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Title of the Master's Thesis:

# Key Drivers of E-loyalty: Case of Trivago company

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## Abstract

Online companies contribute significantly to world's GDP. The restored market conditions after the dot-com bubble create an attractive and profitable environment for the new entrants. Therefore the competition increases rapidly. More than ever the competitive advantages become the key factors of success. Online companies face challenges when creating these competitive advantages. Despite similarities with the traditional firms in structure and organization, companies operating through the internet show some distinctive specifics. These particularities are often related to the intangible nature of the online products. Different strategies are pursued in order to mitigate the uncertainty perceived by user which arises from the intangibility. Researches showed that creating brand loyalty is one the ways that help adding the aspect of tangibility and leads to repeated purchases. This theses applies the theoretical concepts of online brand loyalty on the case of Trivago company in order to test the validity of e-loyalty drivers models and discover the possibilities of these models' extensions by adding the dimension of relative importance.

## Key words

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# 1. Introduction

The ever-changing and rapidly growing nature of online industry encourages companies to develop innovative solutions to classic commercial challenges, and discover new ways of managing their business. Thus new business models emerge. Given the organic growth of the online marketplace, increasing internet penetration and favorable entry conditions which are often undemanding on resources, competition is intensified. The highly competitive environment obliges firms to define their strategies clearly, and to earn and maintain strong competitive advantages. For internet based companies, however, this process is fraught with numerous obstacles.

In comparison with traditional offline businesses, the products of online firms demonstrate a higher level of intangibility due to their virtual nature. This intangibility bears with it a significant degree of uncertainty which the customers are inevitably required to deal with. Moreover, easier and faster access to information instigates an intensified price sensitivity and greatly loosens customer relationships with a particular product or brand. Hence managers have to take this hurdle into account when planning the strategy. Building brand loyalty is deemed to reduce the impact of the perceived intangibility and stimulate repetitive purchases.

Marketing experts and researches have examined the specifics drivers of brand loyalty for online companies, and coined the term "e-loyalty". The basic principles are derived from traditional marketing concepts further developed to match the characteristics of the online environment. Even though the research about impact on e-loyalty is quite extensive, there is insufficient investigation into the relative importance of the particular drivers. This work therefore strives to find out if the drivers indeed differ in their significance.

The aim of this thesis is to choose a case which can be considered a relevant and worthy example of an internet based company with a highly intangible product in order

to examine the applicability of a particular e-loyalty model. For this purpose, the hotel price comparison website Trivago was selected and the motives of its users were analyzed. The overall aim is to examine the key drivers of brand loyalty and their relative importance for Trivago and present implications for the company's managers, in order to help them prioritize their strategic activities. In order to gather relevant primary information, an online survey was distributed among selected Trivago users.

The objectives of this paper are to review the literature related to the topic of e-loyalty and comment on the current internet trade environment, hence providing a suitable foundation on which to conduct the research. The analysis of particular models follows, in order to select an appropriate one for application to the case. To complement the comprehensiveness of the introduced models, the dimension of weight is added which allows us to draw conclusions about activity prioritization for managers.

The focus on purely internet based companies providing rather network based platforms or services was chosen in order to simulate conditions whereby brand loyalty can be considered crucial to the company's existence. These conditions occur in market with a dense competition, limited entry barriers and restricted space for core product differentiation. The price comparison websites meet this definition; therefore Trivago can be viewed as an ideal case for this analysis. Moreover, as one of the market leaders in its category, the probability is greater that there is a sufficient degree of brand loyalty among its users.

Besides the reviewed theoretical concepts which represent the secondary data, primary data were gathered through the self-administrated questionnaire, which was distributed to Trivago Facebook fans. The sample of respondents was defined with an assumption that these users represent loyal customers of Trivago. The results of the survey helped to assess the suggested model and to answer the main hypotheses of this research. These hypotheses suppose the applicability of the defined "e-loyalty drivers model" and relative importance of each driver. Confirming these hypotheses creates

valuable implications for managers as such findings can help them with prioritization in strategic planning process. Providing findings of real value to Trivago's managers, which could also be transferable to other companies, was essentially the driving motivation behind this thesis.

## 1.1. Terminology

In order to clearly understand the context of this paper e-business (e-business paper?), it is essential to unite the used terminology. The following overview clarifies the terms that appear throughout the thesis. The incoherent expressions are a consequence of a relatively new discipline and an extremely fast development which requires terming new solutions, entities and products from day to day. If questionable, the reasons why some particular terms can be used as synonyms are developed in the Theoretical Framework section (Chapter 2).

**Terms describing a company, whose existence is contingent upon a web site, i.e. the website represents the company's product**
- o Internet company
- o Online company
- o Dot-com company
- o Pure click company
- o Online business
- o E-business

**Terms describing a company whose operations and distribution are realized mainly online; the website is only a tool for communication or additional distribution**
- o Traditional company
- o Offline company

**Terms describing a positive perception of a product or brand, which leads to repeat purchases**

- Loyalty
- Customer loyalty
- Brand loyalty
- Online loyalty (internet companies)
- E-loyalty (internet companies)

## 2. Theoretical framework

The following part of the master thesis summarizes the theoretical concepts related to the problematic of online brand loyalty. The literature was systematically processed from broadly related sources dealing with the specifics of online businesses, to very detailed ones proposing a model of online brand loyalty drivers. Firstly, a short introduction and a brief overview of the internet industry are given, followed by further information about e-commerce. The particularities of marketing for online businesses are then examined, and the major role played by intangibility is considered. Following that, brand equity for online services is discussed in response to the analysis of literature concerning online brand loyalty. Finally, two theoretical models introducing the key determinants of e-loyalty are presented, namely Gommans' 5 dimensions of e-loyalty and Srinivasan's 8Cs. The combination of these two models then serves as a basis for a newly proposed model of key e-loyalty drivers, extended by a dimension of relative importance. The final model's applicability represents the primary hypotheses of this paper. Before deriving a conclusion from applying this model to the company Trivago, an overview of two specific online business cases is available at the very end of this part to complement the context; the online tourism industry and the price comparison business model.

### 2.1. Internet industry

The significance of internet enterprises has become indubitable in all fields of business, from retail to services. A report conducted by McKinsey & Company from 2011 shows that the internet accounts for 3.4 % of GDP in a representative sample of countries (countries covering 70 % of the global GDP) and from 2007 till 2011 the internet's contribution to these countries' GDP growth reached 21 %. (McKinsey&Company, 2011). However, it is necessary to break the analysis of the internet's contribution to GDP down to particular areas in order to gain relevant conclusions for the online businesses market. It is essential since the internet's

contribution to the GDP is not necessarily related only to internet trade. Also non-commercial online activities or internal corporate activities that secondarily lead to GDP contribution are included in the study. However these are not primary interests of this thesis, therefore the focus needs to be narrowed to merely commercial online activities. For the purpose of this paper the focus in the following chapters is only on e-commerce, specifically on the dot-com, or pure-click companies as defined by Kotler and Keller (2009), which means that the establishment of the firm was conditioned by the launch of the website.

## 2.2. E-commerce

The fast changing online environment has been a hub for a great development of online businesses, especially in the recent years. After the dot-com-bubble, the restored market conditions, represented by continuous growth in e-commerce, created a need for new concepts and business models. On one hand, there is a higher necessity for innovation due to a dense competition, whilst on the other hand new opportunities have arisen from increasing internet penetration and new online payment possibilities. These aspects contributed to unconventional ideas about how to run an online business. Entrepreneurs not only change their strategic planning, but also invent entirely new business models. One example of new emerging business models is the social-media-based business model including *online communities* such as Facebook, *content intermediaries* such as content sharing sites like YouTube or *social shopping sites* such as Groupon.(Lee, 2014) Another example of an innovative business model is that of the price comparison website such as Skyscanner. Elaboration on this type of business model can be found in chapter (xx) as an introduction to the Trivago case.

Brand new opportunities have also arisen with the social media boom. Since the mid 2000-s social networks enable a revolutionary means of communication, not only between companies and their customers, but also between customers themselves. The community-based structure of social media provides online businesses with an

invaluable pool of data. It allows them a better interaction with their customers and also creates new revenue sources.

Hence the e-commerce market continues to gain a great importance and increase its contribution to the global economy. The forecast conducted by the institution Research and Markets shows that the global e-commerce market is about to grow by 13.4 % over the years 2013-2018. (Reuters, 2011) One of the well-established areas of e-commerce is online retail trade (e-shops). In 2012 the global revenues from e-commerce reached 521 billion US dollars and the average online share of all retail trade in Europe in 2011 was 5.9 %. (OECD, 2012) With the development of online payment tools such as PayPal online purchases have become even more convenient for customers.

A peculiar case of e-commerce is so-called dot-com companies. These companies' operations are done mostly on the internet platform and their customers are exclusively the visitors of their website. The following analysis of marketing specifics focuses on this case of e-commerce and compares dot-com companies with regular businesses that conduct their operations mainly offline.

## 2.3. Marketing specifics for online companies

Not only the online industry trends and the intense development, but also the marketing approach of online companies is quite distinctive from regular offline trade. However as we saw in the past, basic strategic principles should remain consistent. The rapid growth of online industry in 1990's caused an enthusiasm due to which managers neglected strategic planning and the relevance of a well-defined business plan. The dot-com bubble has proved that beside offline companies, internet-based companies mustn't lack stable business plans either. Nowadays there are many common features for both types of companies, also in terms of their marketing strategies. Nevertheless, there are some differences. To identify the specifics related to marketing strategies for

e-businesses McCarthy's (1964) the classic marketing mix approach, popularized mainly by Kotler, can be used, thus the distinctions on the level of *Promotion, Place, Price* and *Product* will be analyzed.

The most significant difference in *Promotion* is initiated by the available data that an online company possesses about its customers. While all the customers of such companies are in fact visitors of its website, many kinds of data can be gathered. Especially thanks to so-called cookies, which collect exhaustive information about a certain user, firms are able to draw a model of the consumer's behavior. Such technology supports a more accurate definition of a target group. Hence better-targeted promotion is possible, which increases efficiency and return on investment. Apart from that, online companies use similar promotion channels like regular companies. Their activities are certainly not limited only to online marketing but they also use offline channels like TV or printed media.

The distinction of *Place* for online companies is clear. Dot-com companies have a clearly defined distribution channel since they offer their product exclusively through a website. In comparison with offline companies, the distribution and logistics costs can be reduced or even eliminated. For companies such as Amazon these costs are reduced due to absence of retail stores network, for Google they are almost inexistent.

*Pricing* does not indicate a perceptible difference. Online companies can choose from the same general pricing strategies as offline companies, for instance those defined by Kotler (2013); value-based pricing, cost-based pricing and competition-based pricing. In many cases, competition-based pricing is a necessary strategy for online companies, since their customers have a very fast access to information about competitors and can easily compare different offers, which makes them more price sensitive.

Considering *Product* the main disparity between online and offline companies is that the product of dot.com companies possess a higher amount of intangibility. Some authors like for example Levitt (1984) believe that the aspect of intangibility is present in all products regardless being goods or a service. Following this approach, different levels of intangibility can define 4 basic types of products from the most tangible one to the most intangible one.

1. Goods sold offline
2. Goods sold online (e-goods)
3. Services provided offline
4. Services provided online (e-services)

Also goods sold offline involve a certain level of intangibility as they often cannot be tried out before the purchase. On the other side of the list, the services provided online contain an even bigger portion of intangibility than services delivered in person.

Heiner (2007) states that high intangibility is one of the most significant features of e-services. It correlates with the possible uncertainty of costumers who are fully placing their purchasing trust in a product they cannot touch. In addition, they buy it in a virtual environment. The study of Nepomuceno et al. (2014) also proves that both mental and physical intangibility increase perceived risk and they conclude that product knowledge and brand familiarity help to reduce the perceived risk. As Levitt (1984) implies, reducing this arising uncertainty becomes a necessity for companies offering e-services. He advises that for highly intangible products the symbols and customers' perception become crucial. "*Promises, being intangible, have to be "tangibilized" in their presentation (...)*" (p. 97). Assuming 5 levels of product according to Kotler (1967), the uncertainty mitigation can be pursued through higher levels of the product since the Core is, by e-services, intangible by definition. Reducing uncertainty by offering a warranty or providing a high quality customer service modifies the product on the level of *augmented product*. Offering a customized solution thanks to technical

tools such as cookies adds tangibility on the level of *expected product*. Goffe (2012) sees the potential room for "tangibilization" in reducing the perceived costs. According to his research, it is crucial for the company to reduce the influencing costs in order to stimulate the customer perception of value. For example time costs that have to be invested before the service is provided influence the perception of the final value and can be reduced by fast servers providing quick search. Energy costs invested by the customer to find the right service provider can be steered by proper marketing activities.

