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# **Consumer Behaviour in Multi-Channel Retail Environments: Consumer movement between online and offline channels.**

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## **Abstract**

In order to understand how consumers move between online and offline channels in the context of multi-channel retail environments, an exploratory study has been conducted. To prepare for this study, the literature on consumer channel choice and contemporary consumption behaviour together with relevant HCI literature was reviewed. The initial findings from the research show that consumers move between online and offline channels in a straightforward, almost matter-of-fact way, though the factors influencing their multi-channel use are complex and dynamic. In their empowered parallel interactions with various businesses consumers are actively shaping the outcome of the service encounter.

## **Introduction**

Several studies from the fields of marketing and Human-Computer Interaction (HCI) (e.g. Ahuja et al., 2003, Forsythe and Shi, 2003, Goldsmith, 2000, Lee, 2002) report that although consumers regularly use e-commerce websites for browsing and searching, they often do not conclude this process with online purchasing. The percentages of consumers actually engaging in online purchases vary from 24% (Ahuja et al., 2003) to 32% (Lee, 2002). Based on these statistics it is suggested that consumers move between online and offline channels during the course of the consumption process, and that they actively decide which stages of this process they want to conduct through which channel.

## **Contextualising Channel Proliferation and Consumer Behaviour**

Since new channels, such as internet, interactive telephone systems, and interactive TV have become available for shopping as an alternative to the traditional retail stores and catalogues, many studies (e.g. Black et al., 2002, Chiang et al., 2004, Gupta et al., 2003, Schoenbachler and Gordon, 2002, Reardon and McCorkle, 2002) have tried to ascertain what drives consumers in their choice of a particular channel. Black et al (2002) investigated why consumers, although purchasing essentially similar financial products, used particular channels in preference to others. The results of their study showed four categories of factors influencing consumers' choice of channel: consumer characteristics, product characteristics, channel characteristics, and organizational factors. Other researchers have elaborated on each of these categories. In their study on consumer characteristics, Gupta et al (2003) have found that after making purchases through one channel, whether online or offline, risk-averse consumers tend to be more loyal customers than risk-neutral consumers. In a study on the influence of product characteristics on consumers' patronage frequency, Chiang et

al (2004) have found that the most influential attributes vary across product categories. In relation to channel characteristics, Reardon and McCorkle (2002) have concluded that the main trade-offs that consumers consider when choosing a distribution channel are time versus money, and time versus psychic income (e.g. a pleasurable or social experience). Schoenbachler and Gordon's study (2002) on organisational factors that influence consumer channel choice has shown that businesses with a multi-channel strategy are better suited to cater for consumers' channel preferences than businesses that focus on just one channel. Though the literature on consumer channel choice contains valuable knowledge about the various reasons why consumers may decide to use, or to avoid specific channels in specific circumstances, it does not explain how and why consumers combine the use of several channels for different purposes during the consumption process.

The literature on contemporary consumption behaviour offers potential explanations for this multi-channel use. Several authors (Laing et al., 2002, Laing and Hogg, 2003, Szmigin, 2003) argue that contemporary consumption behaviour is influenced by the characteristics of the post-industrial society. Laing et al (2002) examine how the Internet has boosted the availability of information and the ability of consumers to utilise this information. As a result consumers have potentially become more empowered in their interactions with businesses. The service encounter that was traditionally characterised as a dyadic interaction between a customer and a service provider is now set in a broader network of interactions with other providers and consumers. The service encounter has thus become embedded in parallel consumer interactions encompassing multiple interactions and experiences with other parties, independent of the formal process of interaction with the primary service provider (Laing and Hogg, 2003). Szmigin (2003) also describes how contemporary consumption has become a very sophisticated and complex process, with contemporary consumers being generally well informed and confident in initiating and changing relationships with businesses according to their needs, expectations and experiences. Consumers have become active co-producers of the services they consume, with the result that the outcome of the service can be different from what was originally intended by the provider of the service (Szmigin, 2003). The literature on contemporary consumption behaviour contributes to understanding the complexity and dynamics of consumer choice behaviour and contextualising consumer behaviour in respect of the use of multiple retail channels.


