Consumer channel choice: integrating electronic and conventional service channels

Conference or Workshop Item

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ABSTRACT

When investigating the consumer experience in multi-channel retail service environments, one of the core themes is the decision-making process on channel choice. Most of the literature on channel choice addresses it as a single decision during the consumption process. The study reported in this paper describes how consumers often make several channel choices throughout the consumption process. The described study is an ethnographically inspired, in-depth case study that examined online and offline travel preparations. From the raw data travel stories were developed as the unit of analysis. The consumer behaviour observed from the travel stories shows evidence of multi-channel use and of movement between online and offline channels. The study has identified two types of movement between channels: parallel channel use and channel switching.

Keywords: consumer channel choice, multi-channel, retail services, consumer research

I. INTRODUCTION

In the past ten to fifteen years, the range of retail service channels available for consumers has increased dramatically. New channels, such as internet, direct mail, interactive telephone systems, and interactive TV have become available for shopping as an alternative to the traditional retail stores. Understanding what leads consumers to use one channel rather than another has become increasingly important for channel design and management (Black et al., 2002). Thus, marketers have been interested to find out what drives consumers in their choice for a particular channel. How do consumers cope with the array of choices they encounter on a daily basis in contemporary society?

II. LITERATURE ON CONSUMER CHANNEL CHOICE

Several authors have reported on theoretical models (Gupta et al., 2003, Reardon and McCorkle, 2002, Schoenbachler and Gordon, 2002) and empirical studies (Black et al., 2002, Chiang et al., 2004) investigating consumer channel choice. An exploratory study conducted by Black et al., investigated consumers' choice of channel for financial services (Black et al., 2002). This study aimed to find out why consumers, although purchasing essentially similar products, prefer to use some channels to others. The results show four categories of factors influencing consumers' choice of channel: consumer characteristics (e.g. confidence and lifestyle); product characteristics (e.g. complexity and price); channel characteristics (e.g. personal contact and convenience); and organizational factors (e.g. size and longevity) (Black et al., 2002). In a survey among students, Chiang et al. concentrated on the influence of product characteristics on channel choice (Chiang et al., 2004). Consumer choice between web and traditional stores for six product categories - books, shoes, flowers, food items, toothpaste, and DVD players was examined (Chiang et al., 2004). The study focused on the influence of product attributes on consumer patronage frequency, and found that the most influential attributes vary across product categories. For example, for books the most important attribute was the ease of finding product information, whereas for flowers the post-purchase service was the

most important, and for food items the ability to compare products. Some types of products seem to be more suitable for online shopping than others (Chiang et al., 2004).

The literature on theoretical models of consumer channel choice (Gupta et al., 2003, Reardon and McCorkle, 2002, Schoenbachler and Gordon, 2002) focuses on specific subsets of consumer, product, channel and organizational characteristics. Investigating consumer shopping channel choices, Gupta et al. focused on a specific consumer characteristic: consumer risk profiles (Gupta et al., 2003). They examined the relationship of either a risk-neutral or a risk-averse profile with certain channel and product attributes, such as price, product range, ease of product evaluation, product acquisition time. A consumer's risk profile is determined by both his/her perception of risk and his/her acceptance of risk. The results of the study show that after making purchases through one channel, whether online or offline, risk-averse consumers tend to be more loyal customers than risk-neutral consumers because they are less prone to switch from one channel to another (Gupta et al., 2003).

The influence of channel characteristics on consumer channel choice has been investigated by Reardon & McCorkle (Reardon and McCorkle, 2002). Their paper introduces a mathematical model for channel switching behaviour, based on the assumption that consumers choose the distribution channel that gives them maximum utility for minimum input of household resources. The paper concludes that channel choice is largely dependent on the perceived transaction costs. Consumers are willing to trade their time and effort in exchange for a value differential. This differential also includes the pleasure that consumers can derive from shopping. The main tradeoffs that consumers consider when choosing a distribution channel are time versus money, and time versus psychic income (e.g. a pleasurable or social experience) (Reardon and McCorkle, 2002).

