

Customer Shopping Value on Brand Loyalty: Mediating Role of Customer Satisfaction: A Study on E-Commerce Industry in Western Province, Sri Lanka

Customer
Satisfaction

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Abstract

This study explores the impact of customer shopping value on brand loyalty within Sri Lanka's burgeoning e-commerce sector, emphasizing the roles of utilitarian and hedonic values. Utilizing a positivist philosophy and deductive approach, authors have collected and analyzed data from 384 respondents in the Western Province. The findings confirm that both utilitarian and hedonic values significantly influence brand loyalty, with customer satisfaction mediating this relationship. The study highlights the need for e-commerce managers to prioritize both functional and experiential aspects of shopping to foster loyalty. Future research should expand this investigation across various industries, demographic groups, and technological contexts, considering additional mediating and moderating factors such as trust, security, sustainability, and corporate social responsibility. These insights will help develop targeted strategies to enhance customer satisfaction and brand loyalty in diverse settings.

Keywords: Customer shopping value, Customer satisfaction, Brand loyalty, Utilitarian value, Hedonic value, E-commerce.

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Introduction

E-commerce, short for electronic commerce, refers to the buying and selling of goods and services over the internet. It encompasses a wide range of business activities, including online retail, electronic marketplaces, and business-to-business transactions. The rise of e-commerce has revolutionized the way consumers shop and businesses operate, offering unparalleled convenience, variety, and accessibility (Laudon & Traver, 2020).

The rapid growth of e-commerce can be attributed to several key factors. Firstly, the widespread adoption of smartphones and the increasing availability of high-speed internet have made online shopping more accessible than ever before. Consumers can now shop from anywhere at any time, leading to a significant shift from traditional brick-and-mortar stores to online platforms (Smith, 2019). Additionally, advancements in technology, such as secure payment gateways and efficient logistics networks, have enhanced the overall shopping experience, making it safer and more reliable (Grewal et al., 2021).

Globally, the e-commerce industry has witnessed several major trends. One notable trend is the rise of mobile commerce, where consumers use their mobile devices to make purchases. This trend is particularly pronounced in emerging markets, where mobile phones often serve as the primary means of internet access (Deloitte, 2020). Another significant trend is the growth of social commerce, which integrates social media platforms with online shopping, allowing consumers to purchase products directly through social media channels (Statista, 2022). Additionally, the increasing use of artificial intelligence and machine learning has enabled personalized shopping experiences, where e-commerce platforms tailor recommendations based on individual consumer preferences and behaviors (Huang & Rust, 2021).

Consumer behavior on e-commerce platforms has also evolved significantly. Modern consumers are more informed and discerning, often conducting extensive research and reading reviews before making a purchase. They value convenience, speed, and a seamless shopping experience, and are quick to abandon platforms that fail to meet these expectations (Nielsen, 2018). Furthermore, the COVID-19 pandemic has accelerated the adoption of e-commerce, as lockdowns and social distancing measures forced many consumers to turn to online shopping for their daily needs (UNCTAD, 2020). This shift has not only increased the volume of online transactions but also broadened the demographic of online shoppers, encompassing a wider range of age groups and socioeconomic backgrounds (McKinsey & Company, 2020).

As the e-commerce industry continues to expand, it becomes essential to understand the underlying factors that drive consumer behavior on these platforms. One of the critical concepts in this regard is shopping value, which significantly influences consumers' purchasing decisions and overall satisfaction.

Shopping Value:

Shopping value refers to the overall benefits and satisfaction that consumers derive from their shopping experiences. It is a multi-dimensional construct that can be broadly categorized

into two main types: utilitarian value and hedonic value. Utilitarian value pertains to the functional and practical benefits of shopping, such as efficiency, convenience, and cost-effectiveness. In contrast, hedonic value relates to the experiential and emotional aspects of shopping, such as pleasure, excitement, and enjoyment (Babin, Darden, & Griffin, 1994; Hirschman & Holbrook, 1982).

In the context of e-commerce, both utilitarian and hedonic values play significant roles in shaping consumer behavior. Utilitarian value in e-commerce is often associated with the ease of navigation, variety of products, detailed product information, and the convenience of making purchases from anywhere at any time. These functional benefits are crucial for consumers who prioritize efficiency and practicality in their shopping experiences (Sánchez-Fernández & Iniesta-Bonillo, 2007).

On the other hand, hedonic value in e-commerce is linked to the enjoyment and excitement of exploring online stores, discovering new products, and engaging with interactive features such as product videos and customer reviews. The emotional and sensory aspects of online shopping can enhance consumer satisfaction and foster a sense of loyalty towards e-commerce platforms (Jones, 2006; Sarkar, 2011).

Various authors have explored the impact of utilitarian and hedonic values on consumer behavior in e-commerce. Babin, Darden, and Griffin (1994) highlighted that both utilitarian and hedonic values contribute to the overall shopping experience, and their balance is essential for maximizing consumer satisfaction. Similarly, Sánchez-Fernández and Iniesta-Bonillo (2007) emphasized that the utilitarian aspect of e-commerce, such as time savings and convenience, significantly enhances perceived value and customer satisfaction.

Hirschman and Holbrook (1982) discussed the importance of hedonic consumption, noting that consumers often seek pleasure and enjoyment in their shopping activities, which can lead to increased brand loyalty and repeat purchases. Jones (2006) further explored how hedonic and utilitarian values influence retail outcomes, finding that hedonic shopping experiences can create positive emotional connections with brands, thereby strengthening customer loyalty.

In the e-commerce industry, the integration of both utilitarian and hedonic elements is crucial for creating a comprehensive and satisfying shopping experience. For instance, providing detailed product descriptions and efficient customer service addresses utilitarian needs, while offering engaging content and personalized recommendations caters to hedonic desires (Hanzaee & Irani, 2011; Carpenter & Moore, 2009).

By understanding the dual nature of shopping value and its impact on consumer behavior, e-commerce businesses can develop strategies that enhance both the functional and experiential aspects of online shopping. This holistic approach is essential for fostering customer satisfaction and loyalty in the competitive e-commerce landscape.

Customer Satisfaction and Brand Loyalty

Customer satisfaction is a measure of how well products and services supplied by a company meet or surpasses customer expectations. It is a crucial factor that influences

consumers' repeat purchase behaviors and their overall loyalty to a brand. High levels of customer satisfaction often lead to positive word-of-mouth, increased customer retention, and enhanced brand reputation (Oliver, 1997).