### **Research Context and Methodology**

To explore the motivations and concerns that drive consumers' movements between online and offline channels in the context of a multi-channel retail environment, an exploratory study was conducted to provide the basis for subsequent in-depth research. The domain of investigation for the study was travel and tourism, with ten consumers being interviewed about their recent experiences with travel-related services using various channels. The period that was covered during the interview was six months, to allow for a time frame that is recent enough for reliable recall and long enough to include infrequent events (Keaveney, 1995). The sample consisted of 6 males and 4 females, with ages ranging from 29 to 49. Their experience with Internet ranged from light to heavy users. The interviews employed a Critical Incident Technique approach (Flanagan, 1954). This approach offers a framework for uncovering salient behaviour in defined situations. The participants were invited to describe the incidents as they experienced them in as much detail as possible. If the

narratives of the incidents were coherent and orderly, they were included in the data analysis. During the interviews the incidents were further probed to establish whether the recollection of the participants was detailed and consistent. The results of this study are perforce not generalizable, but provide insight into the nature of the phenomenon under investigation (Meuter et al., 2000).


**Pilot Data: Multi-Channelling and Consumer Control**

The critical incidents as described by the participants in the pilot study indicate that consumers use a mix of online and offline channels in a natural, almost matter-of-fact way. Consumer 1 is an example of a consumer enjoying the parallel use of channels in the search and deliberation phases, and attaching high value to the convenience, control and cost benefits this offered during the overall consumption process. A core theme within this narrative is the dislike of face-to-face service encounters.

Need recognition	Search	Deliberation	Decision	Purchase	Evaluation	
 Consumer 1	★	★	★		★	Internet (website/e-mail)
						Highstreet (shop/travel agent)
	★	★	★	★	★	Telephone (call centre/shop)
	★	★				Mail order (catalogue)

**Consumer 1:** *We have arranged our summer holiday mainly through the Internet. I like it very much to be able to compare all the possibilities. I also use catalogues from travel agents, which I order online, and I call and e-mail the travel agents. This period of searching and comparing lasted several weeks. In the end we ordered our holiday through one of the travel agents. They offered a good deal, combining tickets, accommodation and car. If we would have ordered the tickets separately, we would have booked online. I have as much trust in ordering online as through an agent. I did appreciate talking to the same person every time I called though. I avoid going to the travel agent. I hate the waiting. I rather arrange everything from my house. That is why I love to phone and e-mail them.*

Consumer 2 illustrates how different the holiday planning process undertaken by another consumer can be. This consumer expressed how they enjoyed going to the travel agent, as well as using various other channels to orientate themselves in respect of the subject. Central to this narrative is the triangulation of data across channels.

Need recognition	Search	Deliberation	Decision	Purchase	Evaluation	
 Consumer 2	★	★				Internet (website/e-mail)
			★	★	★	Highstreet (shop/travel agent)
						Telephone (call centre/shop)
	★	★				Mailorder (catalogue)

**Consumer 2:** For our summer holidays we usually book at a travel agency. We know the team there, they are nice people. We both take a day off from work to go there. Funny now I think of it, because you book the same as you would do online. I guess it is just a nice day out. And they tell us pretty stories about the destinations. On the Internet you only get a small picture, and too little information to get a really good impression. Catalogues offer good information too. You can conveniently leaf through them at home. We order the catalogues from the Internet. Internet mostly offers promotions and last minute trips. For more information you need to look at the catalogues as well. The information on the Internet is improving though.

### **Discussion: Understanding Complex Behaviour**

The early findings from this study indicate that in describing critical incidents, consumers do report on perceived influencing factors as known from the literature on consumer channel choice - such as channel, product, organisation and consumer characteristics - to explain their preferences for using certain channels. They also show the characteristics of contemporary consumption behaviour, such as engaging in multiple interactions with businesses and actively negotiating the outcome of the service encounter. The mixture of multiple factors that influence their patterns of channel use is complex and dynamic. Per stage in the consumption process consumers actively reconsider which channels will suit them best, and how they can achieve a maximum outcome for a minimum of costs. In doing this, they often do not use the channels in the way its providers had originally intended. For example, the online channel is often used as a tool for research while the actual purchase is done over the telephone. Or, travel agents are used as a means for checking whether the online search has indeed generated the most suitable options. Consumers actively triangulate the information they acquire through several channels and then choose to pursue the best deal they can get through whatever channel facilitates them best at that moment.

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