The organisational factors that influence a consumer's behaviour regarding his/her choice of channel have been elaborated on by Schoenbachler and Gordon (Schoenbachler and Gordon, 2002). Their paper stresses the importance for businesses to adopt a customer-centric view rather than a

channel focused view. Businesses need to reflect on the factors that drive consumers to use a particular channel, and to strategically respond to those factors. The paper states that, on average, businesses with a multi-channel strategy are better suited to cater to consumers' channel preferences than businesses that focus on a single channel (Schoenbachler and Gordon, 2002).

The literature discussed in this paper focuses on channel choice for the purchase of products and services. In light of this the choice of a channel is presented as a singular decision. However, since a consumption process includes all activities wherein consumers select, purchase, or dispose of products, ideas and experiences (Gabbott and Hogg, 1998), a consumer may engage in more than one channel choice during the course of a consumption process. People can spend a lot of their time searching and deliberating information from numerous sources before they decide whether or not to purchase a certain product or service. This process of information search and evaluation can be considered as an integral part of the consumption process (Klein and Ford, 2003, Goldsmith, 2000). As consumers engage in decisions on which channel to use for specific activities during the course of the consumption process, they may be moving between the available channels, using one channel first and another channel at a later stage. The studies discussed in the literature do not track consumers during consumption processes and therefore do not record whether they made different choices in different stages. The study reported in this paper aimed to investigate channel choices throughout the consumption process, and to identify consumer movement between online and offline channels.

III. METHOD AND RESEARCH FOCUS

To observe consumer behaviour during the course of consumption processes, and from the perspective of the consumer, an in-depth, ethnographically inspired case study was conducted. The study focused on leisure travel preparations as the area of research. Leisure travel preparations

often involve the search for and purchase of several services (e.g. flight, hotel, hire car). And from the perspective of the consumer, all these services are connected to one event, for instance a holiday. The subsequent stages of the preparations (info search, deliberation, decision, purchase, and sometimes dissonance) are interconnected and part of the same consumption experience (Assael, 1995). The area of consumer leisure travel was chosen as a suitable domain for this study because the services are generally available through several channels, and consumers are relatively free to make their own choices on which channels to use.

To investigate how the participants in the study made their channel choices and how they moved between online and offline channels, accounts of their recent and actual consumption behaviour were collected. These post-hoc self-reports were elicited through semi-structured interviews and diaries, using Critical Incident Technique (Flanagan, 1954), laddering (Rugg and McGeorge, 2002) and card sorting (Rugg and McGeorge, 1999). As the study focused on leisure travel, participants were asked to report on their preparations for trips during the year prior to the first interview. This period allowed for a time frame that is recent enough for reliable recall and long enough to include infrequent events (Keaveny, 1995). In total 28 participants were interviewed throughout the United Kingdom. Over a period of six months, 20 participants had returned one or more diaries and were interviewed for a second time. This final sample of participants had a fair spread in demographics (9 males and 11 females; 5 singles, 9 couples, and 6 families; age 20-69; living in urban, suburban and rural locations), internet experience (1-10 years access; 7 irregular and 13 frequent users) and travel experience (1-6 times per year; both package and independent travellers). The interviews were recorded and transcribed, and the diaries were copied to an electronic format. The main technique for the analysis was content analysis, using Nvivo software to code and sort the data (DeNardo and Levers, 2003).

Travel stories as vignettes of multi-channel behaviour

In the interviews and diaries the participants reported on three to ten different trips each. These trips ranged from short domestic trips (a day out or a weekend break) to longer holidays abroad (one to a few weeks). In total 143

valid reports on travel preparations were collected. To process the fragmented reports in the interview transcripts and make a structured analysis possible, each account by a participant about the preparations for a specific trip was compiled into a one-page travel story (see figure 1). A travel story is a standardized reconstruction of the reported travel preparations, based on the accounts given by a participant. Each travel story consists of a diagram and a narrative description. The diagram is a matrix with the stages of the consumption process (search, deliberation, decision, purchase, dissonance) and the available channels (internet, high street, telephone, mail order). The text of the narrative description is based on the interview transcripts and diary notes. As the compilation of the travel story is an interpretive activity on account of the researcher, the travel stories were validated by the participants during the second round of interviews (Eldridge and Newman, 1996).