On the other hand, Brand loyalty refers to a customer's consistent preference for one brand over all others, demonstrated by repeated purchases and positive attitudes towards the brand. It reflects a strong commitment to a brand, which can shield the company from competitors' marketing efforts and price fluctuations (Aaker, 1991).

Different authors have interpreted customer satisfaction and brand loyalty in various ways. Oliver (1999) described customer satisfaction as the consumer's fulfillment response, which is the degree to which the level of fulfillment is pleasant or unpleasant. He argued that satisfaction is a predictor of brand loyalty, which is the ultimate goal of customer relationship management. Kotler and Keller (2012) emphasized that customer satisfaction results from the comparison between pre-purchase expectations and post-purchase perceptions of the product performance. They posited that satisfied customers are more likely to be loyal, making satisfaction a key driver of loyalty. According to Zeithaml, Berry, and Parasuraman (1996), customer satisfaction directly affects repurchase intentions and customer loyalty. They highlighted that satisfied customers are more likely to share their positive experiences with others, thus acting as brand advocates.

Customer Satisfaction as a Mediator

According to the vast amount of literature that revolves around this area, it can be observed that customer satisfaction often acts as a mediator between shopping value and brand loyalty. This mediation effect suggests that the impact of shopping value on brand loyalty is partially or wholly channeled through customer satisfaction. Babin, Darden, and Griffin (1994) argued that both utilitarian and hedonic shopping values contribute to customer satisfaction, which in turn enhances brand loyalty. Research by Anderson and Srinivasan (2003) in the context of e-commerce found that higher levels of perceived shopping value lead to greater customer satisfaction, which then positively affects brand loyalty. They emphasized that satisfaction serves as a critical intermediary that translates the perceived value of the shopping experience into a loyal customer base. Hanzaee and Irani (2011) explored the relationship between shopping values, customer satisfaction, and brand loyalty in online retailing. They found that both utilitarian and hedonic values positively influence customer satisfaction, which subsequently increases brand loyalty. Their study highlighted the importance of enhancing both functional and emotional aspects of the shopping experience to boost customer satisfaction and loyalty. Thus, it can be justified that customer satisfaction is crucial in mediating the relationship between shopping value and brand loyalty.

Problem Statement and Justification

By considering all the aforementioned factors, the main research problem addressed in this study is;

Understanding how customer shopping value impacts brand loyalty in the e-commerce industry in Sri Lanka, with customer satisfaction acting as a mediator

This research is crucial as it fills the gap in existing literature by focusing on the unique context of Sri Lanka's e-commerce sector, which has seen significant growth but remains underexplored in academic research. The insights derived from this study also can help industry practitioners to develop targeted strategies to enhance customer satisfaction by balancing functional and emotional shopping experiences. Consequently, these strategies can foster stronger brand loyalty, leading to increased customer retention and sustained business growth (Babin, Darden, & Griffin, 1994; Anderson & Srinivasan, 2003; Hanzae & Irani, 2011). By addressing the interplay between shopping value, customer satisfaction, and brand loyalty, this research provides a holistic understanding of consumer behavior in the e-commerce context. This understanding is essential for developing effective marketing strategies and improving overall customer experience, ultimately contributing to the long-term success of e-commerce businesses in Sri Lanka.

Context Justification on E-Commerce Industry

As defined by Chaffey (2009), E-commerce encompasses all types of electronic transactions between businesses and their stakeholders, serving as a technological means for conducting business innovatively. E-commerce websites are experiencing rapid expansion both locally and globally. The advent of the internet and the continual digitalization of modern life have significantly transformed the buying and selling of goods. Consumers worldwide now benefit from the convenience of online transactions. With global internet access expanding rapidly, surpassing five billion users, the number of individuals engaging in online shopping continues to rise. In 2024, global retail e-commerce sales are projected to exceed 6.3 trillion U.S. dollars, with further growth anticipated in the coming years. As of 2023, online marketplaces dominate the landscape of online purchases, with Amazon leading in global traffic among retail websites (Statistica, 2024). E-commerce has become popular due to its convenience, allowing consumers to shop from home at any time, and offering a wider selection of products than physical stores. It facilitates easy price comparisons, provides customer reviews and ratings, and uses personalization to enhance the shopping experience. Businesses benefit from reduced operational costs and can reach a global market. These advantages contribute to the growing preference for online shopping over traditional retail (Bressolles & Durrieu, 2011; Chaffey, 2015; Laudon & Traver, 2021 and Molla & Licker, 2001).

The rise of e-commerce in Sri Lanka between 2021 and 2022 was exponential (Statistica, 2022). The COVID-19 lockdowns significantly accelerated the reliance on digital platforms, as consumers had no choice but to turn to online shopping. FMCG (Fast-Moving Consumer Goods) purchases have surged since March 2020, with projections indicating an increase from 20% to 70% (Daily FT, 2020). Sri Lanka's e-commerce sector has seen substantial growth in recent years, driven by increased internet usage and the proliferation of smart devices, especially during the pandemic (International Telecommunication Union, 2022). Even at the start of 2022, when Sri Lanka was experiencing a severe economic crisis, the e-commerce sector remained relatively unaffected and continued to have strong development. Currently, the total e-commerce market size in Sri Lanka is estimated to be USD 90 Mn, which is less than 1% of the total retail

market size in Sri Lanka (Kapruka, 2022). Financial institutions in Sri Lanka are also creating payment gateways and related services to provide secure online payment options to support the growth of e-commerce and assist the growth of e-commerce (International Trade Administration, 2021).