Alongside the listed elements which can reduce uncertainty like warranty or customer service, the additional findings such as brand familiarity, importance of symbols, customers' perception and importance of upper layers of the Product implicate, by their common denominator, another crucial element reducing the uncertainty, namely brand equity. In the process of creating trust for intangible products, brand equity becomes highly considerable.

## 2.3.1. Brand Equity of e-services

A wealth of research about brand equity has been conducted. Keller (1988) defines brand equity as the overall value of a brand. Most of the conceptual schemas are based on the customer and his responses to the firm's marketing activities. Analyzing the aspects of brand loyalty, Aeker (1991) mentions the role of consumers' brand associations but also emphasizes other consumer-based components of brand equity such as brand loyalty, brand awareness, perceived quality and other associations. Whereas Keller (1993) points out mainly the cognitive level of consumers' actions and establishes his brand equity theory on brand association as the key component and brand image as the additional component. Others further add a behavioral level to the dimensions of brand equity. For example Girish (2004) proposes a behavioral component of strength of preference for a brand as a strong aspect of brand equity. Later studies try to combine both behavioral and cognitive aspects as complementary.

For example according to Brandt and Johnson (2007), brand equity consists of loyalty, preference, availability, awareness, familiarity, image and associations.

Analyzing the brand equity of e-services requires two dimensions of potential specifics to be taken into account. First there are specifics of brand equity for online businesses and second for services. A study conducted by Rois (1983) concludes that the variables of brand equity for online companies do not differ from the ones for offline businesses. However, the study identifies that the relative importance of particular variables is unequal. The research found out that brand loyalty contributes by far the most to the brand equity in case of an online company.

Moving back to the customers' uncertainty as discussed above, when purchasing a service, some, such as Onkvisit and Shaw (1989) confirm that branding is more crucial for services than for goods due to their aforementioned intangibility. They believe the brand helps to reduce the risk perceived by consumers and modify their cognitive processes by adding a tangible aspect to an intangible product. However the research of Krishnan (2001) draws a different conclusion. His empirical research showed that brand equity relevance is higher for tangible products than for services. Although he defined one specific group of services that is also characterized by a high importance of brand equity like goods. For the purposes of the research they were grouped as *search-dominant services*. Those are services defined by search attributes, such as price or product characteristics, which the consumers can evaluate before the actual purchase. For instance price comparison websites fit in this category. The findings about particular significance of brand equity for online services creates an important assumption for the further chapters of this paper.

### 2.3.2. Loyalty for dot-com companies

Supposing that the brand equity is of a high importance for online businesses and the emphasis is on loyalty, the following subchapter identifies some of the theoretical concepts surrounding customer loyalty and their application in online businesses. Firstly, it is necessary to clarify the terminology. Even though there are different approaches to the actual relation of the terms "customer loyalty" and "brand loyalty", for the purpose of this paper the terms customer loyalty and brand loyalty are considered as synonymous. This approach corresponds for example with the work of Srinivasan et al (2002) which does not distinguish between brand and customer loyalty at all. Contrarily Liu-Thimpkins (2011) assumes that customer loyalty is a term superior to brand loyalty. She describes brand loyalty as a part of attitudinal loyalty, one of the two basic dimensions of customer loyalty beside behavioral loyalty. Whatever approach is chosen, the important thing is that loyalty is crucial since it leads to repeating purchases.

There are many definitions of customer loyalty; Dick and Basu (1994) state "*Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and repeat patronage. The relationship is seen as mediated by social norms and situational factors.*" Oliver (1999) defines loyalty as a "*commitment to re-buy or re-patronize a preferred product or service consistently in the future, causing repetitive same brand or same brand-set purchasing, despite situational influences or marketing efforts.*" The topic of customer loyalty was of great interest to researchers as early as the late 1960s. One of the most influential works was introduced by Jacoby (1971). He elaborated on attitudinal loyalty based on the cognitive processes. In his later publication together with Chestnut (1976) he also develops the second dimension; behavioral loyalty based on customers' actions.

Later publications mostly work with these two dimensions of brand loyalty giving them different relative weights like for instance Dick & Basu, (1994) or adding

another dimensions. For example Oliver (1997) creates a multi-dimensional model of brand loyalty by defining 4 dimensions of loyalty, namely conative, cognitive, affective and action. Discussions appear whether the measures of both attitudinal and behavioral can be used to determine the brand loyalty. Some perspectives like the one of Jacoby (1976) assign the ability to measure brand loyalty only to the behavioral dimension through variables such as frequency, probability and proportion of purchase. Although some authors like Liu-Thompkins (2011) assert that frequency of purchase can be caused by habit and not loyalty. Other approaches value both dimensions in the process of brand loyalty measurement, e.g. Dick & Basu, (1994) or Gremler (1995), meaning that attitudinal loyalty is also taken into account through variables such as trust, commitment or worth of mouth. There are as well other factors influencing loyalty that are not particularly considered as its dimensions, namely the factor of satisfaction. Oliver (1995) concludes that loyalty implies satisfaction but satisfaction does not necessarily lead to loyalty. Chaudhuri (2001) came to a conclusion that the brand loyalty has two determinants; each one of them supports the behavioral and attitudinal dimensions of loyalty. These determinants are namely brand trust and brand affect. Several authors propose brand loyalty determinants specifically for online companies. The following models propose key drivers of e-loyalty.

### Srinivasan's antecedents of loyalty in e-commerce

In recent years many researchers have put their focus on customer loyalty in online businesses. Srinivasan et al. (2002) define e-loyalty as "(…) *customer's favorable attitude toward the e-retailer that result in repeat buying behavior.*" (p. 42). Their empirical research discovered 8Cs factors that impact e-loyalty. These are (1) customization, (2) contact interactivity, (3) cultivation, (4) care, (5) community, (6) choice, (7) convenience and (8) character. The importance of customization was already mentioned in this paper when applying Kotler's 5 levels of product on online services discovering that customized solution helps to fulfill the *expected product* level and contributes to reduction of the customers' uncertainty feeling.

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In the context of 8Cs model, *Customization* affects loyalty by fulfilling customers' expectations but also by saving their time and enhancing the perceived choice by enabling a better focus on customer's desired products. It represents a level of personalization in the delivered solution. *Contact interactivity* includes interactive search processes and navigations through the website. Therefore it correlates with the technical level and logical structure of the web site. Customers are not web developers, so processes that seem simple for insiders from the company might be confusing for a regular user. To avoid incomprehensibility the users' reaction to the website's features should be tested regularly. *Cultivation* is a level of relevant information and incentives for customers. The ideal state allows the user to find all the necessary information in one place with some additional benefits as a complete package. For example if Google search shows the user also a weather forecast for London when he searches for accommodation in London, that shows a good level of Cultivation. *Community* is a social entity consisting of users who interact with each other. The company acts as a facilitator of the information exchange in this case, providing the users with a convenient and well-arranged platform. The benefit arising from the community is two-sided. On one side it signifies added value for the community members, one the other side it becomes a source of content generation for the company. *Care* is represented by activities like customer support and assistance. As mentioned in the chapter 2.3, the customers' uncertainty can be reduced by similar activities. Not only the availability of customer service but also the quality and speed of it affect the overall satisfaction. To meet the conditions of *Convenience* the website has to be user-friendly, intuitive and simple to understand. Users are more demanding on the convenience of the online shopping than they are on their regular in-person shopping. *Choice* refers to the size of inventory.  If the choice is not wide enough for the user, the probability of leaving the website increases rapidly as it is not time and energy consuming to switch to another website. *Character* relates to the creativity and the overall image of the website from the graphic design to the brand image of the company. The findings also show that the e-loyalty has a positive impact on willingness of the customers to pay more. The following graphic summarizes the 8Cs model.
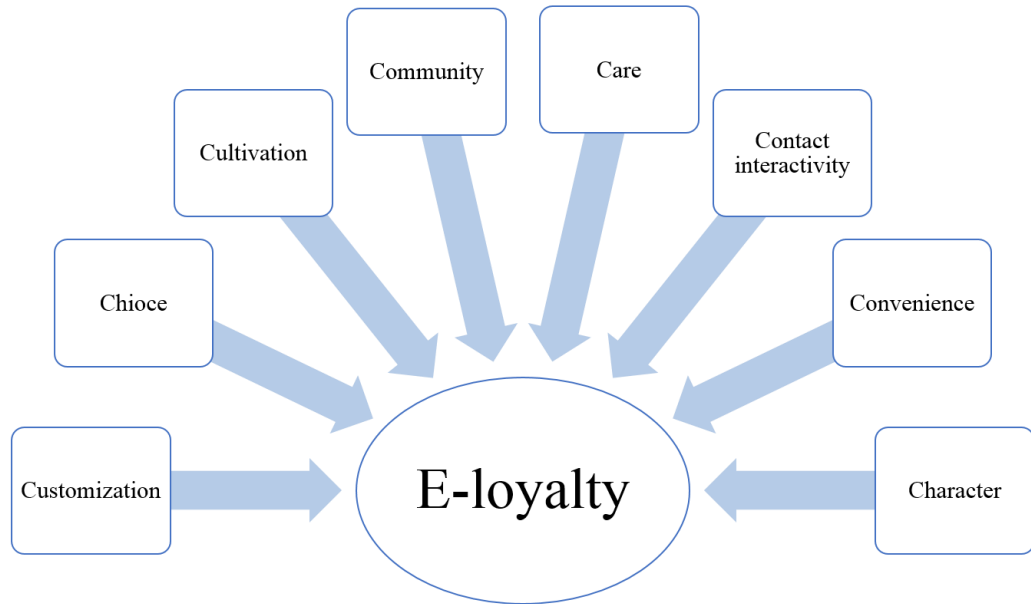
## Gommans' e-loyalty model

As Gommans (2001) emphasizes, traditional concepts of brand loyalty can serve as a default theoretical framework when analyzing the online brand loyalty. The two basic dimensions of loyalty defined by previous research (attitudinal and behavioral) apply also for the e-loyalty only with different importance. When taking into account the attitudinal loyalty, online businesses are able to put more emphasis on the cognitive perspective through offering customized solutions thanks to database technologies. Also the affective aspect is more stressed since the role of trust, privacy and certainty comes to the fore. Similarly, the concept of satisfaction becomes highly important assuming that online customers have easier and faster access to the competitors and to relevant information. Nevertheless, neither the behavioral loyalty should be neglected. Strauss & Frost (2001) point out that due to the shortened buying cycle time, converting the behavioral processes into a purchase must become much faster, ideally immediate.

*„Behavioral loyalty is much more complex and harder to achieve in the e-space than in the real world, where the customer often has to decide with limited information"*(Gommans, 2001, p. 46).

Gommans proposes an e-loyalty conceptual framework based on a 5-dimensional model. This model will be now presented in detail. The model defines 5 drivers of e-loyalty. These are (1) Value Proposition, (2) Brand Building, (3) Trust and Security, (4) Customer service and (5) Website and Technology.

*Value Proposition* driver refers to the customization of the product, the quality and variety of the offered products and the guarantees. It is also represented by brand awareness and pricing strategies. Fundamentally, the value proposition creates the rational motive for purchasing the particular product. *Brand building's* importance for online businesses has increased, together with the massive emergence of online competitors over a short period of time. It includes brand image building, brand involvement and community building. *Trust and Security*, also plays a particularly valuable role. One of the biggest fears online customers face is the online payment process. Po-Hung Lin (2013) agrees that the most crucial aspect of trust in online businesses is the payment security. Indeed, Gommans' findings prove a positive relationship between trust and satisfaction. As derived from the previous research in chapter 2.3.2., there is also a positive relationship between satisfaction and loyalty. Not only secure payment but also personal data protection comes into question as a criteria for the online customer. Companies use different techniques to nurture the customer's trust. Often they elect a third party approval of associations that are reliable for their particular industry. Overall reputation and trustworthiness also form the Trust and Security dimension. Similarly *Customer service* contributes to customer satisfaction and security perception. As mentioned in chapter 2.3., a proper assistance for customers functions as one of the techniques to add an essence of tangibility into online products. The dimension is underlined by fast responses to customer inquiries, free online applications and easy contact. *Website and Technology* is essentially a unique

dimension as for the offline companies a website and the technology behind it often serves mainly as a communication or partly as a distribution channel, whereas for online companies a website is always a core of their product since it is a main part of the solution for the customers. Supporting aspects in this matter are fast page loads, easy navigation and browsing, personalized website features, language options, server reliability and content of the website.

