company's products or services, while customer behavior loyalty refers to the repeated selection of a company's products or services by customers.

Oliver (1997, pp. 10-13) pointed out that regardless of how the market environment changes, customer loyalty refers to customers who persist in purchasing products or services they like. In the future, customers will continue to consume products or services from the same company or brand without turning to other companies. From the perspective of user psychology, Oliver (1999, pp. 33-44) divided customer loyalty into two aspects: attitude loyalty and behavior loyalty. Attitude loyalty is further divided into three dimensions: cognitive loyalty, affective loyalty, and intentional loyalty. Whether in a traditional physical context or in an internet context, the dimensions of customer loyalty proposed by Oliver have been verified by most scholars, indicating its strong practicality and broad coverage. American

scholar Jill Griffin defined customer loyalty as the degree to which customers engage in long-term repurchases based on specific preferences for business or brand.

Importance of Customer Loyalty

Customer loyalty often refers to whether customers continue to purchase products, while customer satisfaction refers to whether customers are willing to continue purchasing products. Statistics show that when the percentage of retained customers increases by 5%, the profit that enterprises can obtain can be increased from 25% to 100%. It can be seen that improving customer loyalty is a crucial mission for the overall development of enterprises, and loyal customers will become one of the core competitive advantages of enterprises.

When Rust and Zahorik analyzed banking operations, they observed a positive relationship between customer perceived service quality and customer loyalty. Zeithaml proposed that service quality and customer loyalty are positively correlated, especially when prices increase or customers are willing to pay higher prices. Bloemer found that service quality significantly impacts customer loyalty.

Many studies indicate that service quality can directly affect customer loyalty. However, some studies also use customer satisfaction or customer trust as intervening variables. In a study of the food delivery O2O market, Zhao and Lan (2015, pp. 89-91) used customer satisfaction as an intervening variable. Their empirical research showed that service quality of food delivery websites and companies positively impacts customer satisfaction, which in turn positively affects customer loyalty. Under the C2C model, Deng (2016, pp. 165-168) proposed that service quality can directly influence customer loyalty, and service quality and customer loyalty are positively correlated.

Key Elements of Customer Loyalty

Customer loyalty encompasses several key elements that indicate a customer's commitment to a brand or business.

Repeat purchase behavior refers to customers consistently choosing to repurchase products or services from a particular brand or business. It is a strong indicator of loyalty and reflects the customer's satisfaction and preference for the brand. Repeat purchase behavior can result from positive experiences, product quality, service excellence, and overall satisfaction.

When consumers become committed to a brand and make repeat purchases over time, they are brand Loyalty customers. This phenomenon is a result of consumer behavior and is affected by a person's preferences. Loyal customers will consistently purchase products from their preferred brands, regardless of convenience or price.

Reichheld and Sasser (1990, pp. 105-111) discussed the concept of "zero defections" and emphasizes the importance of repeat purchase behavior as a key element of customer loyalty. Anderson, Fornell, and Lehmann (1994, pp.53-66) examined the relationship between customer satisfaction, market share, and profitability. They found that customer satisfaction, which influences repeat purchase behavior, is positively linked to market share and financial performance.

Word-of-mouth recommendations occur when loyal customers actively share positive experiences and endorse a brand or business to others. These recommendations can significantly impact the reputation and success of a company by influencing the purchasing decisions of potential customers. Positive word-of-mouth serves as a powerful form of advertising and can lead to an increase in customer base and loyalty.

To attract and retain customers, word of mouth is arguably an important factor. What customers talk about a company will shape customers' attitudes about

an organization and its' services, manifested by intentions and behaviors of repatronization and recommendation. While word-of-mouth can be defined as oral or written recommendation by a satisfied customer to the prospective customers of a good or service, customer loyalty is the likelihood of previous customers to continue to buy from a specific organization (Businessdictionary.com).

Hennig-Thurau, Gwinner, and Gremler (2002, pp. 230-247) discussed the role of relationship marketing in generating positive word-of-mouth recommendations. They highlighted the importance of relational benefits and relationship quality in fostering customer loyalty and advocacy. De Matos and Rossi (2008, pp. 578-596) examined the antecedents and moderators of word-of-mouth communications. They found that customer satisfaction and loyalty significantly influence positive word-of-mouth behavior.