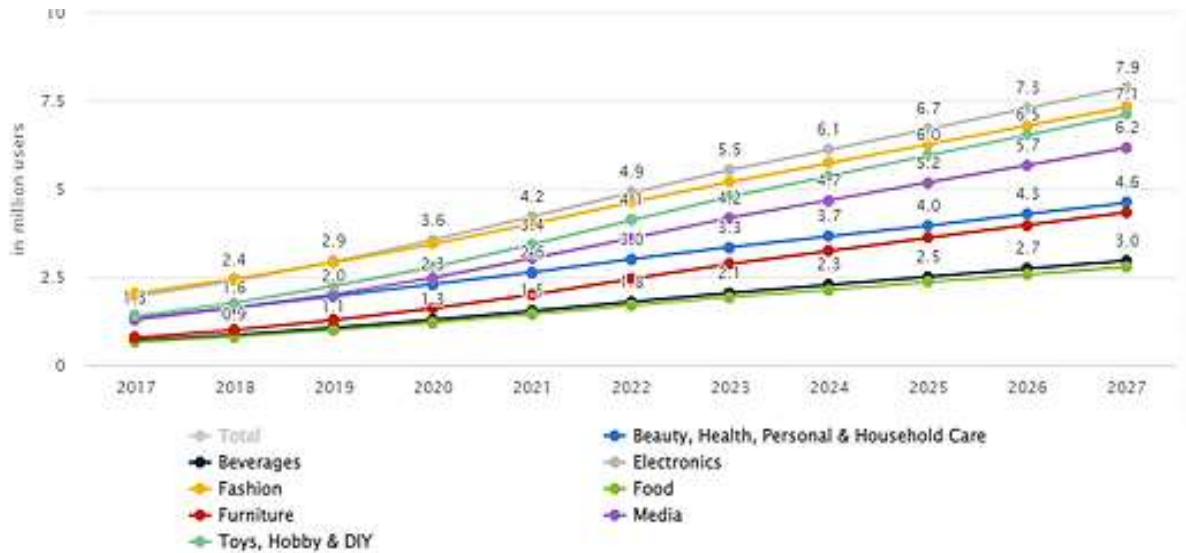


Figure 01. Category-wise Active users in the eCommerce industry in Sri Lanka (Statistica, 2022)

According to Figure 01, the fastest-growing sectors in the e-commerce market in 2022, in chronological order, include electronics, fashion, food, beauty, health, personal and household care, toys, hobbies, DIY, furniture, beverages, and media (Wickramaratne, 2022; Statistica, 2022). In 2022, most of the revenue were generated from electronic category in eCommerce websites (696.1Mn USD) followed by fashion category (339.20 Mn USD) (Statistica, 2022). According to (Tectera, 2022) the top five well-known e-commerce sites in Sri Lanka are Daraz.lk, Kapruka.com, Ikman.lk, bigdeals.lk and takas.lk. In 2022, the market share of Daraz.lk in Sri Lanka was 50% (Kapruka, 2022).

The Internet users in the Western province are twice the average number of Internet users in Sri Lanka, which amounted to 30.8% (6.6 Mn) from the total population (21.44 Mn) (Data Commons, 2017; Hewage & Weerasekera, 2017). Additionally, Daily FT, (2020) stated that the Western province has a 50% market share for online orders, followed by the Central and Northwestern provinces with 10% and 9%, respectively.

Further there are three main categories of online shoppers, each with distinct habits. "Young online consumers," aged 18 to 24, are leisure shoppers who enjoy seeking the latest trends. They are brand loyal, tech-savvy, and less price-sensitive. The "well-informed buyers," aged 25 to 30, prioritize reliability and quality in their choices. While they remain loyal to brands, they also look for the best deals and flash sales, mainly purchasing household and personal items. Lastly, "settled adult shoppers," aged 31 to 35, focus on purchasing necessities within their budget. They value quality, are less experimental, and expect prompt delivery. (Daily FT, 2020).

Recent studies verified the importance of examining the internet related marketing practices and their influence within the Sri Lankan context highlighting its practice significance (Ekanayake & Gayathree, 2021; Thundeniya & Dissanayake, 2024). Usually new media is mainly used by well profiled customers attributed with at least middle income and good education background including reasonable commercial exposure. So that marketers need to have special reference to these categories when evaluating the effectiveness of new media related strategies. Accordingly, this study examines the relationship between brand loyalty and the two primary components of customer shopping values: utilitarian value and hedonic value, within the context of e-commerce websites.

Limitations of the Study

This research focuses on customer shopping values and their impact on brand loyalty within e-commerce industry, specifically in the Western Province, Sri Lanka. The research is limited to individuals in 18 – 35 age category residing in the Western Province who purchase via e-commerce websites, restricting the ability to generalize findings to the entire population of the country. The sample size 384 is relatively small (although statistically valid) compared to the total population of online shoppers of 1,840,006 falls under 18 – 35 age category in the Western Province. Further, the study's sample is confined to respondents who use online platforms, as the questionnaire will be distributed exclusively through the Internet.

Literature Review

Brand Loyalty

Brand loyalty is defined as a customer's strong commitment to continue purchasing the same brand despite competitive marketing efforts (Oliver, 1997). Increasing consumer pleasure and providing higher brand value foster brand loyalty (Awan, 2014). The focus has shifted from single transactions to building long-term relationships with customers to emphasize a relational approach to marketing (Moolla, 2013). The connection of brand loyalty includes customer satisfaction, switching cost, brand trust, relationship proneness, involvement, perceived value, commitment, repeat purchase, brand affect, brand relevance, brand performance, and culture (Awan, 2014).

Customer Shopping Value

Customer shopping value refers to the perceived benefits and costs associated with a shopping experience. This concept encompasses various aspects such as price, quality, convenience, and emotional satisfaction derived from the purchase. Utilitarian value emphasises the functional and practical benefits, while hedonic value focuses on the emotional and experiential enjoyment of shopping (Smith et al., 2022; Hair et al., 2014).

Utilitarian Value

Meanwhile, utilitarian value refers to the practical and functional benefits that consumers seek when shopping. It is task-oriented and involves the logical and efficient aspects of the shopping process. According to Sánchez-Fernández and Iniesta-Bonillo (2007) and Yusof, Musa,

and Rahman (2012), utilitarian value can be determined by a product's availability and the ease of locating it in a retail setting. Characteristics of utilitarian motivation include being mission-critical, logical, decision-effective, and goal-oriented. Shopping begins with a specific mission or task, and the benefit received is judged by whether the goal is completed effectively (Toa, Liao, & Lin, 2007). Key elements of utilitarian value include:

- **Cost Savings:** Measures that lower an organization's overall expenditure on assets, directly influencing its bottom line. Cost-saving measures can include increasing productivity and obtaining reduced supply purchasing costs (Gartner, 2022).
- **Convenience:** Online purchasing offers 24/7 service regardless of weather conditions, making it highly convenient for consumers.
- **Selection:** Online retailers often provide a wider variety of products compared to physical stores, allowing consumers more options to choose from.
- **Information Availability:** Consumers can access detailed product specifications, business locations, special offers, and other relevant information, enhancing their shopping experience (Wolfenbarger & Gilly, 2011).
- **Lack of Sociality:** Online buyers prefer to shop without being disturbed by sales personnel, which adds to the convenience and comfort of online shopping.
- **Customized Products or Services:** Internet retailers can offer a range of customized goods, tailored to the individual preferences of consumers (Burke, 1997).