Overall managerial implications of Gommans' study highlight the difference between pure online businesses and traditional companies moving to virtual space only partly. Whilst traditional companies should give an accent on their brand and focus on extending the loyalty from their traditional brand towards their online activities, for pure online companies, on the other hand, it is more strategic to stress the technological level and user convenience to initiate repeat buying in order to create the loyalty. The following diagram summarizes Gommans' model of e-loyalty.

**Figure 2: Gommans' E-loyalty Model**
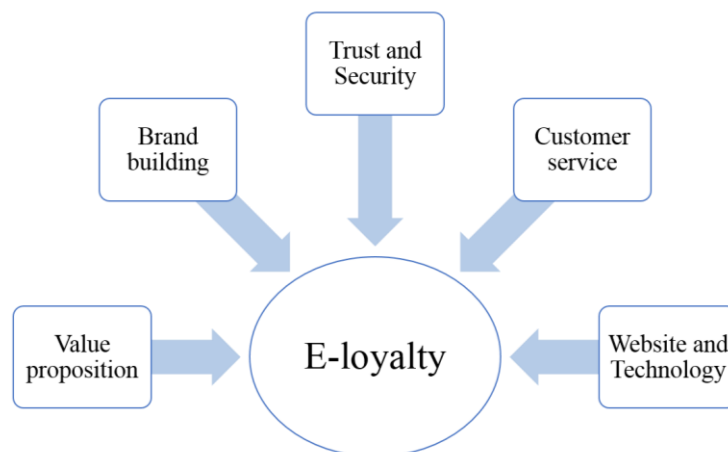
### Additional concepts

Additionally, other researchers have developed theories of brand loyalty for online businesses. Their concepts usually do not deviate from the two frameworks mentioned above therefore there is no need to introduce them in greater detail. However it is worth completing the theoretical review with a few other models. Eid (2011) proposes that the e-customer loyalty has two main pillars; e-customer trust and e-customer satisfaction. These two pillars consist of four elements; (1) User interface quality, (2) Information quality, (3) Perceived security and (4) Perceived privacy. Kassim and Ismail (2003) claim that the antecedents of customer loyalty in e-commerce are (1) service quality and (2) trust.

### Proposed model

When comparing the Gommans' and Srinivasan's model, an overlay can be found. Gommans' model encompasses all the Srinivan's rather specific 8Cs in its 5 rather general dimensions. Yet both concepts are somehow different. Whereas Srinivan tries to capture the particular aspects of the business, Gommans' groups them in broader sections. Therefore the merge of these models will be used for practical application on Trivago. The merge of the dimensions is done as follows; The Customization, Choice, Cultivation and Community correspond with the Value proposition, Care corresponds with Customer service, Contact interactivity and Convenience are represented by Website and Technology and the Character overlaps with the Dimension of Brand Building. Obviously Trust and Security is represented only in Gommans' model and does not have its reflection in Srinivan's model. Srinivan's approach also lacks the consideration of pricing as one of the determinants for the online brand loyalty. As discussed in chapter 2.3, online customers are very price sensitive due to the higher availability of information and choice.

Apparently the two models demonstrate a different level of complexity. Therefore the more comprehensive Gommans' model will be used for practical implication in chapter 3.2. In the first step, it will be examined whether this model applies on the practical case of Trivago and if it is sufficient to identify the drivers of loyalty. Additionally a new common dimension of importance will be added. Since both of the presented model miss a statement of relative importance of the particular dimensions. The author of this thesis will strive to sort the defined drivers by the weight with which they contribute to the brand loyalty of the firm. From the conclusion of this research important implications for managers are expected to arise. Understanding the significance of each driver can help them in prioritizing their activities. The following diagram clarifies how the models of e-loyalty were merged.

**Figure 3: Combination of the Two Models**
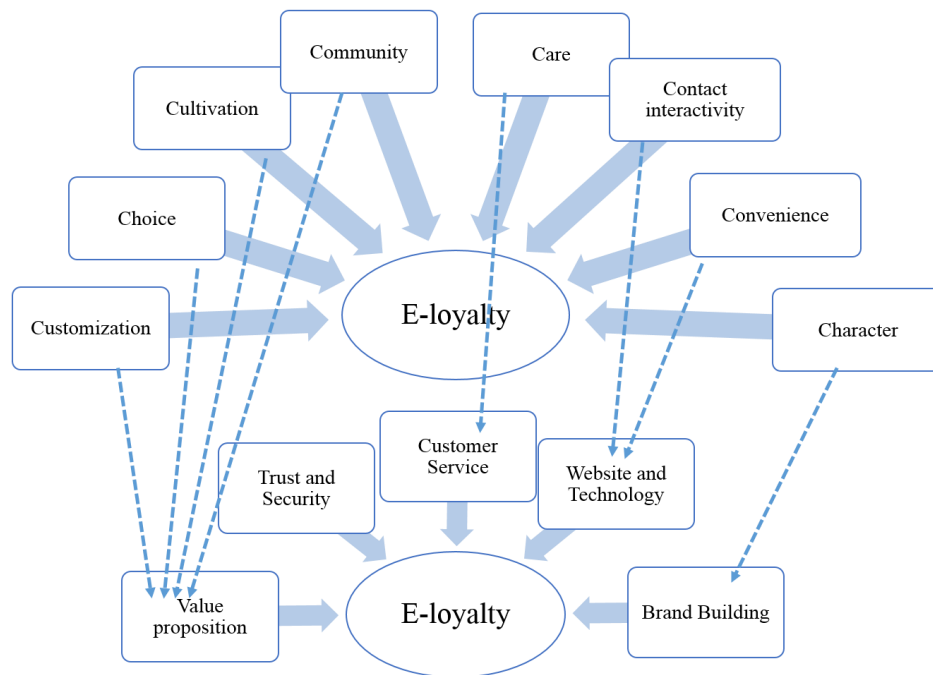
## 2.4. Specific e-commerce cases

Before introducing the empirical analysis based on the case of Trivago, it is important to outline two underlying aspects, which will help to better understand the analysis. The following subchapters deal with the general overview and trends in the online tourism industry and also introduce the price comparison business model as a part of two-sided networks. This information is necessary for a comprehensive picture of the Trivago company and its strategy. These subchapters will serve as a background for the presented case.

### 2.4.1. Online tourism industry overview

The travel market has been growing constantly in the last years making tourism one of the largest and fastest-growing economic sectors in the world. In 2013, approximately 1,087 billion international tourist arrivals were recorded. In the same year the industry's global revenue reached 1,159 billion US dollars which contributed to the global GDP with 9 %. These figures represent a growth of both revenues and number of arrivals in 2013 in comparison with 2012. (UNWTO, 2013)

Particularly the online tourism industry is experiencing an outstanding development. Consequently, the online travel market has become even more competitive than the traditional travel market since new entrants emerge more frequently. When it comes to the pure online travel market (when the bookings are made online through one of the online travel provider's website) the yearly revenues in 2013 were 553,852 million Euros with an average YoY growth from 2009 of 11 %. (Euromonitor by Reuters, 2014) The key players in this industry are online travel agencies (OTA), tour operators, consolidators and meta searches. According to Euromonitor the biggest travel retailers by market share in 2012 were Expedia, Carlson Wagnolit, Priceline, TUI and American Express. As Vinod (2010) mentions, despite the

rapid growth of online travel market, businesses in this field are facing big challenges due to increasing competition. He also defines online travel market as a market with limited loyalty. "*The challenge is not growth of bookings, but increased fragmentation in the market with limited loyalty*" (p. 60)

**Figure 4: Global Revenue in Online Travel Market, created by author based on Euromonitor**



What are then the attributes through which loyalty can be gained? A survey conducted by SDL (2013) among 4,000 respondents showed that friends and family recommendation is generally more important for the travelers than information gathered through tourism related information sources. Expectedly 78 % of the respondents book their travel online and 84 % indicate that positive website experience is very important for them. However only 20 % can say that their online experience matches their real experience from travel. Vinod (2010) identified two primary needs of customers who book their travel online, namely (1) *convenience* and (2) *ability to find the best value* for their needs.

## 2.4.2. Price comparisons: a two-sided market strategy

As a consequence of easily accessible information and increasing competition in the online environment, price comparison websites have emerged as a new online business model. These sites work on a basis of information platform which enables online shoppers to compare offers and products from different sellers. They are widely used by the customers since they help them save both time and money. Furthermore these websites also provide additional information completing the user experience (Jung et al, 2004). The product of the comparison websites, also called meta searches, is the added value for online customers during their purchase decision process. Thus the product is extremely intangible since it is based mainly on presentation of other products.

Price comparison business model is a part of so called "two-sided markets strategies" defined by Eisenmann et al (2006). Two-sided markets are platforms which offer a space for two different groups of participants and match their demands. These two-sided networks fundamentally differ from traditional business concepts. Whereas in traditional value chains the stream goes from left side of cost to the rights side of revenues, in the two-sided market costs and revenues can appear on both sides together or only on one side, depending if the fees are charged to the seller, the buyer or both. Global internet searches engines like Google belong to this category since they offer a platform for a linkage between advertisers and searchers. Although a two-sided strategy might seem an easy business, the opposite is true due to the highly competitive environment. Furthermore according to Goffe (2012), price comparison websites can be also defined as interpersonal services. These are services, which separate the service executed by the company from the actual consumption of the service.

These network-based platforms, including price comparisons, have quite a simple business model that might be easily copied by competitors. As Haynes (2014) concludes, *"The price-comparison site, with its (near-) zero sunk costs of entry, would*

*appear to approximate the 'almost perfectly contestable market' envisaged (...)*" (p.80). Therefore a well-defined competitive advantage is necessary. Competitive advantage is usually gained through integration of related platforms and offering a bundle product. On the other hand, smaller focused companies can strive for differentiation. For example if there is a price comparison of flight ticket it might acquire a company offering price comparison of rental cars. Considering Porter's (1980) generic strategies to pursue a competitive advantage, for such companies the easiest strategies to follow are most likely either *focus* or *cost leadership* strategy. They might be the most feasible options considering the high price sensitivity and limited loyalty of online customers. However if the firm manages to successfully pursue the *differentiation strategy*, it will gain the most stable advantage of all. The differentiation is, nevertheless, presumably going to happen on the level of brand as discussed further in the next chapter 2.4.3.

Building brand loyalty is likely be extremely challenging for price comparison websites as the main motivation for people comparing offers from different sellers is to get the best deal. Thus price sensitivity is likely to play an important role in their decision process whereas the particular brands remain in the background of their interest. As King (2013) emphasizes: "*Metasearch engines like Kayak, Trivago and Hipmunk, which was founded in 2010, have grown in popularity as more people book travel through the Internet and put a greater emphasis on the best deal than on any particular brand loyalty.*" (p.7) Nevertheless, if they manage to create strong preferences for their brand, they stand to gain a unique competitive advantage in their market.

The Gommans' model extended by the dimension of relative importance will be applied on the case with the consideration of the findings related to the price comparison and the online tourism market.

# 3. Practical Application

In the following chapter, first the company Trivago will be introduced. Then the methodology used for the research will be described including the introduction of the main hypothesis, followed by detailed primary data analysis. From the data evaluation the research findings will arise. After it will be discussed whether those findings confirm or reject the hypotheses. Finally the limitations of the research are mentioned together with suggestions for further research. The main hypothesis for the practical application are as follows:

H1.    The Gommans' e-loyalty model is valid for Trivago.

H2.    The dimensions of Gommans' model have a different weight.

## 3.1.1. Trivago

The Trivago GmbH with the headquarters in Düsseldorf, Germany was founded in 2005 by Rolf Schrömgens, Peter Vinnemeier, Stephan Stubner and Malte Siewert (Trivago, 2012). In 2011 American online travel giant, Expedia, acquired the majority of the company stakes. Trivago functions as an accommodation meta search. It monitors over 200 booking sites from all over the world and aggregates their offers in order to find the best deal for people searching for hotels. Trivago does not directly provide any type of accommodation. It simply serves as a price comparison with additional features such as a user community, reviews and search filters. The users are, at the end of the search process, re-directed to an external commercial entity represented by one of the booking sites to finalize the purchase. They are not charged any fee by Trivago. The company's revenues are generated by charging the booking sites for their redirected traffic, typically according to a so-called Cost-per-Click formula. No kind of external advertisement is placed on the website which ensures impartiality and convenient user experience. The value added for the user is the concentrated and relevant information in

one place. Since Trivago facilitates a platform with an unconventional stream of value chain, it is by definition a two-sided network. Furthermore it also corresponds with the definition of "pure-click" company as defined by Kotler and Keller (2009). Today Trivago is running 47 local platforms in 25 languages, making it one of the biggest hotel search in the world. To the biggest competitors belong Kayak, Hotelscombined and Hotels.com. Paradoxically, even customers on the side of the booking sites form a competition insomuch as if the users searching for accommodation go directly to the booking site, Trivago loses potential revenue.

