

## CUSTOMER SATISFACTION TOWARDS ONLINE BUSINESS OF TAOBAO.COM: THE CASE OF THEIR CHINESE CUSTOMERS IN CHINA

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**Abstract:** The main aim of the study is to have a comprehensive understanding of customer satisfaction towards online business of Taobao.com. The main objective of this study was to investigate the determinants that helps to create satisfaction when engaged in online shopping. The second objective was to study the relationship between expectation, satisfaction and dissatisfaction when it comes to online shopping. The third objective was to analyze online shopping related factors at all the stages of shopping. The stages were divided into three parts: evaluation stage, purchase stage and post-purchase stage. The study uses quantitative approach and the data used for study had been collected using questionnaire. The dependent variables for the study includes web appearance, information quality, response, security/privacy, delivery and customer service. The researcher had used six hypotheses which was analyzed using Pearson's Correlation Coefficient to understand the relationship between independent variables and dependent variable. All the variables taken for the study showed significant and positive effect on customer satisfaction of Taobao.com customers. Delivery and information quality has highest correlation with customer satisfaction. At last from the study, we can conclude that there is rapid change in information and technology. Taobao.com has been able to satisfy its customers but it still has place for further improvement.

**Key words:** E-commerce, web appearance, information quality, response, security/privacy, delivery, customer service and customer satisfaction

**Introduction of the Study:** In these last few years, people has been witnessing the evolutionary changes and events in the history in terms of web revolution. The concept of shopping is slowly changing with the invention of internet shopping. The e-commerce has made us change our concept form the traditional shopping into more competent and economical way of shopping and that is experienced in the form of "e-commerce" Jiradilok et.al, (2014).

Online shopping has made possible for people to shop from any part of the world and the most important part is it allows one to shop 24 hours a day and 7 days a week. Customers who are looking for less expensive products, detailed information, customized products and services seem to benefit more from online shopping and this proves out to be more efficient as well Turban, Mclean & Wetherbe, (2002). China

has surely seen its rapid development and the maturity level when it comes to buying online. The founder of Alibaba, Jackma was quoted saying, "in other countries e-commerce is a way to shop, but in China it's a lifestyle" (KMPG, 2014).

**Taobao.com:** Taobao.com was founded by Alibaba in July, 2003 and is China's largest consumer to consumer online shopping platform. It was actually operated as a subsidiary of Alibaba Group Holding. The founder of this business believed that internet would help, influence the small enterprises in innovation. The technology would further help the business to grow and compete more effectively in the national and international market ([www.alibaba.com](http://www.alibaba.com)). Taobao.com was developed by Yun Ma and invested 0.1 billion Yuan to compete with eBay, one of the biggest competitor for Taobao Yang

Yang (2009). Taobao.com has become the most important company to watch when it comes to Chinese ecommerce market. It has more than 800 million online products and 48,000 of them are sold per minute.

**Research Objective:** The main objective of this study is to have clear and bigger picture of online shopping of Taobao customers in China. The general outlines are as follows:

1. To investigate the determinants that helps to create satisfaction when engaged in online shopping.
2. To study the relationship between expectation, satisfaction and dissatisfaction when it comes to online shopping.
3. To analyze online shopping related factors at all the stages of shopping.

### Literature Review

**Customer Satisfaction:** Kotler & Keller (2009) defined customer satisfaction as the person's feeling of pleasure or disappointment about the product they bought and the interpretation of the customer about the product. Giese. J.L & Cote. J.A (2002) pointed out three important factor for customer satisfaction which included affective response which varies in intensity, satisfaction focuses on three factors: product choice, purchase and consumption, the third factor was time of determination which would vary according to situation but is generally limited in duration. Customer's experience also plays an important role, if there is a satisfied result, then they will shop online continuously in the future as well but the opposite to this would mean that the customer will no longer engage in online transactions Luo. J, (2011).