The travel story in figure 1 shows that participant 21 (P21) used more than one channel for several of the bookings for his holiday. He used the internet and the phone to arrange the flight. He used internet, phone and mail order to arrange the hire car and the hotel. If this study had focused on the channel that P21 eventually used to make the bookings, the phone would have come out as the channel of choice. However, from the accounts by P21 on the course of the consumption process it is clear that his use of the other channels (internet and mail order) happened simultaneously and was an integral part of the consumption process. The use of the internet and the brochures supported P21's deliberation and decision making for this trip.
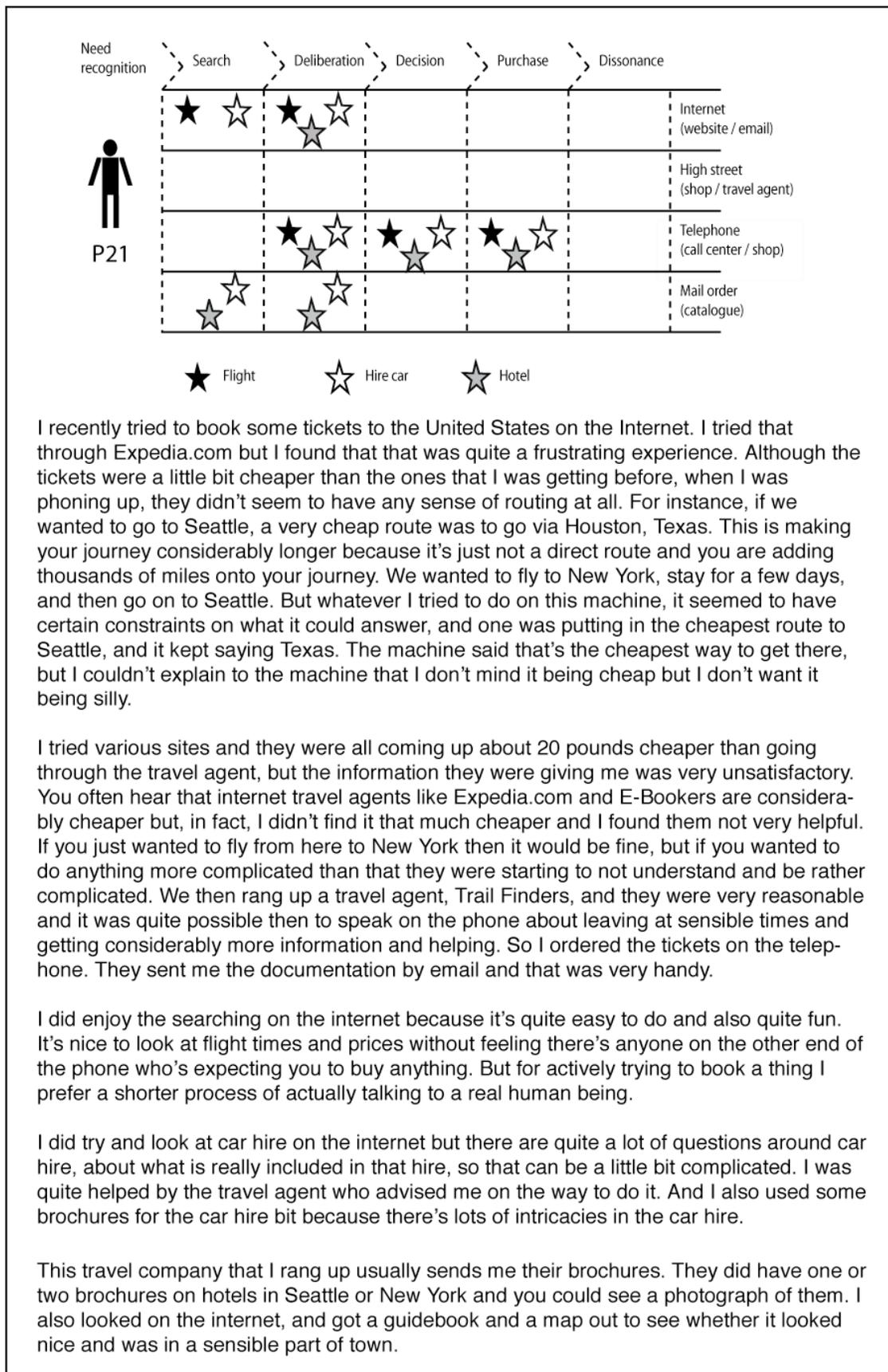
Figure 1 - Example of travel story (participant 21, travel story 92)