This company was chosen for the purpose of this research from several reasons. First of all it represents an example of a successful story. The rapid growth from 2005 till nowadays allows the company to operate with nearly six hundred employees from several offices all over the world, being present in all six inhabited continents. It has become one of the most popular accommodation solutions for travelers globally. The Trivago Facebook page is liked by nearly 2 million people, and every fifth North American knows or has already used Trivago. (Trivago, 2014) Beside the success of this firm, it also meets the definition of a dot-com company, offers a product with the highest level of intangibility; e-service, and is built on the business model of price comparison. All these criteria result in Trivago being the ideal case for a study into e-loyalty. The importance of a brand and loyal customers for Trivago is indubitable. The existence of the firm is dependent on the traffic of people searching for accommodation. With the increasing popularity of travel meta searches, the market is attracting ever more competitors. The right strategy to survive in this competitive environment needs to be chosen. Differentiation is likely to be problematic for meta searches. Since the technology used for crawling through external sources is quite simple, and every new feature implemented on the website can be easily copied by competitors regularly monitoring the market, the core product of such search engines can be differentiated only to a limited extent. Therefore the differentiation is mostly pursued on the level of the brand. Hence the competitive advantage usually needs to be pushed either through focus or cost leadership strategy with a combination of differentiation of the brand.

## 3.2. Methodology

The methodology section includes clarification of the research approach and describes the methods of data collection. This subchapter also presents the distributed questionnaire in detail and analyses each of the questions with respect to one of the stated hypotheses. The questions are grouped into 4 clusters with regards to their purpose and reflection in the research. Finally the reliability and validity of this research is assessed.

### 3.2.1. Research approach

Adopting a suitable research approach is a significant aspect of all research, since it characterizes the nature and procedures throughout the entire project. There are two possible approaches, deductive and inductive. The process of deduction basically begins with the establishment of a theory that is the foundation for the following hypothesis. After collecting and analyzing the data, and presenting the findings, the hypotheses will be either confirmed or rejected. The deductive approach leads to a revision of the theory. Contrarily, The process of induction, as shown in the graph below, starts with the data collection and analysis followed by building a theory. (Saunders, Lewis & Thornhill, 2012). The following graphics help to compare those two approaches.

**Figure 5: Comparing Deductive and Inductive approach**
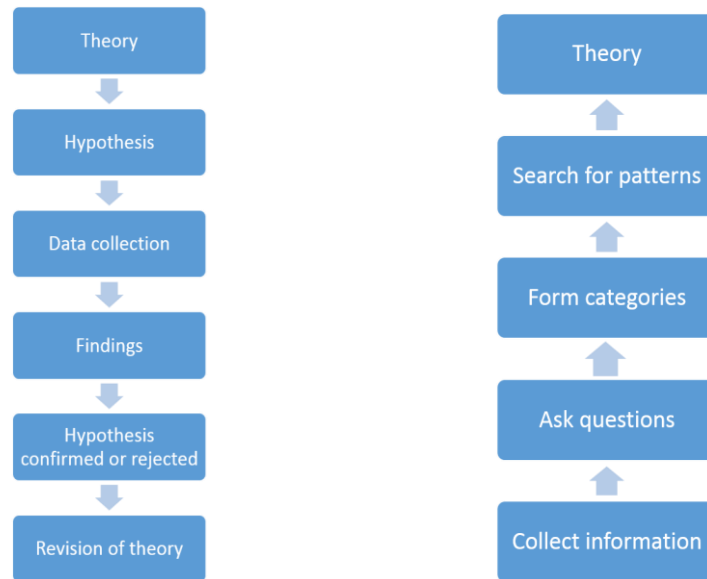


The hypotheses derived from Gommans' model were established prior to the primary research. Therefore, this research uses more of a deductive method, which implies that the collected data aims to prove the hypotheses. However, the use of secondary data in terms of information gathering, leads to an action that was responsible for setting up the theory and hypothesis. The Srinivasan's and Gommans' models were considered and combined in order to create the most relevant model for the application on the case. Additionally, a dimension of relative importance was added. This adjusted theoretical model of e-loyalty developed into the foundation of this paper's hypotheses. Therefore, the following research is a mix of both procedures, deduction and induction, which is by the literature considered as combinative research approach. Combinative practices were first mentioned by Wallace (1997) and are widely used by researchers for their comprehensiveness. "The combination of inductive and deductive strategies capitalizes their strengths and minimizes their weaknesses creating a cyclic process that allows for movement between theorizing and doing empirical research while using both inductive and deductive methods of reasoning" (p 33).

Since the core values of Gommans' and Srinivasan's models are redefined and adjusted, the research strives to develop a new scientific account. This focus is on customer loyalty, defined by determinants tackling trust and security, value proposition, assistance services, technological contribution and positioning of a product. A new dimension of weight is taken into account. Subsequently the process of abduction underlies this work.

### 3.2.2. Data collection

Secondary data are, according to Beutelmeyer and Kaplitzka (1996), a necessary part of all research since they represent gathered information for subsequent primary research. Retrieved and evaluated information and theoretical frameworks from journals, reports, books and websites enabled a presentation of previously conducted researches on the relevant topic.

In the next step primary data were collected through a self-administrated questionnaire. The biggest concern in terms of primary data collection for research is widely held to be the sampling approach. The process of sampling implies the selection of units from a population of interest that is suitable for the project objectives (Groves et al., 2009). The questionnaire was distributed through the social network site, Facebook, which has its own algorithm for displaying the posts, meaning the probability of getting particular samples could not be calculated. Therefore, the primary data collection approach of this research inherently implies accidental sampling method, which is a type of non-probability sampling. Even though the non-probability sampling has certain restrictions, this method will be sufficient for the purpose of the thesis since the objective is not to draw conclusion generalized for the whole society but rather for the specific segment of Trivago customers.

Facebook was selected as a distribution channel for the survey to address truly loyal customers whose motivation for loyalty was about to be examined. The

assumption that Trivago Facebook fans represent loyal customers was a part of the research prerequisite. A minor part of the survey was focused on confirming this prerequisite. The overall intention was to address the Facebook locales with the highest amount of followers so that a representative sample could be gained. In the end, the research population accounted 5000 units, containing the local platforms with the most followers: Italy, UK, USA and Spain. According to the commercial guidelines and restrictions of Facebook (Facebook, 2014), the reach was consciously limited, so that it cannot be measured if all followers receive the survey. Hence the reached units built the sample, which was estimated by the reach of the social network. The geographical and demographical diversity of the sampling units reflected in the structure of the Trivago Facebook fan base impacts upon the probability of higher diversification of the answers and opinions given by the respondents. The limitations of the data collection are mentioned in the chapter 3.5.

The advantages of a self-administered questionnaire are evident, since these can be easily distributed among a widely dispersed populations, and they are quick to administer and convenient for respondents. The absence of the interviewer leads to an unbiased participation of the respondents. The questionnaire was distributed among 5000 fans of Trivago on Facebook. It was completed by n=390 participants, which accounts for a response rate of 7.9 %. Lozar et al (2008) declares the average response rate for an online survey oscillates between 6% and 15%. Thus, the reached response rate of 7.9% falls into this interval and can be considered successful.

The questionnaire consisted of 14 questions combining 2 open questions, 3 dichotomous questions, 7 multiple choice questions and one scale of importance question. It was translated into Spanish and Italian, and the English version can be found in the Appendix. Conditional branching was implemented to filter the respondents and navigate them to next relevant questions according to their previous answers. The survey strived to gather information on the followers' loyalty and satisfaction towards the brand. The usage of vertical alignments of fixed choice answers

was chosen for the clarity and simplicity of the questions. The researcher, as well as the respondent benefits from the closed question style, since these type of questions are easier to complete, result in a better response rate and the data is more convenient to process due to already existing codes. Furthermore, the relationships between the variables are easier to show. The verbal format clarifies the meaning of the questions for the respondents.

The questions can be grouped according to their function in the research. There are four functional groups of question. The **First group** serves as a validity insurance of the prerequisite that the analyzed sample of users indeed coincides with the loyal customers of Trivago. These questions are designed to prove that the chosen sample of responds indeed represent loyal customers. With regards to the reviewed literature, it is assumed that positive brand perception and regular purchase behavior correspond with brand loyalty. All respondents are indirectly asked about their intention of liking Trivago on Facebook and about the frequency of using the website.

Two other groups of questions are related to the hypothesis H1 and H2 which are stated for the case of Trivago company. The **Second group** consists of questions which are supposed to confirm or disprove the validity of the proposed e-loyalty model. Questions in this group test each of the dimensions' impact on the brand loyalty. There are open, dichotomous and multiple choice questions. The questions in the **third group** are designed in such a way that they deduce the relative importance of each dimension. For this purpose a question in a scale of importance form was used. The respondents were asked to state the level of importance for criteria of satisfaction with the website. The last, **fourth**, **group** of questions gathers supplementary demographic information about the sample to approve its diversity.

**Questions related to the prerequisite** The prerequisite to the hypotheses states that the chosen sample of respondents, Trivago Facebook fans, corresponds with loyal customers of the company. To identify if this is true or not following questions were

asked; Do you use Trivago regularly to search for your accommodation? Why do you like Trivago on Facebook? Are you a fan of other companies' Facebook pages? These questions' aim is to gather information on how the follower entered into a relationship with the Trivago brand, to which degree he/she uses the website and to what extent the follower supports companies through social media channels in general. The objective was first to find if the chosen sample represents customers who initiate repeated purchases. However as the literature review briefly implies, repeated purchases are not necessarily driven by brand loyalty. They can also be triggered by low prices or by high switching costs. Customer switching costs are defined by Goffe (2012) as a result of the consumers' decision to change the service provider in case of dissatisfaction with the service. The concept of switching costs includes a variety of issues that arise when a customer wants to change the service provider. Namely; *cognitive costs* apply first, since time spent thinking about changing the service provider consumes energy; *search costs* apply in terms of time needed to find a proper alternative, and; *learning costs* arise in a form of time needed to learn managing the system of the new website. Considering that the repeated purchase is not a sufficient indicator of loyalty, a further step in the analysis of the prerequisite needs to be taken and the analysis must also consider the motives of the repeated purchases. The following table summarizes the objectives of these questions.

**Figure 6: Objectives of Questions Related to the Prerequisite**

| Question | Question type | Objective |
|---|---|---|
| Do you use Trivago regularly to search for your accommodation? | Multiple choice | To find out if Facebook fans initiate repeated purchases. |
| Why do you like Trivago on Facebook? | Multiple choice | To examine the relation between Facebook fellowship and positive brand perception. |
| Are you a fan of other companies' Facebook pages? | Multiple choice | To explore the extent of loyalty. |

**Questions related to Hypothesis 1**

To find out the validity of the Gommans model in the context of the Trivago case, the combination of 8 dichotomous and open questions and one importance scale question were asked. They focus primarily on loyalty programs and benefits for Trivago users and they appeal to the appreciation of the offered services. The particular questions were designed to test each of the 5 dimensions of the e-loyalty model. The following table summarizes the objectives of the questions.