Hedonic Value:

Hedonic value is derived from the pleasure and enjoyment of the shopping experience. It is emotionally driven and focuses on the sensory and experiential aspects of shopping. Customers receive hedonic value from the experience of shopping as amusing or playful (Sarkar, 2011). This includes positive word-of-mouth, loyalty, emotional value, and psychological satisfaction related to the overall shopping experience (Jones, 2006). Modern consumers expect engaging, enjoyable, and exciting shopping experiences beyond simply acquiring products (Yusof; et al.2012). Key elements of hedonic value include:

- **Adventure/Exploration:** The thrill of discovering new and exciting items. Consumers enjoy the adventure and exploration aspect of shopping, which adds to their overall satisfaction (Toa, Liao, & Lin, 2007).
- **Social Interaction:** Shopping as a social activity to connect with friends and family. Many people cherish the time spent shopping with loved ones and engage in social activities during the shopping process (Dawon, 1990; Arnold & Reynolds, 2003).
- **Idea Generation:** Learning about emerging trends and new products during shopping trips. Shoppers visit stores to gather ideas and stay updated on the latest trends (Arnold & Reynolds, 2003).
- **Value:** The enjoyment derived from negotiating with salespeople and obtaining the best deals. The negotiation process can be a source of satisfaction for shoppers (Shim, 2011).
- **Authority and Status:** The connection between pre-purchase search intention and purchase intention among online shoppers. Online shopping provides consumers with a

sense of authority and status as they make informed purchasing decisions (Shim, 2011).

Customer Satisfaction

Customer satisfaction is a metric that measures a company's customers' level of satisfaction with its goods, services, and capabilities. Information about customer satisfaction, such as surveys and ratings, can assist a business in deciding how best to adjust or improve its goods and services. Customer satisfaction must be a company's first priority. This rule is applicable to all types of organizations, including commercial enterprises, retail and wholesale businesses, governmental agencies, service providers, nonprofits, and every division within one (ASQ, 2022). Customer satisfaction is crucial since it aids in issue solving, prevents churn, and identifies satisfied clients who may turn into evangelists and champions. It's a crucial phase in the process of increasing client satisfaction, cultivating client loyalty, and fostering positive word-of-mouth (Bernazzani, 2022).

Hypothesis Development

Managers must strategically provide both hedonic and utilitarian value to customers to enhance satisfaction and brand loyalty (Carpenter, Fairhurst, & Moore, 2005; Hanzae & Irani, 2011; Kim, 2013). Satisfied customers are more likely to remain loyal due to their appreciation for the products (Sokachae & Babaei, 2014). Accordingly, the hypotheses tested in this study are:

- H1 – There is a positive relationship between Customer shopping value on Brand Loyalty.
- H1a – There is a positive relationship between the utilitarian value on Brand Loyalty.
- H1b – There is a positive relationship between hedonic value on Brand Loyalty.

Evidence suggests that hedonic value impacts customer satisfaction (Purwanto, 2015; Ryu, Han, & Jang, 2010). Similarly, utilitarian value also appears to influence customer satisfaction (Ryu, Han, & Jang, 2010). Thus, additional hypotheses are proposed:

- H2 - There is a positive relationship between customer shopping value and customer satisfaction.

Consumer satisfaction reportedly has a favorable impact on brand loyalty and satisfied customers are more likely to exhibit favorable repurchase behavior and recommend the brand to others (Adams, Linden, & Trochim, 2014; Bennett & Rundle-Thiele, 2014). Therefore:

- H3 – There is a positive relationship between customer satisfaction and brand loyalty.

Finally, customer satisfaction is proposed to mediate the relationship between hedonic value, utilitarian value, and brand loyalty (Hanaysha & Mehmood, 2015):

- H4 - Customer satisfaction mediates the impact between customer shopping value and brand loyalty.

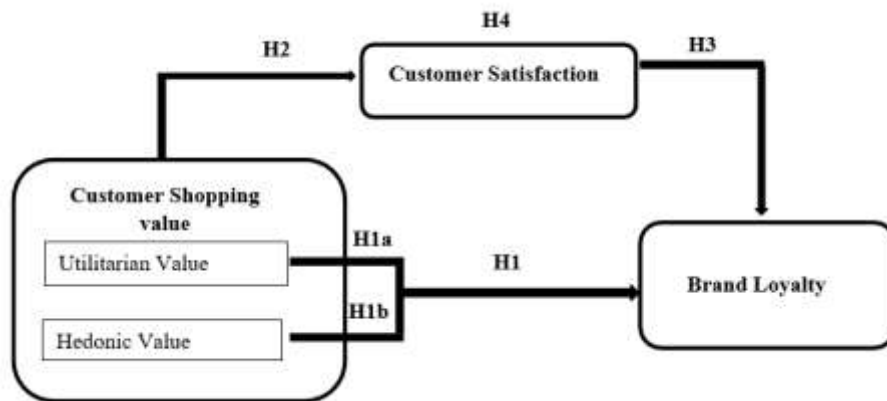


Figure 1. Conceptual Framework (Author Developed)

Methodology

This study adopts a positivism philosophy, which contends that reality exists independently and permits unbiased observation. Positivism aligns with the quantitative research paradigm, emphasizing objectivity and the use of statistical methods to test hypotheses. The study follows a deductive approach, which involves testing pre-existing theories or hypotheses through empirical observation (Bougie & Sekaran, 2016). This approach is suitable for investigating the impact of Customer Shopping Value on brand loyalty by collecting numerical data and analyzing it using mathematical methods. The survey method was employed to gather data for this study.

Operationalization of Research and Indicators

Customer Shopping Value

Utilitarian Value: Utilitarian value refers to the practical and functional benefits that consumers derive from shopping. This value is characterized by goal-oriented behavior aimed at achieving efficient and effective shopping outcomes. The indicators for measuring utilitarian value in this study include:

- Time savings: "I save a lot of time by shopping online compared to traditional shopping." (Babin et al., 1994)
- Ease of product search and navigation: "It is easy to find the products I am looking for on this e-commerce website." (Voss, Spangenberg, & Grohmann, 2003)
- Functional benefits (e.g., cost savings): "I achieve significant cost savings by shopping on this e-commerce website." (Voss, Spangenberg, & Grohmann, 2003)
- Efficiency in order processing and delivery: "The order processing and delivery of my purchase are efficient." (Overby & Lee, 2006)
- Availability of detailed product information: "The detailed product information available on this e-commerce website helps me make better decisions." (Alba et al., 1997)

Hedonic Value: Hedonic value relates to the pleasure and enjoyment that consumers experience during shopping. It is driven by emotional and sensory stimulation and is often associated with fun and excitement. The indicators for measuring hedonic value in this study include:

- Enjoyment and pleasure from shopping: "I enjoy shopping on this e-commerce website." (Hirschman & Holbrook, 1982)
- Excitement and entertainment: "Shopping on this e-commerce website is exciting and entertaining." (Childers et al., 2001)
- Aesthetic appeal: "The shopping environment on this e-commerce website is aesthetically appealing." (Childers et al., 2001)
- Emotional fulfillment: "Shopping on this e-commerce website is emotionally fulfilling." (Hirschman & Holbrook, 1982)
- Novelty and adventure in discovering new products: "I find it adventurous to discover new products on this e-commerce website." (Arnold & Reynolds, 2003; To et al., 2007)

Brand Loyalty: Brand loyalty is defined as a customer's consistent preference for one brand over others, demonstrated by repeated purchases and positive attitudes towards the brand. The indicators for measuring brand loyalty in this study include:

- Repeat purchase intention: "I am likely to make repeat purchases from this e-commerce platform." (Oliver, 1997)
- Willingness to recommend: "I am likely to recommend this e-commerce platform to others." (Chaudhuri & Holbrook, 2001)
- Emotional attachment to the brand: "I feel emotionally attached to this e-commerce platform." (Oliver, 1997)
- Resistance to switching: "I am reluctant to switch to other e-commerce platforms even if they offer similar products." (Chaudhuri & Holbrook, 2001)

Customer Satisfaction: Customer satisfaction is a measure of how well products and services supplied by a company meet or exceeds customer expectations. The indicators for measuring customer satisfaction in this study include:

- Meeting or exceeding expectations: "The shopping experience met or exceeded my expectations." (Anderson & Srinivasan, 2003)
- Overall satisfaction with the shopping experience: "I am satisfied with the overall shopping experience on this e-commerce website." (Fornell et al., 1996)
- Likelihood of repeat patronage: "I am likely to return for future purchases." (Anderson & Srinivasan, 2003)
- Positive word-of-mouth: "I am likely to share positive experiences about this e-commerce website with others." (Fornell et al., 1996)

These indicators provide a comprehensive framework for evaluating the constructs of utilitarian value, hedonic value, customer satisfaction, and brand loyalty. By operationalizing these variables through validated indicators from existing literature, this study ensures the reliability and validity of the measurements, thereby contributing to the robustness of the research findings.

Operationalization

Table 01. Operationalization Table

Variables	Indicator	Question	Source
Utilitarian Value	<ul style="list-style-type: none"> • Time savings • Ease of product search and navigation • Cost savings • Efficiency in order processing and delivery • Availability of detailed product information 	<ul style="list-style-type: none"> • I save a lot of time by shopping online compared to traditional shopping. • It is easy to find the products I am looking for on this e-commerce website. • I achieve significant cost savings by shopping on this e-commerce website • The order processing and delivery of my purchase are efficient. • The detailed product information available on this e-commerce website helps me make better decisions. 	(Babin, Darden, & Griffin, 1994; Voss, Spangenberg, & Grohmann, 2003; Overby & Lee, 2006; Alba et al., 1997)
Hedonic Value	<ul style="list-style-type: none"> • Enjoyment and pleasure from shopping • Excitement and entertainment • Aesthetic appeal • Emotional fulfillment • Novelty and adventure in discovering new products 	<ul style="list-style-type: none"> • I enjoy shopping on this e-commerce website. • Shopping on this e-commerce website is exciting and entertaining. • The shopping environment on this e-commerce website is aesthetically appealing. • Shopping on this e-commerce website is emotionally fulfilling. • I find it adventurous to discover new products on this e-commerce website. 	(Hirschman & Holbrook, 1982; Childers, Carr, Peck, & Carson, 2001; Arnold & Reynolds, 2003; To et al., 2007)
Brand Loyalty	<ul style="list-style-type: none"> • Repeat purchase intention • Willingness to recommend • Emotional attachment to the brand • Resistance to switching 	<ul style="list-style-type: none"> • I am likely to make repeat purchases from this e-commerce platform. • I am likely to recommend this e-commerce platform to others. • I feel emotionally attached to this e-commerce platform. • I am reluctant to switch to other e-commerce platforms even if they offer similar products. 	(Oliver, 1997; Chaudhuri & Holbrook, 2001)

Customer Satisfaction	<ul style="list-style-type: none"> • Meeting or exceeding expectations • Overall satisfaction with the shopping experience • Likelihood of repeat patronage • Positive word-of-mouth 	<ul style="list-style-type: none"> • The shopping experience met or exceeded my expectations. • I am satisfied with the overall shopping experience on this e-commerce website. • I am likely to return for future purchases. • I am likely to share positive experiences about this e-commerce website with others. 	(Anderson & Srinivasan, 2003; Fornell et al., 1996)
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Source: Author's compilation

Measures of the Study

The primary focus of this study is to analyze the effect of customer shopping value on brand loyalty with the mediating effect from customer satisfaction within the e-commerce industry in the Western Province of Sri Lanka. The target population's sociodemographic characteristics were carefully considered during the selection process to ensure a representative sample.

The e-commerce industry in Sri Lanka has shown substantial growth in recent years, driven by increased internet usage and the widespread adoption of smart devices, particularly during the pandemic (International Telecommunication Union, 2022). Despite facing a severe economic crisis at the beginning of 2022, Sri Lanka's e-commerce sector remained resilient and continued to grow steadily. Presently, the total market size of e-commerce in Sri Lanka is estimated at USD 90 million, accounting for less than 1% of the country's total retail market (Kapruka, 2022). The Western Province is particularly significant due to its high internet penetration rates, with internet users in this region amounting to 30.8% (6,603,520) of the total population of Sri Lanka, which was 21.44 million in 2017, Data Commons, (2017) when comparing with other provinces. This online penetration rate is nearly double the national average, making it a prime area for studying online shopping behaviours (Hewage & Weerasekera, 2017). Further the Western Province also dominates the e-commerce market, holding a 50% share of online orders, followed by the Central and Northwestern provinces with 10% and 9%, respectively (Daily FT, 2020).

Moreover, the research identifies three major types of online shoppers (Daily FT, 2020):

Young Online Consumers (18-24 years): These leisure shoppers enjoy exploring the latest fashions and trends. They frequently browse online stores not only to make purchases but also for entertainment and inspiration. Influenced heavily by social media, influencers, and peer recommendations, their shopping behavior is often impulsive and driven by the desire to remain trendy and fashionable. These consumers prefer platforms that offer a wide variety of styles, frequent new arrivals, and visually appealing presentations. They are particularly attracted to

brands that engage with them through social media and provide a seamless, mobile-friendly shopping experience. Their expectations include fast shipping, easy returns, and excellent customer service. Discounts, sales, and loyalty programs significantly motivate their purchasing decisions.