**Web Appearance:** Web appearance can be defined as one that construct a way to be useful in evaluating websites and its usability Wang & Sylvain, (2007). Web appearance can be defined as one that construct a way to be useful in evaluating websites and its usability Wang & Sylvain,

(2007). When websites are loaded quickly, easy to navigate and uncluttered it saves time of the customer. This also makes shopping effortless for shoppers which in return will increase customers' satisfaction Yang Yang (2009). Similarly, Sindhuja and Dastidar (2009) mentioned when customers who want to shop quickly and effortlessly, they would want a design that is simple to use.

**Information Quality:** Any data that is accurate and has been there to increase the understanding of a person can be termed as an information. Nawi. N and Mamun. A (2014), when shopping online, the online shoppers tend to depend on information that are available on the website so that they can make decisions whether they can purchase certain product or not. The website should have the ability to make the visitor feel that the website has communicated some information of value, has been termed the most important when it comes to website effectiveness Chakraborty, Lala & Warren (2002). Cheung & Lee (2005) included accuracy, content, format and timeliness to the information quality as factors that affects customer satisfaction.

**Response:** Response time has been defined as the speed of access, time to download information and the availability of the website at all times Cheung & Lee (2005). Cheung & Lee (2005) suggested that speed of access and information downloading should have strong impact for those who shop online. Dellaert and Kahn (1999); Liu et al., (2008) mentioned that customers are dissatisfied when they have to wait and will switch to other website. The estimated time the shopper would wait would for the website to load is eight seconds. Therefore, the webpage designers should be aware about this fact and not only work on the appearance and functionality but also the time the webpage takes to load. Chakraborty, Lala & Warren (2002) mentioned long time to wait for the web

page to load, inability to access website temporarily which may have been caused by server breakdown, results in frustration for customers.

**Security/privacy:** Cheung &Lee (2005) defined security as the websites ability to protect consumer's personal information that are collected from electronic transactions from unauthorized users. Turban. E, Mclean. E and Wetherbe. J (2002) mentioned that those people who do not buy online have two main reason: the first one is inadequate security and the second one is quality uncertainty. Similarly, Lee and Turban (2001) also agree with the fact that the major reason customers are reluctant to purchase online is because of lack of trust.

**Delivery:** Customers they go through the different phases when they do online shopping but among those the most important factor is delivery of the product. E-commerce has made it possible for people to shop everywhere and anywhere. Chun-Chun. et al. (2011) found that delivery quality was the most important factor when it

**Review of Previous Studies:** Yang Yang (2009) study showed that online-shopping related factors had significant effect on Taobao customers. There is a strong positive correlation of satisfaction with repurchase intention and word-of-mouth. In addition, word-of-mouth had higher effect.

Trong. V, Khanh. N & Gim.G (2014) study showed delivery and payment were the two main factors that have important implications on the online shopping in Vietnam than other variables.

Jiradilok. T, Maliswan. S, Madan. N & Sicarak. J (2014) study showed all the variables that were taken for the study showed positive effect when the customers have purchase intention. In addition the study also revealed that most influential part in online shopping was value assurance and empathy.

Chun-Chun. L, Hsueh-Ying. W & Yong-Fu. Cc (2011) study showed all the independent

comes to online customers' satisfaction. Thus, the ecommerce companies should pay more attention to the product sourcing and collaborate with the delivery supplier so that they can provide quality of delivery which includes correct orders, timeliness and safe packaging.

**Customer Service:** Customer service starts from beginning till the end, such as before purchase, after purchase and during disposal of the items securely Turban. E, Mclean. E and Wetherbe. J (2002). Chao & Fu-Ling, (2012) showed that customer service played the most important role which included responding to customer needs, surfing comfortably and time saving. Companies or websites should not forget about the post-sales service. Companies should term every customer equally because some study has found the fact that customers who go for discounted products and services are not treated as normal customers. Thus, delivering defective products Nguyen. H (2014).

variables were positively correlated and showed significant relation with online user satisfaction. The study also showed delivery quality as the most important factor which was then followed by product quality.