**Figure 7: Objectives of Questions Related to the Hypothesis H1**

| Question | Type of question | Analyzed aspect | Analyzed dimension |
|---|---|---|---|
| Would you appreciate any kind of loyalty program? | Dichotomous | Pricing strategy | Value proposition |
| Have you ever participated in some of the Trivago prize-winning competitions? | Dichotomous | Brand involvement | Brand building |
| Were you satisfied with Trivago's customer service? | Dichotomous | Care | Customer service |
| Do you use the Trivago mobile application? | Dichotomous | Convenience | Website and Technology |
| Do you use other online services (e-shops, booking sites) that require online payments? | Dichotomous | Payment policy | Trust and Security |
| Would you use Trivago if it was only in English? | Dichotomous | Language options | Website and Technology |
| Which attributes do you associate with Trivago? | Open | Brand image | Brand Building |
| What are important Trivago criteria when looking for your accommodation online? | | | |
| Available search filters | Importance scale | Effective search functions | Website and Technology |
| Hotel reviews | Importance scale | Community | Value proposition |
| Trivago mobile application | Importance scale | Convenience | Website and Technology |
| Personalized website features (favorite hotels, search history) | Importance scale | Customization | Value proposition |

| Price | Importance scale | Pricing | Value proposition |
|---|---|---|---|
| Hotel inventory | Importance scale | Large set of choices | Value proposition |
| Trustworthiness | Importance scale | Perception of security | Trust and Security |
| Reputation | Importance scale | Perception of reliability | Trust and Security |
| Your feeling about Trivago brand | Importance scale | Brand image | Brand Building |
| Friend's recommendation | Importance scale | Community building | Brand Building |
| Personal data protection | Importance scale | Privacy | Trust and Security |
| Fast responses from customer service | Importance scale | Care | Customer Service |

**Questions related to Hypothesis 2**

The importance scale question also examines the relative importance of each dimension. The values driving brand loyalty are listed as shown above and the respondents are asked to place their degree of importance to the different variables. The respondents can vary with their answer between very important to not important; the higher the value the more significant impact on e-loyalty. Afterwards the statements are coded by the author. The possible answers scaled from "Very important" to "Not important" were assigned a value from 5 to 1. The questions coding is shown below.

Thanks to the fact that the questions verify each of the model's dimension, in the end a conclusion about the relative importance of each dimension can be expressed by multiplying the value by the number of respondents and comparing the final figures between each other. An obstacle occurs due to the unevenness of the number of questions related to each dimension. Usage of arithmetic average overcomes this obstruction and allows relevant conclusions to be drawn. The method is further described during the practical application in chapter 3.2.

### 3.2.3. Research validity and reliability

To discuss the reliability and validity of the research, the actual meaning of the quantitative research should be considered. Both aspects, reliability and validity, have to

arise from the nature of the quantitative research and they essentially function as requirements for a relevant academic work. "Quantitative measures test hypothetical generalizations and emphasize the measurement and analysis of causal relationships between variables (…) in order to explain social problems" (Denzin and Lincoln, 1998)

According to Joppe (2000), reliability is "the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable." To prove reliability, an identical research would need to be conducted by other authors with the same underlying restrictions and conditions, and the same outcome be achieved. This reinforcement of the results would lead to a wider reach of acceptance among society, that will confirm the hypotheses. (Carmines, 1979) Therefore the reliability of this thesis increases if the research findings match with the proposed model of e-loyalty drivers introduced by Gommans. Regarding the secondary data used for this paper, since they include academically accepted models, data from organizations such as Euromonitor and United Nations, literature provided by the library of the University of Economics Prague and professional and academic journals accessible through databases such as EBSCO or JSTOR, the pool of resources for the research can similarly be considered reliable.

Validity determines if the research really measures what it is supposed to measure and how accurate the results of the research are. Joppe (2000) considers it as an "initial concept, question or hypothesis that determines which data is to be gathered and how it is to be gathered". The questions of the survey were specially constructed in respect to hypotheses H1 and H2 in order to gather substantial data to be able to confirm or reject the hypotheses. The outcome of the questions is measurable and numerical data can be easily derived from the answers for representation purposes. Furthermore, the design of the questions strives for objectivity in order to collect neutral answers and unbiased results. Therefore this research can be considered as valid.

## 3.3. Data Analysis

In the following chapter the collected primary data are exhibited and analyzed in order to summarize results and derive conclusions for the research. The findings of the survey are presented with respect to the stated hypotheses H1 and H2. The majority of the data allows for quantitative analysis. The qualitative data gathered through the questionnaire serve more as an underpinning pillar for the conclusions drawn from the quantitative-based parts of the research. Percentages used in the figures presentation are rounded up for the purpose of simplified arrangement. The process of question grouping described in Chapter 3.1.2 is widely used.

### 3.3.1. Findings related to the prerequisite

To confirm the assumption that the chosen sample of respondents represents the loyal customers of Trivago, several aspects have to be taken into account. The conditions of repeated purchase behavior and positive perception of the brand have to be satisfied in order to confidently claim that Facebook fans can be deemed loyal customers of the company. Thus confirming the prerequisite was a two-stage process. In the first step, it was studied using a suitable question if the respondents coincide with regular shoppers. The respondents were asked: "Do you use Trivago regularly to search for your accommodation? " The options contained four answers; 1) I used it once 2) I use it but sometimes I use other ways to find accommodation 3) Every time I look for a hotel I use Trivago as a primary source, 4) I have never used it. In fact, both options 2) and 3), which were altogether selected by 95 % of participants, indicate a behavior of regular purchasing. This meant that only 5 % of the respondents did not meet the first condition of the prerequisite, since these are either users that have never used the product or users who used it only once which does not create a sufficient characteristic of loyalty . The exact distribution of the answers can be found in the following graph.
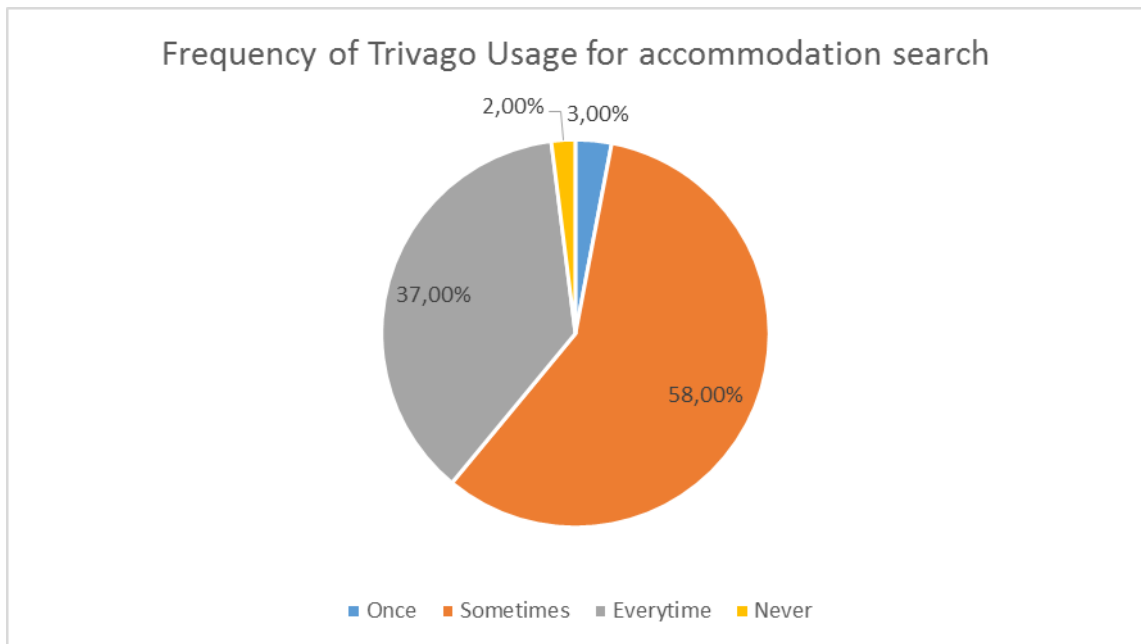
In the next step the respondents' motivation to follow Trivago on Facebook was assessed. The users were straightforwardly asked about the reason why they are fans of Trivago on Facebook. There were given the following options: 1) I am interested in news about the company 2) I like Trivago posts 3) I want other people to know that I use Trivago 4) I like the brand Trivago. Every option except the answer number 2 can be expected to designate a particularly positive perception of the company. The Trivago Facebook posts is in most of the cases not company-related content but rather photo galleries and videos targeting emotions. On the contrary, being interested in the news about the company, feeling identified with the brand or having a positive feeling about Trivago underlies the positive perception towards the brand. Thereby, the findings suggest that 97 % of the survey respondents are characterized by a positive attitude to the brand of Trivago. The actual results for each option are shown in the graph below.
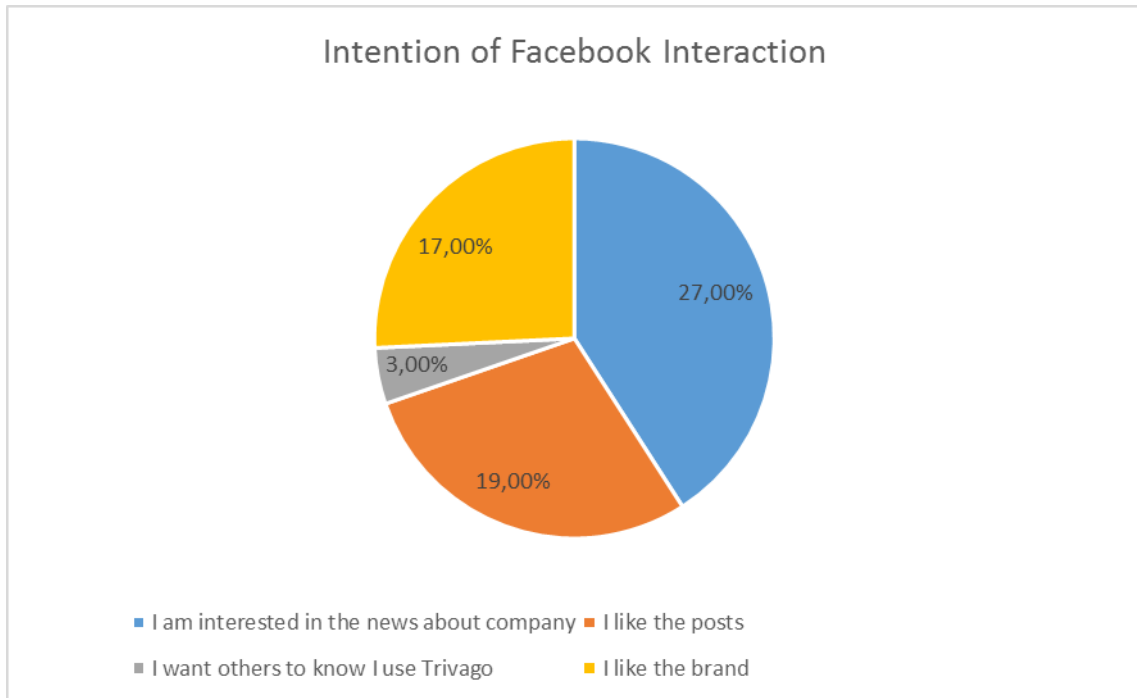
The last question related to the prerequisite serves rather as a complementary question for this group. It does not asses the validity of the prerequisity but rather strives to state the degree of loyalty of the respondents. It was examined if the users like other companies' Facebook pages in order to unvail the extent of effort hidden behind the user's decision to like Trivago Facebook page. The ones who like only Trivago page (5 %) are expected to have a high level of loyalty, since they break the pattern of their usual behavior in order to express their attitude towards the brand. Also customers who like other companies which are not similar to Trivago (39 %) somehow deviate from their normal online behavior showing the effort when choosing Trivago to be in their favorite companies portfolio. The rest of the respondents stated that they either like also other company pages related to travel (48 %), from which it is hard to draw any conlusion, or they express their preferences to other companies similar to Trivago (8 %). The last mentioned segment can potentially diverge from the loyal customers group, since the assumption that being a fan of Trivago on Facebook and being a loyal customer is disturbed by respondents who like the competitor's Facebook page. They

can be hardly considered as loyal customers. The impact of these 8 % on the validity of the sample is not that significant considering that they are overlaping also with 4 out of 5 % of respondents who used Trivago only once or never (1st question).