Well-Informed Shoppers (25-30 years): This group of consumers is characterized by their thorough research and informed decision-making process. They value detailed product information, customer reviews, and comparisons across various platforms before purchasing. Well-informed shoppers prioritize transparency and reliability in e-commerce websites. They are less impulsive compared to younger consumers and prefer platforms that offer comprehensive product descriptions, ratings, and reviews to aid their purchasing decisions. These shoppers are often price-sensitive and seek value for money, looking for discounts, promotions, and sales to maximise their savings.

Settled Adult Shoppers (31-35 years): Settled Adult Shoppers are typically more established in their careers and lifestyles. They prioritize quality, reliability, and convenience in their shopping experiences. They prefer established brands with a reputation for consistency and customer service excellence. This group values convenience and efficiency, expecting seamless transactions and easy navigation on eCommerce platforms. Settled Adult Shoppers are less likely to be swayed by fleeting trends and are more inclined to make long-term investments in products that offer durability and functionality. They appreciate loyalty programs and personalized shopping experiences that cater to their specific needs and preferences.

Online shoppers in the age groups below 18 and above 35 demonstrate slower adoption rates of e-commerce platforms compared to the age categories between 18 and 35 (Daily FT, 2020). Therefore, the most appropriate population for this study comprises individuals aged 18-35 residing in the Western Province, based on the rationale provided above. This group totals approximately 1,840,006 people (City Population, 2022). To gather primary data, the researcher employed a random sampling technique to ensure a representative sample of the target population. The sample size was determined using the Morgan table (Chuan et al., 2006). Based on the known population size of 1,840,006 people ($1,000,000 > N$), the Morgan table indicated a required sample size of 384 respondents for the study.

Data Analysis Methods

The data analysis process involved several statistical techniques to ensure comprehensive and accurate results. Frequencies and percentages were utilized to summarise the demographic and basic response data. Descriptive statistics were employed to identify the characteristics and nature of the responses, focusing on measures of central tendency and variability.

To examine the relationships between variables, correlation analysis was conducted, measuring the strength and direction of the relationship between customer shopping value and brand loyalty. Regression analysis was then used to model the relationship between the independent variables (utilitarian and hedonic shopping values) and the dependent variable (brand loyalty). This statistical method helped to test the study's hypotheses and understand the impact of customer shopping value on brand loyalty.

The mediation effect of customer satisfaction was analyzed using Process v4.2 by Andrew F. Hayes, integrated within SPSS version 26 software. This allowed for a detailed examination of how customer satisfaction mediates the relationship between customer shopping value and brand loyalty.

Results and Discussion

The researcher independently gathered primary data from the online survey and disseminated the questionnaire to the 425 respondents who were over 18 and resided in Sri Lanka in accordance with the sample size of 384.

Table 2. Summary of Database Preparation

Survey Method	No of questionnaires distributed	No of received responses	Rejected responses	Usable responses
Online survey	425	412	23	389

Source: Author Developed based on survey data

Table 3. Sample Demographics of the Study

Sample Demographics		Frequency	Total	Percentage	Cumulative Percentage
Gender	Male	185	389	47.56%	100%
	Female	204		52.44%	
Age	Between 18 -24 years	155	389	39.84%	100%
	Between 25- 30 years	133		34.19%	
	Between 31-35 years	101		25.97%	
Occupation	Private sector employed	235	389	60.42%	100%
	Government sector employed	055		14.15%	
	Self-employed	036		09.26%	
	Unemployed	073		18.77%	
Income	Below Rs 15,000	041	389	10.54%	100%
	Rs. 15,000- Rs. 35,000	186		47.81%	
	Rs. 35,000- Rs. 55,000	141		36.25%	
	Rs 55,000- Rs 100,000	016		04.11%	
	Above 100,000	005		01.29%	

Geographic Location	Colombo	Gampaha	Kaluthara	189		48.59%
				129	389	33.16%
				071		18.25%
						100%

Source: Author Developed based on survey data

Results of Reliability, Validity and Normality

Reliability

Table 4. The Summary of the Reliability Test

Variable	No of Items	Cronbach's Alpha
Utilitarian Value	04	0.885
Hedonic Value	04	0.882
Brand Loyalty	04	0.885
Customer Satisfaction	04	0.856

Source: Author's estimation

Each independent and dependent variable's Cronbach's Alpha values ranged from 0.856 to 0.885 when using the Cronbach's Alpha values shown in the above table. In exploratory study, Cronbach's Alpha values above 0.70 are typically acceptable (Gliem & Gliem, 2013). As a result, the internal consistency and reliability of each component in the current research study were guaranteed.

Validity

Validity is an important criterion for establishing the quality of data. Validity is an important criterion for establishing the quality of a study. Accuracy and the idea of validity go hand in hand. The three types of scales that can be used to ensure the study's validity as, content validity, criterion validity, and construct validity.

- Content validity: By conducting in-depth literature searches and making several references to the literature, the content validity was demonstrated. Because the dependent variable and independent variables' dimensions and indicators will be operationalized based on earlier research studies, the survey of the current study has a high level of content validity.
- Criterion validity: By contrasting the test results with one or more external variables (referred to as criteria) thought to provide a direct measure of the feature or behavior in question, criteria-related validity is assessed. The degree of the association between two variables is expressed by a correlation coefficient, which ranges in value from -1 to +1. A test's validity is demonstrated by a test's positive correlation with the criteria variable. The test and criteria variables do not measure the same idea if there is no correlation between them or if there is a negative correlation (Nikolopoulou, 2022).

- Construct validity: By contrasting the squared correlation of the shared variance, discriminant validity is evaluated. Principal component analysis was used to validate the independent, dependent, and mediating factors for the KMO test Kaiser, (1974) and Bartlett's Test (Bartlett, 1950).