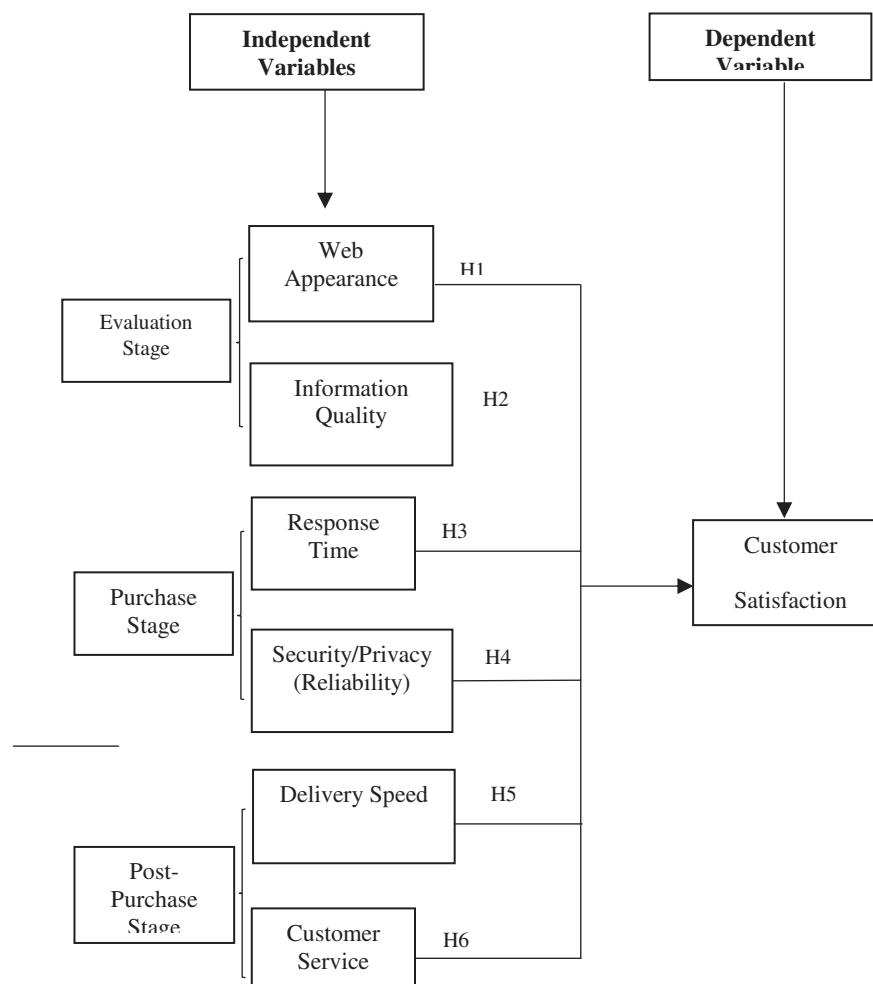
Abdulhadi. H (2013) study showed all variables taken as independent variable showed strong relationship with customer satisfaction except for response. However security and payment was taken as the most important factor for Malaysian customers when it came to shop online on websites like eBay.

Hang Thi Nguyen (2014) study showed positive relationship between the independent variables and customer satisfaction and trust. The study concluded that the study done on Muachung.vn showed valuable insight about the experience of the customer when they go for online shopping from offline shopping.

Schaupp. L & Bélanger. F (2005) study showed privacy (technological factor), merchandising (product factor), and convenience (shopping factor) as the most important attributes to the consumers.

Among the mentioned factors privacy and protection of consumer's personal information was taken as the most important value.

### **Conceptual Framework:**



**Research Methodology:** The sample for this study are those people who are working in the office building in Yunnan province and have purchased product or services from Taobao website recently. The reason to choose this city is to study the business factor. 400 respondents were taken as sample size for the study.

**Empirical Findings and Analysis:** The demographic factors in the study includes gender, age, marital status, education level, occupation and monthly income. Out of 400 respondents, gender showed the number of male customers with 130 and female

customers with 270, which represented the 32.5% and 67.5% of the total respondents. Among the respondents for age, the highest value for the age was (26-30) with 32.5 percent which is then followed by (20-25) years and more than 40 years old with 106 and 108 respectively. Similarly, the survey for marital status presents the number of single respondents 45 percent and married respondents with 55 percent of the total respondents.