Social E-commerce

Social e-commerce is a new model derived from e-commerce. With the help of social media communication channels (e.g., social networking sites, Weibo, WeChat), social interaction and user-generated content are used to facilitate the sales of goods or services. At the same time, social elements such as following, liking, sharing, and commenting are integrated into the transaction process. Social e-commerce combines e-commerce and social media into a trust-based social transaction model.

Social e-commerce includes the following four models. This research focuses on Pinduoduo, a representative of the "group shopping social e-commerce" model:

1) Group-buying social e-commerce:

This type of social e-commerce attracts users by offering low prices to groups of two or more. It utilizes group price reductions to incentivize users to share information and engage in communication.

2) Member-established social e-commerce:

Following an S2B2C model, this form of social e-commerce platform manages the entire supply chain process, including goods, warehouses, distribution, and after-sales service. It encourages users to become distributors through distribution promotion and leverage their social relationships to share and expand the platform's reach. The model emphasizes the concept of "self-purchase and save money, share and make money."

3) Community-based social e-commerce:

This model is based on communities, where members place orders through tools like mini programs. The community group-buying platform delivers goods to the group leader within a specified time, providing a group-buying model for last-mile delivery.

4) Content-based social e-commerce:

This approach influences and guides consumers to make purchases through various types of content. It learns about user preferences through content consumption and achieves synergy between products and content to improve marketing conversion.

Related Research

(1) Fidal, et al. (2020, pp. 1-15) conducted a study titled "Impact of service quality on customer loyalty and customer satisfaction in Islamic banks in the Sultanate of Oman", which is a quantitative nature of a study aiming to examine the impact of service quality on customer loyalty and customer satisfaction with the

SERVQUAL model for four main Islamic banks in Sultanate of Oman. The research depicted a significant relationship between service quality, customer satisfaction, and customer loyalty.

(2) Ahmand conducted a study titled "The Effect of service and food quality on customer satisfaction and hence customer retention", which is a questionnaire-based survey populated 386 students served at 10 limited-service restaurants in the neighborhood of universities in Amman, the capital city of Jordan. Service quality was measured in terms of SERVQUAL attributes. The findings found that service and food quality have a positive influence on customer satisfaction and service quality dimensions besides customer satisfaction have a positive influence on customer intention.

(3) Chou, Lu, and Chang conducted a study titled "Effects of Service Quality and Customer Satisfaction on Customer Loyalty in High-Speed Rail Services in Taiwan." This study investigated the perceptions of service quality and customer loyalty among 1235 passengers utilizing high-speed rail services in Taiwan. To explain customer loyalty, the researchers employed structural equation modeling. The results indicated that passengers highly valued car cleanliness as the most important service quality attribute, followed by the neat appearance of employees, employee service attitude, comfort of air conditioning, and on-time performance. Furthermore, the findings demonstrated that service quality positively influenced customer satisfaction and customer loyalty, and customer satisfaction also had a positive impact on customer loyalty.

(4) Lai conducted a study titled "The roles of value, satisfaction, and commitment in the effect of service quality on customer loyalty in Hong Kong-Style tea restaurants". This study evaluated the roles of perceived value, customer satisfaction, and affective commitment as they mediate the effect of service quality on customer loyalty at Hong Kong-style tea restaurants with the analysis of data

collected from 382 customers. The study found that service quality positively influences perceived value, customer satisfaction, and customer loyalty.

(5) Gong and Yi (2018, pp. 427-442) conducted a study titled “The effect of service quality on customer satisfaction, loyalty, and happiness in five Asian countries”. The study investigates and validates the cross-national applicability of a service quality model in five Asian countries: China, Hong Kong, Japan, South Korea, and Singapore. The findings show that overall service quality has a positive influence on customer satisfaction, which in turn leads to customer loyalty and customer happiness and that the general pattern of structural paths is valid in the five countries.