Table 5. Validity Results

Variable	Items	KMO	Significance	Bartlett's Test of Sphericity
Utilitarian Value	04	.845	.000	725.342
Hedonic Value	04	.768	.000	654.234
Brand Loyalty	04	.821	.000	256.180
Customer Satisfaction	04	.814	.000	387.142

Source: Author's estimation

Normality

Table 6. Normality Test of the Variables

Dimension	N	Skewness			Kurtosis		
		Statistic	Std. Error	Z value	Statistic	Std. Error	Z value
Utilitarian Value	389	-1.349	0.122	-1.0574	0.517	0.244	1.118852
Hedonic Value	389	-1.303	0.122	-1.6803	0.462	0.244	1.893443
Brand Loyalty	389	-1.527	0.122	-1.5164	1.322	0.244	1.418033
Customer Satisfaction	389	-1.245	0.122	-1.2049	0.092	0.244	0.377049

Source: Author's estimation

Skewness and kurtosis were employed to check for normalcy. The values for skewness and kurtosis between -2 and +2 are regarded as acceptable to demonstrate a normal univariate distribution, according to (George & Mallery, 2019). It can be inferred from the aforementioned table and by examining the skewness and kurtosis values of the current study that all of the major constructs have a univariate normal distribution.

Reporting Findings: Hypothesis Testing

Correlation and Multicollinearity

Table 7. Correlation Analysis

	TBL	TSVU
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TSVU	0.960	
TSVH	0.959	0.668

Source: Author's estimation

The direction, strength, and significance of bivariate connections between all variables under consideration are displayed in the Pearson correlation matrix. Between +1 and -1, the correlation between variables can be either positive or negative. As per the results of the correlation analysis, it is evident that there is a significant relationship between utilitarian value and brand loyalty and hedonic value and brand loyalty.

Table 8. Multicollinearity Analysis

	Tolerance	VIF
TSVU	0.999	1.001
TSVH	0.999	1.001

Source: Author's estimation

There is no multicollinearity if the VIF values are >10 and tolerance are $>0.1/0.2$ of coefficient table (Mansfield & Helms, 1982). Therefore, is no multicollinearity in the data set because VIF values are <10 and tolerance are $>0.1/0.2$.

Regression Analysis

Multiple regression analysis has been used to analyze the impact on a single dependent variable caused by several independent variables. The objective of multiple regression analysis is to use the independent variables whose values are known to predict the value of the single dependent value. According to the results received from SPSS 26 multiple regression analysis concluded summarized statistical estimates mentioned in below tables.

Table 9. Reporting Direct Hypothesis

Model	Unstandardized Coefficients		Standardize d Coefficients	t	Sig.
	B	Std. Error			
(Constant)	.712	.055		1.292	0.000
Utilitarian Value	.517	.052	.507	9.918	0.000
Hedonic Value	.473	.052	.468	9.160	0.000

Note: Dependent Variable: Brand Loyalty.

Source: Author's estimation

The constant p-value in the table above is 0.000, which is less than 0.05, and hence H1 is supported. Thus, there is a significant impact on brand loyalty resulted by overall customer shopping value. Also, given that the p-value is 0.000 and the alpha value is 0.05, utilitarian values significantly influence brand loyalty and thus, H1a is also supported. Additionally, impact of

hedonic values on brand loyalty is also supported since the respective alpha value is less than 0.05, and thus H1b is also supported.

Based on the multiple regression statistics, model summary can be built as follows,

$$BL = 0.712 + 0.507*UV + 0.468*HV$$

Reporting Findings

Results of Mediation

Table 10. Model Summary I

	Coeff	Se	T	p	LICI	ULCI
Constant	.2692	.0831	3.2392	.002	.1058	.4326
TSVU	.9188	.0200	46.0169	.000	.8795	.9586

Source: Author's estimation

The relationship between consumer shopping value and customer happiness is illustrated in this model, and the p-value is less than 0.05 (0.000), and the LLCI and ULCI values are both positive.

Therefore, H2. There is a positive relationship between customer shopping value and customer satisfaction is accepted.

Table 11. Model summary II

	Coeff	se	t	p	LICI	ULCI
Constant	.3791	.0564	.6721	.000	.0729	.1487
TSVU	.7263	.0340	21.3640	.000	.6595	.7932
TSVH	.2750	.0340	8.0837	.000	.2081	.3419

Source: Author's estimation

According to the model summary above, there is a positive LLCI and ULCI values and P values are less than 0.05. Therefore, H3, there is a positive relationship between customer satisfaction and brand loyalty is accepted.

Table 12. Mediating Analysis

Direct effect of X on Y					
Effect	Se	t	p	LICI	ULCI
.7263	.0340	21.3640	.000	.6595	.7932
Indirect effect(s) of X on Y					
	Effec t	BoostSE	BootLLCI	BootULCI	
TCS	.2527	.0545	.1457	.3597	

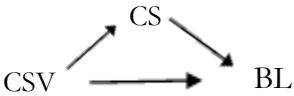
Source: Author's estimation

The direct and indirect model description mentioned above indicates that the present study's mediation effect favorably affects the relationship between the independent and dependent variable due to a 0.000 p-value and positive lower-level and upper-level bootstrap confidence intervals. Therefore, H4 that predicts customer satisfaction mediates the Impact of customer shopping value towards brand loyalty is accepted.

Reporting Findings

Results Summary

Table 13. Summary of Hypothesis Testing Results

Hypothesis	Relationship	Status	Justification
H1	CSV \longrightarrow BL	Accepted	Positive beta value (0.7129) and less than 0.05 p value (0.00)
H1a	CSUV \longrightarrow BL	Accepted	Positive beta value (0.517) and less than 0.05 p value (0.00)
H1b	CSHV \longrightarrow BL	Accepted	Positive beta value (0.473) and less than 0.05 p value (0.00)
H2	CSV \longrightarrow CS	Accepted	Less than 0.05 p value (0.00) and LLCI (0.8795) ULCI (0.9586) values
H3	CS \longrightarrow BL	Accepted	Positive beta value (0.551) positive CSV LLCI (0.6595), ULCI (0.7932) and CS LLCI (0.8795), ULCI (0.9586) value
H4		Accepted	Both LLCI (0.1457) and ULCI (0.3597) are positive

Source: Author's presentation

All hypotheses are confirmed by the statistics listed in the above table. Thus, brand loyalty at e-commerce websites in Sri Lanka is directly influenced by customer shopping value dimensions like utilitarian and hedonic values. The figures mentioned above also show that customer satisfaction mediates the relationship between customer shopping value and brand loyalty.

Discussion

The findings of this study provide valuable insights into the relationship between customer shopping value, customer satisfaction, and brand loyalty in the e-commerce industry in Sri Lanka. The results confirm that both utilitarian and hedonic values significantly impact brand loyalty. This suggests that e-commerce platforms should strive to provide a comprehensive shopping experience that caters to both the functional and emotional needs of consumers.

