İşletme Araştırmaları Dergisi

A Cross-Country Investigation of Online Privacy and E-Loyalty Intentions Relationship: A Comparison Between Turkey and Russia

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Extensive Summary

1. Introduction

E-commerce has a dramatic effect on the way both the customers and organizations act and function (Elahi and Hassanzadeh, 2009; Esmaeilpour, Hoseini and Jafarpour, 2016; Love et al., 2001). A particular field of interest within the ever-increasing academic studies on e-commerce has been identified as customers' loyalty towards online websites and brands, and the factors that affect online loyalty or e-loyalty intentions of customers (Doong, Wang and Shih, 2008; Lin and Wang, 2015; Parasuraman and Grewal, 2000). A particular concept that has been mentioned by previous studies as an antecedent of e-loyalty intentions is online privacy (Limbu, Wolf and Lunsford, 2011; Lu, Chang and Yu, 2013; Yun and Good, 2007). Nevertheless, the effect of online privacy on customers' e-loyalty intentions remains an underexamined issue (Toufaily, Ricard and Perrien, 2013) despite the customers' ever-decreasing perceptions towards their privacy on internet, and the lack of privacy's effect on customers' avoidance of e-shopping activities (Limbu, Wolf and Lunsford, 2011; Meinert et al., 2006; OECD, 2015; Vijayan, 2005)

Against the aforementioned backdrop, this study aims to find out the nature of the relationship between online privacy and e-loyalty intentions. To explain the association between these two constructs, our study suggests the concept of e-satisfaction as a mediator between online privact and e-loyalty intentions. Our study further aims to extend the literature by suggesting country/cultural-based differences as a factor affecting the relationship between online privacy and e-loyalty intentions. In more detail, studies like Capece et al. (2013) posit that characteristics specific to a country like culture might have a role on shaping customers' attitudes and behaviors towards e-commerce mediums. Extending this point, this study focuses on the comparison of two countries with relatively lower use of e-commerce, namely Turkey and Russia (OECD, 2015; Starostin and Chernova, 2016) with respect to the online privacy and e-loyalty intentions to see whether the country-based differences cause any difference on the path of online privacy towards e-loyalty intentions.

2. Conceptual Framework and Hypothesis Development

Our conceptual model incorporates the hypothesized relationships between online privacy, e-satisfaction, e-loyalty intentions, and country. Per Parasuraman, Zeithaml, and Malhotra (2005, p.5), online privacy is the extent of "the protection of personal information" of customers in a particular website. In line with prior studies such as Akbar and Parvez (2009), Chiu et al., (2009), and Zhao (2010), we define e-satisfaction as an emotional and psychological response of the customers towards his/her experience in a website. E-loyalty intentions has been identified by the literature as an indicator of a customer's future repeat purchase behavior from a website (Srinivasan, Anderson and Ponnavolu, 2002).

Based on these concepts, our first hypothesis postulates that online privacy relates positively to e-satisfaction. Online privacy affects customers' purchase behavior from a website or from internet altogether (Adam, Aderet and Sadeh, 2007; Ahuja, Gupta and Raman 2003; Kassim and Abdullah, 2010; Reibstein, 2002; Türker and Özaltın Türker, 2013). In line with the literature (Jin and Swinney, 2009; Kim and Kim, 2010; Roman, 2007; Szymanski and Hise, 2000); our study suggests that online privacy in a website would increase customers' satisfaction towards the website. Our second hypothesis posits that e-satisfaction relates positively to e-loyalty intentions. As mentioned by literature (Bloemer, de Ruyter and Wetzels, 1999; Oliver, 1999; Zeithaml, Berry and Parasuraman, 1996), satisfaction would have a direct effect on customer's preference to sustain his/her relationship with a manufacturer or service provider in the future (Anderson and Srinivasan, 2003; Arı, Yılmaz ve Doğan, 2015; Blau, 1964; Limbu, Wolf and Lunsford, 2011; Taşkın ve Diğ., 2016; Thibaut and Kelly, 1959). Similarly, it would be possible to deduct that customers' satisfaction toward a website would further affect their e-loyalty intentions with respect that website.