Figure 11: Extent of Users' lozalty
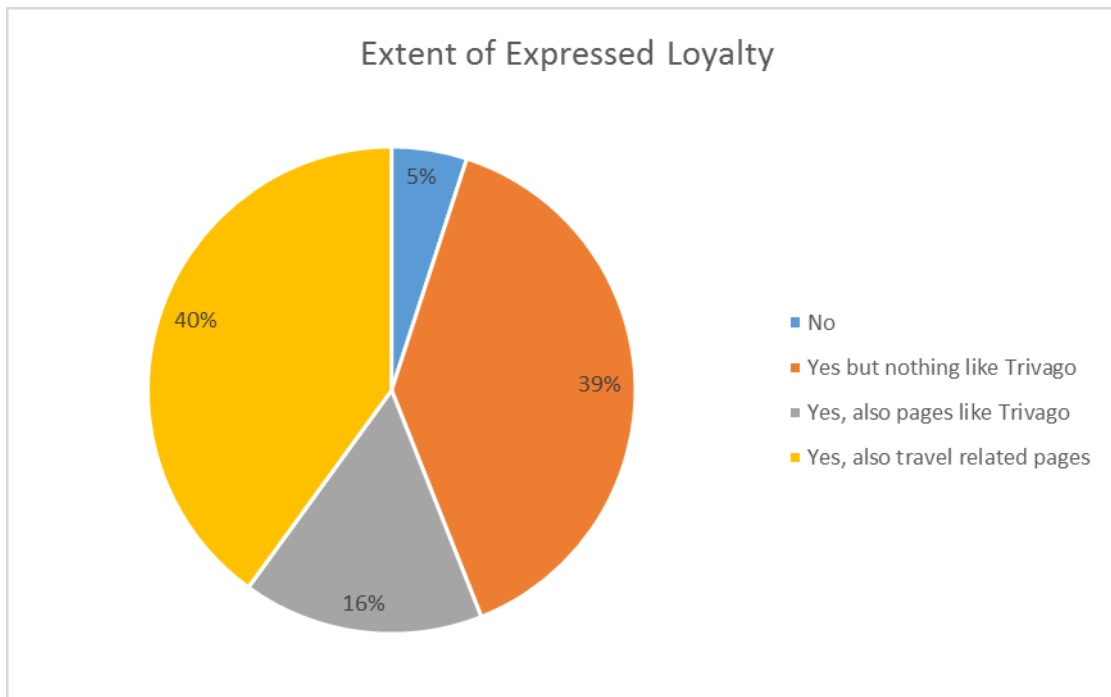


After analyzing the findings related to the prerequisite of the research, it can be concluded that it was fulfilled since 95 % meet the condition of regular purchasing and 97 % declared a positive brand perception.

### 3.3.2. Findings related to H1

The first hypothesis assumes applicability of Gommans' 5 dimensions of e-loyalty on Trivago. As summarized in chapter 3.1.2., each one of the 7 closed questions (dichotomous and importance scale) tested 18 elements of the 5 Gommans' dimensions as defined in Chapter 2.3.2. According to the different format of the questions the validity of the particular dimensions was assessed on two stages, first

through the dichotomous questions, later with the importance scale. One open question was also attached to this group. The results from this type of question were not transferable to a numerical format and were not coded either. Therefore this question is used only to substantiate the rest of the findings.

There was one dichotomous question testing each dimension, only the last dimension of Website and Technology was tested twice for non-english speaking countries. Seeing that 78 % of the respondents would appreciate some kind of loyalty program, the importance of pricing strategy can be understood. Loyalty programs and discounts are a part of pricing strategy and can lead to loyal behavior. As discussed previously, price becomes a critical aspect for online users due to their increased price sensitivity. The results support this statement and since pricing policy is defined as one of the elements forming the dimension of the *Value Proposition,* they also support the validity of this dimension.

The dimension of *Brand Building* was assessed through asking the respondents if they have ever participated in some of the Trivago prize-winning competitions. These kinds of incentives enhance the brand loyalty and emotional attachment. 51 % gave a positive answer. Considering that it represents the majority, even though not strong, the dimension's validity was proved.

The impact of *Customer Service* dimension was demonstrated by the number of respondents endorsing Trivago as a good customer service provider. Some 81 % of the users were satisfied with the customer service. Hence the dimension can be respected as applicable. Trivago's average customer satisfaction rate is typically higher than 70 % (Trivago, 2013). This number demonstrates the average satisfaction score given by users after receiving helpdesk assistance.

The issues that can occur and have to be reduced in terms of *Trust and Security,* are mainly related to the perceived risk associated with online payment. Supposing that

people who use this type of payment regularly perceive it more trustworthy than people who do not have experience with it, the respondents were asked if they use any other online services that require online payment. The review of the dimension resulted in 93 % of the users confirming regular usage of online payment tools.

The *Website and Technology* dimension was assessed by the element of mobile application language options availability. Analysis of the relation between the loyalty of addressed users and the availability of the mobile application was, on the first stage, conducted through finding out how many respondents use the application. It is used by 54 % of the sample units. Additionally the non-English speakers who represented 72 % of the respondents were asked to assess the importance of local language options. 77 % of them would not use Trivago website if it were available only in English. Joining the two results, the dimension withstood the test. The following chart presents the overall results of the first stage of the dimensions assessment.

**Figure 12: Results of Questions Related to Hypothesis H1**



45
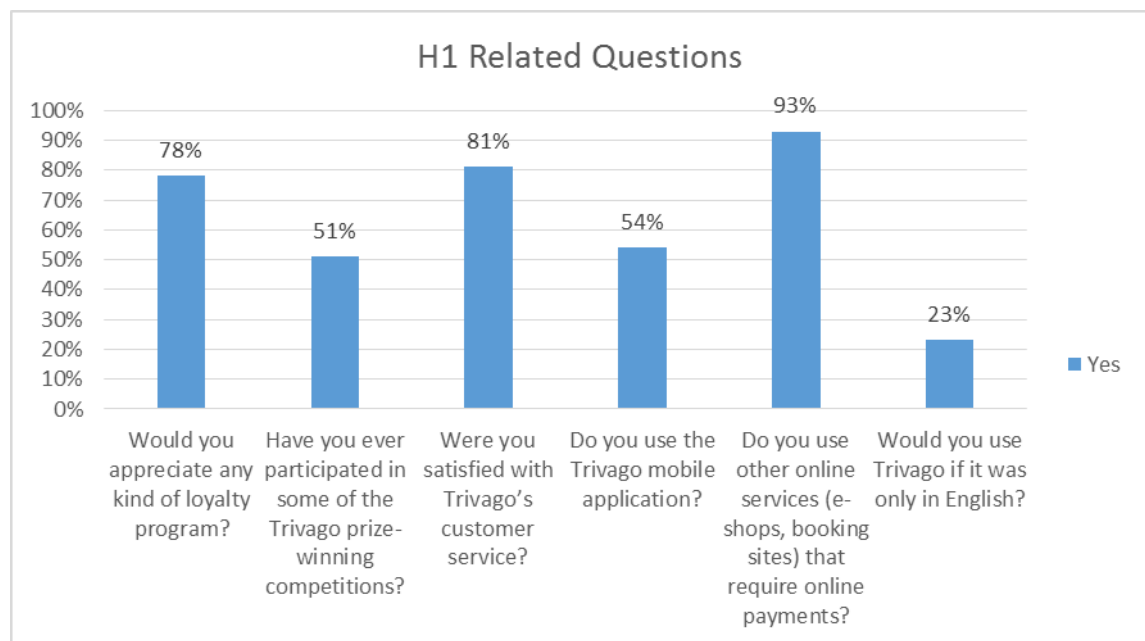
In the next stage the importance scale question is supposed to assure the relevance of the first stage analysis. The following steps are undertaken. First an assumption for validity limit is created. The validity limit suggests that in order for the dimension to be valid, the majority of the respondents needs to find it important to any kind of degree. Thus all the answers stating "Very important", "Important" and "Relatively Important" are considered as contributing to the validity of the particular dimension. If these options represent the majority of the responses, the dimension is accepted as applicable. The questions are again grouped together according to the respective dimension so that these groups enable better general conclusions. To understand which question examines which dimension see Chapter 3.1.2.

**Figure 13: Proving the Validity of Gommans' Model**
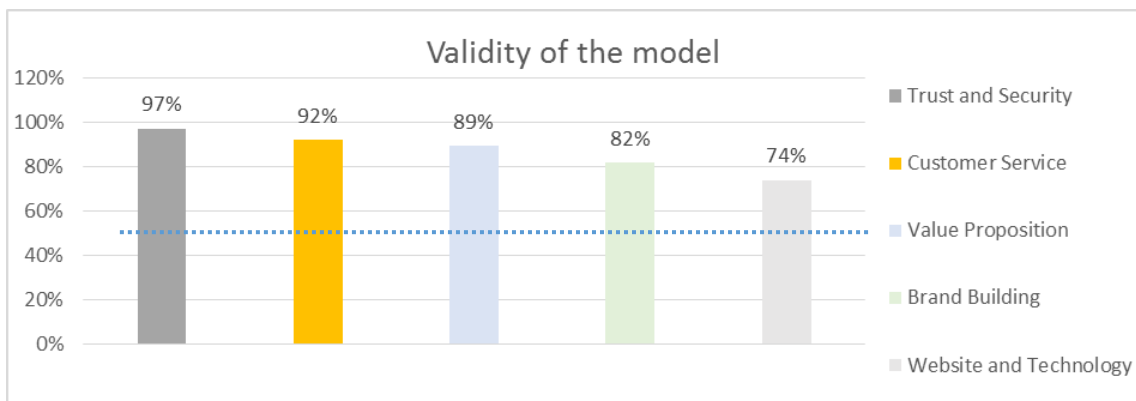


The results serve to prove the conclusion from the first stage of the analysis showing that all the dimesions are relevant to the brand loyalty. Every dimension was found to be to some extent important for the users since the three options of importance account for more than 50 % of the resonses. The validity was proved by the highest percentage of users who find the given dimension generally important for Trust and Security (97 %), then Customer Service (92 %), Value Proposition (89 %), Brand Building (82 %) and finally Website and Technology (74 %). These results can also give a rough estimate of the weights of each of the dimension, which will be examined in the following section by assesing the second hypothesis, H2. Despite the possible

estimate, final conclusions cannot be drawn from these results since the high percentage can be consisted of lower extent of importance and therfore does not strictly implicate the relative importance of a particular dimension.

As an aditional initiative, an open question was stated asking the respondents to assign trivago the  most  determinant attributes. Due to the format of the question it is difficult to conclude any quantitative findings, nevertheless the results do provide a useful insight into the overall image of Trivago brand among its Facebook fans. The following table shows the 5 most frequent characterstics that the repsondents associate with the Trivago brand. As all of the most commonly refered to attributes can be deemed to be positive or desirable in nature (e.g *young, simple, trendy*) the table can be said to indicate the success of Trivago Brand Building activities. The highest frequency of *reliability* corresponds with the validity assesment of the Gommans' model where Trust and Security is considered as important by most of the respondents.

**Figure 14: Most Frequently Mentioned Attributes**

| Attribute | Frequency |
|-----------|-----------|
| Reliable | 48 |
| young/modern | 31 |
| easy/simple | 27 |
| Cheap | 23 |
| cool/trendy | 19 |

### 3.3.3. Findings related to H2

The second hypothesis presumes that the dimensions for the e-loyalty model have different weights and can be ranked by their relative importance. The examination of this hypothesis is based on the results of the importance scale questions. In order to get a measurable output that is comparable among the dimensions, a simple coding is used. Each answer is assigned a value from 1 to 5 in the following logic. The option "Not important" is assigned a value of 1, the option of "Very important" is assigned a value of 5. The number of responds for each level of importance is then multiplied by these values. The final score for the particular dimension is finally derived as an arithmetic average of the scores of all the relating questions. The final score is referred to as an *importance index*. This index is relevant solely for mutual comparison and its absolute value is not meaningful when presented separately. Since it allows to benchmark the dimensions and to allocate them a different rank of weight, assumptions about different impacts of the particular key e-loyalty drivers can be made.

The highest score is reached by the *Customer Service* dimension, with an importance index of 1,645 points. Even though this dimension is only assessed by a single question, the results can be considered relevant; first of all due to the supporting results of this dimension from the analysis of the first hypothesis H1 where the elements creating the Customer Service value gained a high percentage of users' positive answers, and secondly due to the nature of this dimension. It consists of only very limited number of elements. Therefore the quality of the customer service covers the major part of the entire dimension. The highest importance index implies a suggestion for managers to pay attention to activities related to customer care. Fast responses from customer service and expressed concern about the customer are crucial for the company to express. It brings the customers' state of mind back to a regular level of comfort in case of anger or unclear circumstances. These issues must be solved quickly and effectively in order to fulfil the customer's need for certainty. Customers should be given a convenient option to complain and to ask for reimbursement when something in

the booking process fails. The following chart shows the exact distribution of answers for this dimension.