The analysis of educational level showed the respondents with bachelor degree with 68.5 percent of the total respondents which was

then followed by below bachelor degree with 21.5 percent. The survey done on basis of occupation showed the private office employee which represented 42 percent of the total respondents. This was then followed by others with 37.5 percent. The others may include students, housewives etc. The survey done on basis of monthly income showed respondents with monthly income of 4,001 Yuan and above which represents 51.5 percent of total respondents. It is then followed by 3,001 - 4000 Yuan which represents 25 percent of the total population.

The factors related to online-shopping at Taobao.com were web appearance, information quality, response, security/privacy, delivery and customer service. The result of the questionnaire shows the highest mean for response with 3.80 for the statement "The website can be accessed at any time". Similarly, the lowest mean has been shown for security/privacy with 3.01 for the statement "I feel secured when I am doing any transactions with the website".

### Hypotheses

| Null Hypothesis  | Correlation | Significant |
|--|-------------|-------------|
| $H_{01}$ : There is no significant relationship between web appearance and customer satisfaction towards online shopping on Taobao.com.      | 0.432       | 0.000       |
| $H_{02}$ : There is no significant relationship between information quality and customer satisfaction towards online shopping on Taobao.com. | 0.494       | 0.000       |
| $H_{03}$ : There is no significant relationship between response time and customer satisfaction towards shopping on Taobao.com.              | 0.466       | 0.000       |
| $H_{04}$ : There is no significant relationship between security/privacy and customer satisfaction towards online shopping on Taobao.com.    | 0.477       | 0.000       |
| $H_{05}$ : There is no significant relationship between delivery speed and customer satisfaction towards online shopping on Taobao.com.      | 0.520       | 0.000       |
| $H_{06}$ : There is no significant relationship between customer service and customer satisfaction towards online shopping on Taobao.com.    | 0.485       | 0.000       |

Hypotheses testing was done using Pearson Correlation Coefficient which tested the relationship between independent and dependent variables. The testing showed that there is positive and significant relationship between web appearance, information quality, response,

security/privacy, delivery and customer service with customer satisfaction. The result for the hypotheses showed Delivery and information quality with highest coefficient. Delivery scored the highest with r-value 0.520 and information quality had second highest with 0.494.

**Conclusion:** The study done for online-shopping business for Taobao.com had been mostly verified with primary data that had been collected using questionnaire. This study has helped shed some answers to online shopping business in China.

The first objective was to investigate the determinants that helps to create satisfaction when engaged in online shopping. The determinants taken for the study showed that it had significant effect on the satisfaction of the Taobao customers. Delivery was found to have the highest correlation with satisfaction when shopping online on Taobao.com. The demographic factor showed that most of the customers who shop online were female customers. The reason to this may be the availability of more choices for female customers than male customers.

The second objective was to study the relationship between expectation, satisfaction and dissatisfaction when it comes to online shopping. Taobao has the largest call center in the world, the expectation level of customers is that Taobao would expect the staffs to respond them at all time. This expectation level has been met by Taobao with its consistent service for the customers. Chinese customers are people who really like to gather information before they go for shopping and Taobao has satisfied its customers with clear and understandable information.

The third objective was to analyze online shopping related factors at all the stages of

shopping. The stages were divided into three parts: evaluation stage, purchase stage and post-purchase stage. The factors taken for the study in each stage had positive relationship with satisfaction. Among all the factors delivery and information quality seem to be the most important factor when it came to online-shopping in Taobao.com. Delivery had the highest score with r-value 0.520 and information quality was the second highest with 0.494. Thus, this study shows that the Taobao.com customers have positive impact of the website and its service to its customers. We can conclude that there is rapid change in information and technology. Taobao.com has been able to satisfy its customers but it still has place for further improvement.

**Limitation:** During the study there were certain limitations that the researcher had to face. One of them was the duration of time taken to collect the information from the respondents. The second one was the reluctance of the respondents in some places which increased the time to complete the work.

**Recommendations for Future Research:** This research study can be further developed by applying the study between two different countries which would provide more realistic views. This research study mainly focused on customer satisfaction while doing online shopping on Taobao.com, the researcher recommends that two websites can be compared such as: Tabao.com and joyo.com.

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