Our third hypothesis suggests that e-satisfaction mediates the relationship between online privacy and e-loyalty intentions. Extending the views hold by prior studies (Chen and Hu, 2013; Cronin et al., 1997; Fuentes-Blasco et al., 2010; Fullerton, 2005; Gounaris, Dimitriadis and Stathakopoulos, 2010; Nyadzayo and Khajehzadeh, 2016; Zeithaml and Bitner, 2000), online privacy by itself, may not account on the formation of a customers' e-loyalty towards a website, which is a concept that may be affected by the combination of different concepts. Thus, rather than a direct relationship, our study expects an indirect effect of online privacy on e-loyalty intentions that would be mediated e-satisfaction. Our fourth hypothesis holds that for Russian participants, the effect of online privacy on e-satisfaction will be stronger compared to Turkish participants. Hofstede (2001) defines both countries in this study, namely Turkey and Russia high uncertainty avoidance cultures. Nevertheless, the Russian people are known as having a relatively higher tendency to avoid uncertainty compared to Turkish citizens, which may translate for a higher effect of online privacy on e-satisfaction.

3. Research Methodology

In order to collect the data that would permit us the hypothesized relationships, this study focuses on the context of online hotel reservation websites that operate in Turkey and Russia. In line with the context, the study included Turkish and Russian citizens who have previously used an online hotel reservation website. After the collection of data from these participants via online survey technique, we obtained 325 usable surveys out of 519 participants whom we sent the survey, which translates to a

response rate of 62.6% in total. Out of 325 participants, 168 have found to be Russian while 157 is Turkish citizen. We measured online privacy, e-satisfaction, and e-loyalty intentions via the existing scales by using a 5 pt. Likert scale. We translated the scale items into Turkish by using the group and back translation methods by Brislin, Lonner, and Thorndike (1973). To operationalize the country, we asked the country that the participants currently live besides their citizenship, recorded their respective country as a binary variable with Russia = 0, and Turkey = 1. We further included demographics questions like age, education level, gender, and income level to be used as control variables in our study.

4. Findings

Before testing the study hypotheses, we first assessed the measurement model by using confirmatory factor analysis (CFA), which showed acceptable fit in line with the following indices (χ2=64.8, df=32, GFI=.961, CFI=.986, TLI=.980, RMSEA=.056). Our study further finds that our measurement model meets the requirements for construct validity, fulfilling the criteria for both the convergent and discriminant validity. After conducting CFA and other validity checks, our study runs path analysis to test the first two hypotheses. In line with the analysis, we find that online privacy relates significantly and positively to e-satisfaction (γ=.559, p<.01), and e-satisfaction relates significantly and positively to e-loyalty intentions (γ=.796, p<.01). Based on the mediation analysis by Zhao, Lynch and Chen (2010), our study further finds that online privacy has an indirect effect on e-loyalty intentions, which is mediated by e-satisfaction (γ=.427, p<.01, 95% bias-corrected bootstrap CI [.338, .534]). Finally, based on multigroup moderation analysis, our findings show that compared to Turkish participants (γ=.435, p<.01), the effect of online privacy on e-satisfaction is stronger among Russian participants (γ=.665, p<.01). Thus, our findings confirm all the hypotheses postulated by this study.

5. Conclusion and Discussion

In line with our findings, it is possible to reflect that our study results mirror the findings of prior studies (Anderson and Srinivasan, 2003; Arı, Yılmaz and Doğan, 2015; Kim and Kim, 2010; Roman, 2007; Szymanski and Hise, 2000; Taşkın et al., 2016; Yang and Peterson, 2004; Zhao, 2010) regarding the role of online privacy on e-satisfaction, which in turn affects customers' e-loyalty intentions. Furthermore, our study posits that the nature of the relationship between online privacy and e-loyalty intentions is an indirect one, which is mediated by e-satisfaction. Therefore, our study findings are in line with those of Belanger, Hiller and Smith (2002); Cases, Fournier and Dubois (2006); Kassim and Abdullah (2010) and Wolfinbarger and Gilly (2003). Finally, our study extends the extant literature by finding that compared to Turkish customers, the effect of online privacy on e-satisfaction would be higher among Russian customers due to their high level of uncertainty avoidance, as been mentioned in Hofstede's (2001) studies.

Extending our findings, our study further recommends managers to invest in online privacy systems and increase their customers' perceptions that their personal information has been protected by their website due to online privacy's direct effect on e-satisfaction and indirect effect on e-loyalty intentions. Such activities would be particularly important among Russian participants. Nevertheless, managers should not neglect the other characteristics of the website since online privacy, by itself, will not be

able to account for customers' repeat use or purchase behaviors from the same website in the future. Finally, we recommend future researchers to address some of the limitations in this study by testing the hypotheses in our study in countries with different levels of e-commerce use, in different industries other than tourism, examining the antecedents of online privacy perceptions of customers using a website, and replicating this research by using probabilistic sampling methods and collecting data from a larger samples.