**Figure 15: Distribution of Answers to Customer Service Importance**
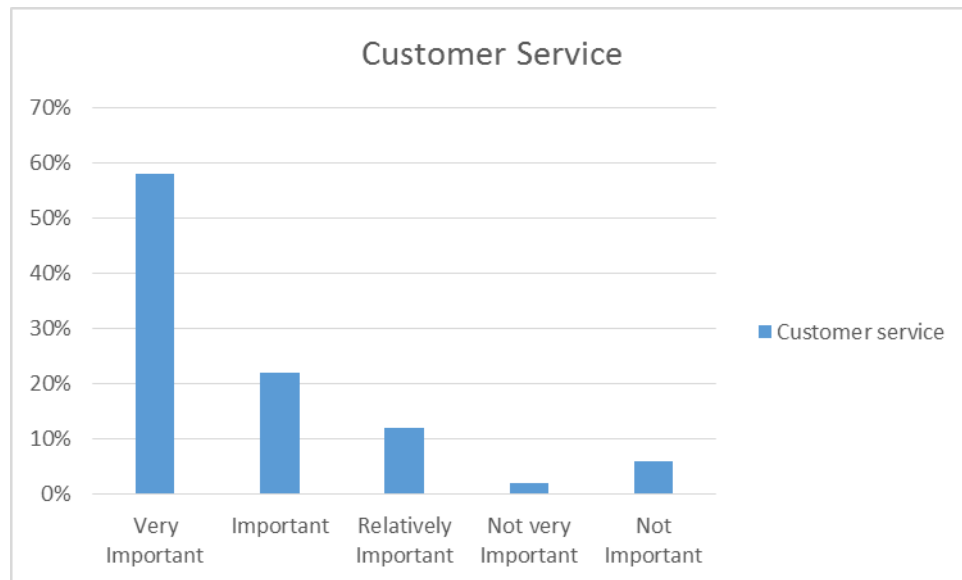


The second-highest score (1,616) was achieved by the *Trust and Security* dimension. Trustworthiness, good reputation and the protection of personal data are recognized by 97% of all respondend as generally important. These values make the customer lose their anxiety about misuse of personal data and ensure them about the reliabilty of the processes involved with the usage of the Trivago platform. Reliability and trustworthiness of a company are affected by positive word-of-mouth, the company image provided by media, and reviews by other users. Personal data is the most valuable information the customer gives to the company through online channels. Considering the immensity of the personal data traffic on the internet, customers have to be ensured that their data will be treated carefully and stored safety. Good reputation and a positive word-of-mouth are, for many, early indicators of reliable services. In the graph below the results of individual questions can be found.

**Figure 16: Distribution of Answers to Trust and Security Importance**
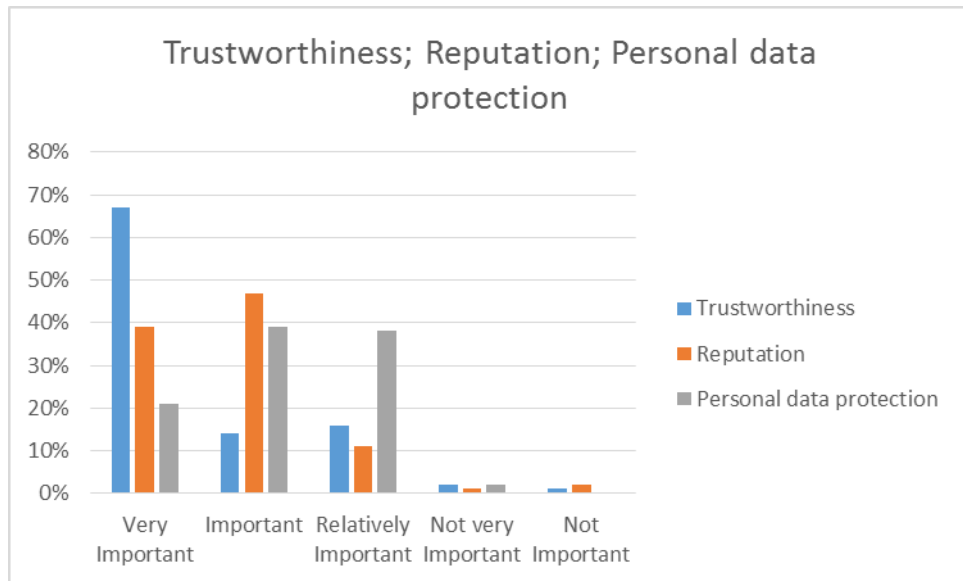


Considering that 1,559 points of the importance index were allocated to the *Value Proposition* dimension, it is ranked as the third most important driver of e-loyalty. Value propostion drives the customers recogntion of items that they can identify with easily. Aspects like available hotel reviews, personalized features on the website, price or the size of hotel inventory were considered as influencing this dimension, hence their importance was questioned. Hotel reviews provide the users with possible interraction with a community which adds a sense of indepedence and impartiality to the service. Price, and the variety of choice drive behavioral loyalty and are crucial for online companies similar to Trivago, as discussed in Chapter 2.3. The personalized features on the website increase customers' perception of tangibility and control. Goffe (2012) for example, emphasizes the importance of Perceived Control in service-customer satisfaction. The more customers know that they can influence their degree of recognition, the more trust is built and the more satisfied the customers become. For instance, search filters give the customer control over the displayed offers, photo galleries provide images of all the hotel rooms, which gives the customer better knowledge and higher perceived control.

**Figure 17: Distribution of Answers to Value Proposition Importance**
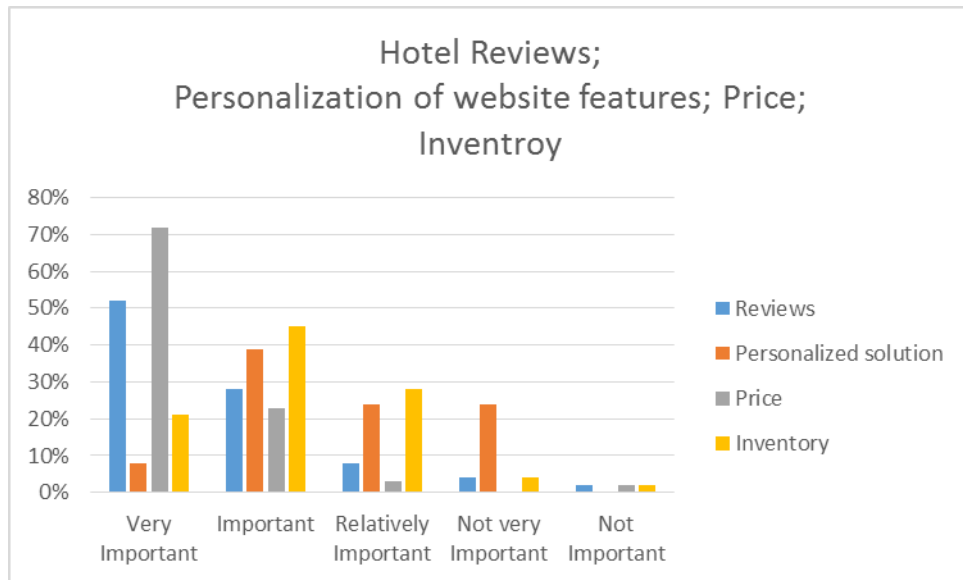


The allocation of 1,418 points of the importance index gives *Brand Building* the fourth place in the importance ranking. The dimension is underlaid by qualities like positive attitude towards the brand or friend's recommendation, and is mostly driven by attitudinal loyalty. Brand building results from processes and attributes linked to the companys' brand equity. The users mights ask themsleves: How is the Trivago company recognized and perceived by my friends and other people in my environment? This question outlines another possible risk that a consumer has by using Trivago. The social risk in a form of losing face or status related to consumption of an unrecognized product can discourage the user from coming back to the website.
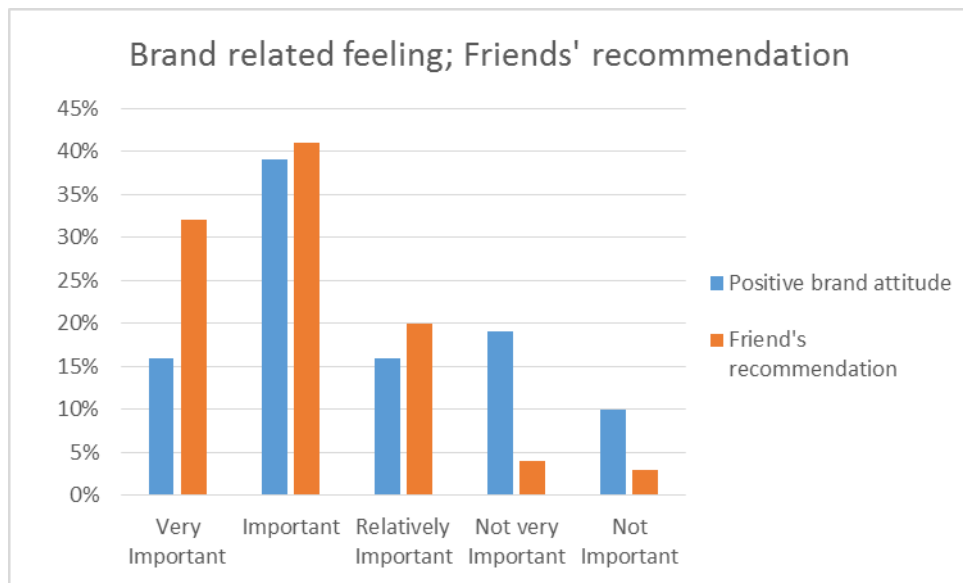
The dimension of *Website and Technology* with the least allocated points of the importance index, 1,305, consists of components or functions like the search filters or availability of the mobile application. Offered search filters create a variety of tools on the website, which not only make the experience of the product more vivid and engaging but provide a useful and simple tool of search. Moreover, the Trivago mobile application gives the customer flexibility and enables him/her to use Trivago whenever and wherever, regardeless of time or location. Overall this dimension implicates the technical benefits of the product and the feasibilty of finding one's ideal accommodation through the Trivago website. The chart below displays the results for the particular elements.
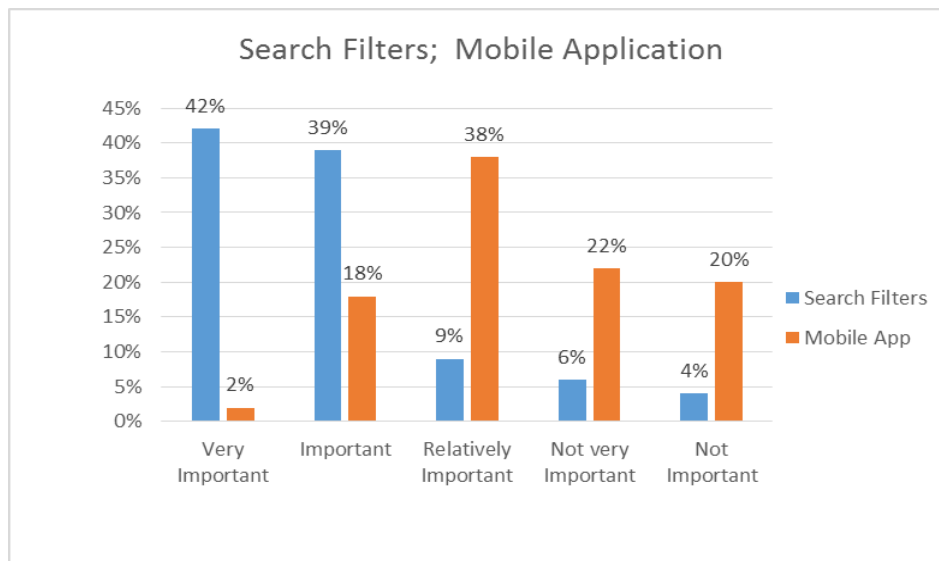
To conclude the primary data analysis, a final ranking of the 5 dimensions of e-loyalty can be presented. Customer Service is a driver which impacts upon e-loyalty the most, followed by Trust and Security, Value Proposition, Brand Building, and Website and Technology. With respect to the second hypothesis H2, it was verified that the key drivers of e-loyalty have different relative importance. The results are even more valid due to the fact that they are almost fully consistent with the findings related to the first hypothesis H1. Whereas the general importance for users locates Trust and Security on the first place and Customer Service on the second, the rest of the rankings are identical. The barchart below visualizes the differences between the 5 dimensions' weight according to the index of importance.