The positive relationship between utilitarian value and brand loyalty supports previous research that highlights the importance of efficiency, convenience, and cost-effectiveness in driving customer satisfaction and loyalty (Babin, Darden, & Griffin, 1994; Sánchez-Fernández & Iniesta-Bonillo, 2007). E-commerce platforms should prioritize features such as easy navigation, detailed product information, and efficient order processing and delivery to enhance utilitarian value and ultimately foster brand loyalty.

Similarly, the positive relationship between hedonic value and brand loyalty aligns with previous studies that emphasize the role of enjoyment, excitement, and emotional fulfillment in shaping consumer behavior (Hirschman & Holbrook, 1982; Jones, 2006). E-commerce platforms should focus on creating visually appealing and interactive shopping experiences that evoke positive emotions and enhance customer satisfaction.

The mediation effect of customer satisfaction further underscores the importance of providing a satisfying shopping experience. The findings suggest that customer satisfaction acts as a mediator between customer shopping value and brand loyalty, indicating that satisfied customers are more likely to exhibit repeat purchase behaviors and recommend the brand to others. This finding is consistent with previous research that highlights the role of customer satisfaction in driving brand loyalty (Oliver, 1997; Bennett & Rundle-Thiele, 2014).

The results of this study have several implications for e-commerce businesses in Sri Lanka. Firstly, e-commerce platforms should prioritize the development of features and functionalities that enhance both utilitarian and hedonic values. This could include improving website navigation, providing detailed product information, offering personalized recommendations, and creating visually appealing and interactive content. By catering to both the functional and emotional needs of consumers, e-commerce platforms can enhance customer satisfaction and foster brand loyalty.

Secondly, e-commerce businesses should focus on providing a seamless and convenient shopping experience. This includes streamlining the order processing and delivery process, offering flexible payment options, and ensuring responsive customer service. By prioritizing convenience and efficiency, e-commerce platforms can enhance utilitarian value and ultimately drive customer satisfaction and brand loyalty.

Lastly, e-commerce businesses should leverage customer data and feedback to continuously improve and personalize the shopping experience. By analyzing customer preferences and behaviors, e-commerce platforms can offer tailored recommendations, promotions, and discounts that resonate with individual consumers. This personalized approach can enhance both utilitarian and hedonic values, leading to higher levels of customer satisfaction and brand loyalty.

It is important to acknowledge the limitations of this study. Firstly, the sample size was relatively small, limiting the generalizability of the findings. Future research could consider a larger sample size to ensure a more representative sample of the target population. Additionally, the study focused on individuals aged 18-35 residing in the Western Province of Sri Lanka, which may not fully capture the diversity of online shoppers in the country. Future research could consider expanding the sample to include a wider range of age groups and geographic locations.

In conclusion, this study contributes to the understanding of consumer behavior in the e-commerce industry in Sri Lanka. The findings highlight the importance of customer shopping value, customer satisfaction, and brand loyalty in driving the success of e-commerce platforms. By prioritizing both utilitarian and hedonic values and providing a seamless and personalized shopping experience, e-commerce businesses can enhance customer satisfaction and foster brand loyalty. These insights can inform the development of targeted marketing strategies and improve overall customer experience, ultimately contributing to the long-term success of e-commerce businesses in Sri Lanka.

Managerial Implication

Sri Lanka's e-commerce industry is experiencing significant growth. To gain a competitive edge and build brand loyalty, understanding and leveraging customer value is crucial. This study highlights the importance of utilizing customer shopping value as a strategic tool to differentiate e-commerce websites from competitors.

Previous research has shown that customer shopping value fluctuates across different product categories and situations but generally maintains a high or medium level. This study confirms that both utilitarian and hedonic values positively influence brand loyalty in the e-commerce sector. The success of e-commerce businesses relies heavily on understanding and meeting the evolving needs of customers. Managers must prioritize enhancing both utilitarian and hedonic values to satisfy customers and foster brand loyalty.

The data indicates that customer shopping value significantly impacts brand loyalty in the e-commerce industry. Therefore, businesses should allocate more resources to promoting utilitarian and hedonic values. Utilitarian value, with the highest coefficient value (0.517), emerges as the most significant aspect. Effective utilitarian strategies, such as providing convenience, cost savings, and a wide selection, should be prioritized. These strategies can significantly influence consumers' intent to build long-term relationships with e-commerce platforms.

Additionally, e-commerce managers should focus on delivering enticing functional values to attract consumers. The study found that respondents aged 18-35 are particularly interested in functional aspects of online shopping. Therefore, when allocating funds, business management should emphasize utilitarian value variables. Providing highly appealing functional values can differentiate a company from its rivals. Moreover, distinctive and engaging hedonic values can attract more customer traffic and create a welcoming shopping environment.

To enhance brand loyalty, e-commerce managers should consider the following recommendations:

Focus on Utilitarian Value: Implement strategies that provide convenience, cost savings, and extensive product information to meet the functional needs of consumers.

Enhance Hedonic Value: Create engaging and enjoyable shopping experiences that offer emotional satisfaction and psychological benefits.

Invest in Promotional Activities: Allocate resources to promotional expenditures that highlight both utilitarian and hedonic values.

Target Younger Demographics: Tailor marketing strategies to appeal to the preferences of young online consumers, who are more interested in functional aspects.

Conclusion & Future Research Directions

This study emphasizes the need for further research on customer shopping value and brand loyalty, particularly in the Sri Lankan context. Future researchers should explore this topic across various settings and examine additional mediating and moderating factors. Moreover, while this study focuses on the e-commerce industry in Sri Lanka, future researchers can broaden the scope to include other different industry contexts, geographical and cultural contexts etc.

Additionally, the impact of technological advancements like mobile commerce, social media, and AI personalization, as well as psychological factors like trust, security, customer engagement, and perceived risk, are also areas that can be further explored in this area. Environmental and ethical considerations, including sustainability and corporate social responsibility, should also be investigated. These diverse factors will provide a comprehensive understanding of the relationship between customer shopping value and brand loyalty. Finally, employing both qualitative and quantitative approaches can provide a more comprehensive understanding of the phenomenon.

In conclusion, this study underscores the critical role of customer shopping value in enhancing brand loyalty within the e-commerce industry. By strategically leveraging utilitarian and hedonic values, e-commerce businesses can differentiate themselves from competitors, attract more customers, and build lasting brand loyalty. Future research in this area will continue to provide valuable insights for marketers and managers seeking to optimize their strategies in the dynamic e-commerce landscape.

Conflict of Interest

The authors declared no conflict of interest.

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