**Figure 20: Relative Importance of the E-loyalty Drivers**



E-loyalty Drivers Ranking

| | Customer service | Trust and Security | Value Proposition | Brand Building | Website and Technology |
|---|---|---|---|---|---|
| Value | 1654 | 1616 | 1559 | 1418 | 1305 |
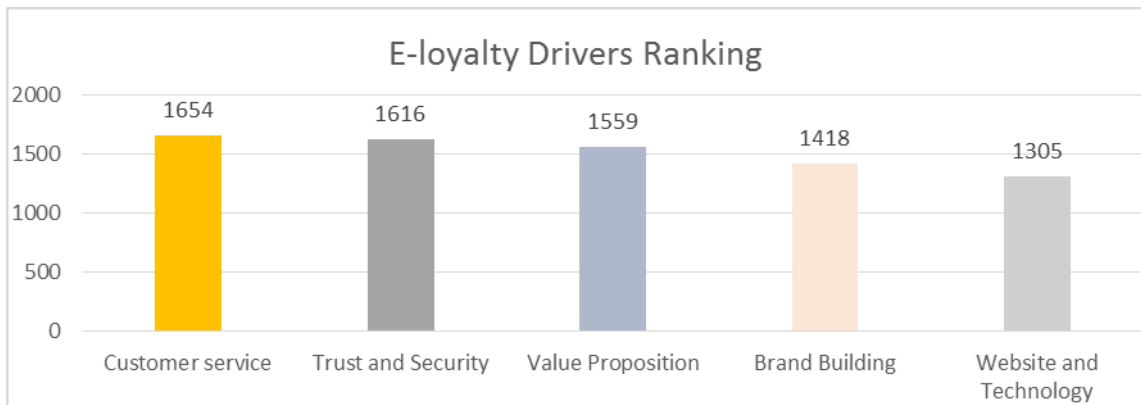
## 3.4.Discussion

Confirming both hypotheses H1 and H2 allows many conclusions for companies sucha as, or similar to Trivago, to be drawn. The validity of Gommans' model provides basic strategy guidelines for online companies which decide to pursue the differentiation strategy and to build up a strong brand loyalty. The models shows that the brand loyalty constructed forms a strong basis for the company's competitive advantage, however unlike in the case of offline companies, strong brand loyalty is also strongly affected by the pricing policy, due to the price sensitivity of online customers.

The advantages of the Gommans model is its simplicity, as it proposes 5 basic dimensions, but at the same time its complexity, since every dimension is built on very concrete elements present in every online business. Thanks to these elements which correspond with the real activities of a company like Trivago, the model is very easily applicable. The clarity helps to conduct good-quality primary research. It was not problematic to design questions which would be understandable for the respondents and at the same time provide results which would be easily transferable to quantitative measurements linked directly to the discussed dimensions.

The practical approach also led to a quite significant result which was caused by both the suitable theoretical concept and the design of the data collection. In the research conducted with the help of Trivago, each of the defined drivers of e-loyalty is approved without any major uncertainties and is in most cases supported by high percentage results. For example, the validity of all drivers was proved by more than 70 %, the general average importance for all the dimensions accounts for 87 %. The hypothesis H1 about the applicability of Gommans' model was therefore confirmed for the case of Trivago.

Hypothesis H2 was also verified by providing a ranking system for the dimensions and proving that they differ in terms of their weight in the model. Customer Service was identified as the most influential brand loyalty driver for Trivago. The ranking suggests to Trivago's managers an appropriate area to place their primary focus. They are encouraged to maintain the level of customer services and eventually improve customer care to enhance the satisfaction rate which is currently around 80 %. A possibility for improvement would be, for example, customer support through telephone (currently unavailable) or further education and trainings for employees providing existing channels of customer support.

Implications regarding the ranking of Trust and Security are aimed at features such as personal data storage and usage and online payments. Due to the high rank of this driver, Trivago might consider creating a static page on the website describing the safety guidelines for online payments. Regarding the data privacy, Trivago has recently undertaken some steps with a view to improve their efforts in this respect. The company now prominently displays information about the cookie files used on the website and dedicates a whole page to explanation of this technical tool.

In terms of value proposition, Trivago constantly improves the website content, also through benchmarking regularly with the main competitors. It also uses the power of the two-sides and encourages players from both sides of the value stream to participate in content generation. It strives to continuously enlarge it hotel inventory by engaging in dialogues with hoteliers directly and informing them about the benefits of Trivago by newsletters. Regarding the personalized website feature, Trivago is ahead of its competition with its recent feature Trivago Social, which combines the structure of social medium and a hotel search, adding a high amount of tangibility to its service. One of the essences of Trivago Social is the phenomenon of social sharing which at the same time supports activates of brand building.

The least influential dimension according to the research is the driver of website and technology. Seeing that Trivago focuses a lot of resources and communication efforts on the mobile application and more that it also proudly presents a record number of search filters on the market, the potential for reconsidering the priorities arises. The dimension of website and technology happened to be perceived as important only by 74 % of the respondents, which is 13 % less than the average of all the dimensions. Since these aspects are less important to the loyal customers, the resources might be partly allocated to activities which drive the loyalty more.

Obviously the model serves as a useful tool when evaluating the current activities of an online company with respect to brand loyalty. By very simple technique the inefficiencies in focus and areas for improvement can be found. Investments in the strategic reorganization of resources can exponentially increase the revenues thanks to wider base of loyal customers with higher extent of brand loyalty. Consequently, if the firm looks for possible channels to save costs, it can undergo such a process of prioritization to decide which budget reduction might have the smallest influence on the brand loyalty.

Nevertheless the model functions as a system, meaning that every dimension has its purpose and is influencing the other parts. Hence the activities prioritization should act only as a suggestion of certain possibilities and not like ultimate directions. In order to build brand loyalty all dimensions need to be maintained and none of them should be neglected.

## 3.5.Limitations and suggestions for future research

Several limitations need to be taken into account when explaining the results of this research. Most of them subsists due to the structure of the studied sample and the limited extent of the questionnaire. First, the degree of brand loyalty of Trivago's Facebook fans is not clearly defined and therefore there is a space for improvement of the chosen sample. Possibly there are users who might be even more loyal than the Facebook fans and are, by definitions of the sample, excluded from the research even though they would represent a better sample than the one available for this research. However identifying these users would require very sophisticated research approaches, including model situations that would test a reaction of repetitive purchasers to changing conditions and would derive their sensitivity to various factors. Furthermore, testing the applicability of Gosmann's model could be done more in detail through a more extensive questionnaire. Some of the dimensions were examined only through a limited number of questions. This limitation arises from the characteristic of the channel through which the survey was distributed. Such a survey deviates from the usual Facebook posts of Trivago since it requires a high level of action from the fans. Therefore the number of questions was limited in order to retain the attention and willingness to answer. The conclusions derived from the discussions are relevant but they do not necessarily prove a general applicability to every online business. The results might be online travel market or even two-sided network specific.

Potential future research might extend the model by another superior dimension of cultural impact. The dimensions or their relative importance may differ according to different cultural background of the respondents. Brand loyalty might be driven by different factors for several cultural mindset types. Additionally, Hofstede's cultural dimensions theory or Trompenaar's model of national culture differences could be implemented into the Gommans' model in order to gain an insight about the impact of culture on e-loyalty drivers. Another possible area for future research might be to study the relationship between the demographic characteristics and the drivers of e-loyalty.

Definitely desirable further research shall be conducted about the applicability of the relevant importance of the Gommans' dimensions. By practical application researchers could confirm or disprove the relevance of the importance ranking of the e-loyalty key drivers.

## 4. Conclusion

Despite its attractiveness and profitability of the last years, the market of online companies is characterized by many difficulties and obstacles. One of the major hurdles an internet-based company has to face is the high level of intangibility of its product causing uncertainty of customers. This complication multiplies with the increasing competition in the industry. Due to the easier and faster access to information and offers of other competitors, the customer's relationship to a particular product or brand diminishes. Strategies to reduce the negative impact of intangibility include loyalty building. The brand loyalty towards dot-com companies consists of distinctive features. Models describing these components have emerged in the recent years proposing several criteria of successful brand loyalty building.

The primary objective of this research was to review the influential literature related to the concept of e-loyalty. Furthermore the purpose was to find a suitable model of e-loyalty drivers for the practical application to the Trivago case. To meet the objectives of this paper, a theoretical framework of the topic was studied and a solid background for the further research was established. Finally an appropriate approach was found in a combination of the Gommans' 5 dimension model of e-loyalty and additional dimension of relative importance introduced by the author of this thesis. The aim was to asses a relevant case by the selected model in order to create practical implications about e-loyalty for managers. The Trivago company served as an ideal case for this purpose.

Two main hypotheses of this paper were examined under the conditions of Gommans' model. The first assumed the applicability of this model on the given case, whilst the second expected the components of the applied model to have different weights. The studied sample for both hypotheses was represented by Trivago Facebook fans, presuming they coincide with loyal customers of the company. This presumption created a prerequisite for the research and was also tested.

Based on the findings, both hypotheses were confirmed proving the validity of Gommans' model and showing the relative importance of each dimension. For assessing the relative importance, a simple index was proposed. The calculation was done by simple coding, multiplying and arithmetic averages of the responses. It mutually compared the particular drivers. After the data analysis, the dimensions of the models were ranked by their impact on online brand loyalty showing that Customer Service and Trust and Security create the two most influential drivers, followed by Value Proposition, Brand Building and Website and Technology.

The ranking is proposed as an implication for Trivago managers. Thanks to the defined relative importance of the online brand loyalty components, they can prioritize their activities in terms of brand loyalty building. Assessing the activities of Trivago, areas for possible improvements were found. However the possibility of this approach for other companies would need to be further examined.

To summarize, e-loyalty as an fascinating phenomenon. It shares many characteristics with traditional concepts of customer loyalty for offline companies whilst at the same time having many specific charactetistics, mostly arising from the intangible nature of online business. This thesis suggested one approach of how to capture the essence of key e-loyalty drivers. Nevertheless there still remains a lot of space for further research and findings. More complex analysis and practical applications of the topic of online brand loyalty may lead to discovery of more generally applicable models with more dimensions which would even more help to understand and estimate brand loyalty in online companies.

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# 7. Appendix

## 7.1.Questionnaire

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### trivago User Satisfaction Survey

**1. Do you use trivago regularly to search for your accommodation?**

○ I used it once
○ I use it but sometimes I use other ways to find accommodation
○ Every time I look for a hotel I use trivago as a primary source
○ I have never used it

**2. Why do you like trivago on Facebook?**

☐ I am interested in news about the company
☐ I like trivago posts
☐ I want other people to know that I use trivago
☐ I like the brand trivago

**3. How did you learn about trivago?**

○ I saw a TV commercial
○ I saw an online video commercial
○ I read about it in the media
○ I clicked on an online banner
○ I clicked on an advertisement on Google
○ Somebody told me about the website
○ I found it through my own research on the internet

**4. Are you a fan of other companies' Facebook pages?**

○ No, I am only a trivago fan
○ I like other pages but nothing similar to trivago
○ I also like other pages that provide hotel accommodation
○ I also like other companies related to travel

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5. Would you appreciate any kind of loyalty program?

○ No

○ Yes: (specify: discounts, vouchers, extra services, raffles, bonus for new customers) [　　　　　　]

6. Have you ever participated in some of the trivago prize-winning competitions?

○ No

○ Yes – once

○ Yes – more than once

7. Have you ever used trivago's customer service?

○ No

○ Yes, I was satisfied with the service

○ Yes but I was not satisfied with the service

8. Do you use other online services (e-shops, booking sites) that require online payments?

○ Yes

○ No

9. Do you use the trivago mobile application?

○ I haven't heard of the trivago mobile app

○ I know trivago has a mobile app, but I don't use it

○ Yes, I use it

10. What are important trivago criteria when looking for your accommodation?

| | Very important | Important | Relatively important | Not very important | Not important |
|---|---|---|---|---|---|
| Available search filters | ○ | ○ | ○ | ○ | ○ |
| Hotel reviews | ○ | ○ | ○ | ○ | ○ |
| trivago mobile application | ○ | ○ | ○ | ○ | ○ |
| Personalized website features (favorite hotels, search history) | ○ | ○ | ○ | ○ | ○ |
| Price | ○ | ○ | ○ | ○ | ○ |
| Hotel inventory | ○ | ○ | ○ | ○ | ○ |
| Trustworthiness | ○ | ○ | ○ | ○ | ○ |
| Reputation | ○ | ○ | ○ | ○ | ○ |
| Your feeling about trivago brand | ○ | ○ | ○ | ○ | ○ |
| Friend's recommendation | ○ | ○ | ○ | ○ | ○ |

| | Very important | Important | Relatively important | Not very important | Not important |
|---|---|---|---|---|---|
| Personal data protection | ○ | ○ | ○ | ○ | ○ |
| Fast responses from the customer service | ○ | ○ | ○ | ○ | ○ |

11. Which attributes do you associate with trivago?

[ ]

12. We are continuously trying to improve our website and want to hear your opinion. Tell us what you like/ what is lacking/what would you change about trivago (which posts do you like the most, what would you like to see more on trivago Facebook, what would make your life easier when using trivago website)

[ ]

13. What is your gender?

○ Male
○ Female

14. How old are you?

[ ]

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