I recently tried to book some tickets to the United States on the Internet. I tried that through Expedia.com but I found that that was quite a frustrating experience. Although the tickets were a little bit cheaper than the ones that I was getting before, when I was phoning up, they didn't seem to have any sense of routing at all. For instance, if we wanted to go to Seattle, a very cheap route was to go via Houston, Texas. This is making your journey considerably longer because it's just not a direct route and you are adding thousands of miles onto your journey. We wanted to fly to New York, stay for a few days, and then go on to Seattle. But whatever I tried to do on this machine, it seemed to have certain constraints on what it could answer, and one was putting in the cheapest route to Seattle, and it kept saying Texas. The machine said that's the cheapest way to get there, but I couldn't explain to the machine that I don't mind it being cheap but I don't want it being silly.

I tried various sites and they were all coming up about 20 pounds cheaper than going through the travel agent, but the information they were giving me was very unsatisfactory. You often hear that internet travel agents like Expedia.com and E-Bookers are considerably cheaper but, in fact, I didn't find it that much cheaper and I found them not very helpful. If you just wanted to fly from here to New York then it would be fine, but if you wanted to do anything more complicated than that they were starting to not understand and be rather complicated. We then rang up a travel agent, Trail Finders, and they were very reasonable and it was quite possible then to speak on the phone about leaving at sensible times and getting considerably more information and helping. So I ordered the tickets on the telephone. They sent me the documentation by email and that was very handy.

I did enjoy the searching on the internet because it's quite easy to do and also quite fun. It's nice to look at flight times and prices without feeling there's anyone on the other end of the phone who's expecting you to buy anything. But for actively trying to book a thing I prefer a shorter process of actually talking to a real human being.

I did try and look at car hire on the internet but there are quite a lot of questions around car hire, about what is really included in that hire, so that can be a little bit complicated. I was quite helped by the travel agent who advised me on the way to do it. And I also used some brochures for the car hire bit because there's lots of intricacies in the car hire.

This travel company that I rang up usually sends me their brochures. They did have one or two brochures on hotels in Seattle or New York and you could see a photograph of them. I also looked on the internet, and got a guidebook and a map out to see whether it looked nice and was in a sensible part of town.

Figure 1 - Example of travel story (participant 21, travel story 92)

IV. DISCUSSION OF FINDINGS

Multi-channel consumption process

Analysis of the consumption behaviour observed through interviews and diaries, showed that before a participant eventually makes a choice on which channel to use for the purchase of a specific service, often he/she has already used several channels in the previous stages of the consumption process. In less than half of the collected travel stories did the participants use only one channel. Table 1 shows that out of the 143 travel stories, 53 indicated a single-channel consumption process and 90 indicated a multi-channel consumption process.

No. of channels	1	2	3	4	
	53	54	35	1	143

Table 1 - Number of channels used in each travel story

Since leisure travels can involve one or more services being consumed in relation to a trip, the occurrence of single- or multi-channel use was checked against the occurrence of single- or multi-service consumption processes. Table 2 shows that of the 53 single-channel travel stories, 37 involved a single-service consumption process, whereas 16 involved the consumption of multiple services through the use of just one channel. Of the 90 multi-channel travel stories, 45 involved the consumption of multiple services, whereas 45 involved the consumption of just one service through the use of several channels.

Single vs. Multi	Single-channel process	Multi-channel process	
Single-service consumption	37	45	82
Multi-service consumption	16	45	61
	53	90	143

Table 2 – Single/multi consumption processes versus single/multi channel use

Table 2 shows that multi-channel use occurred both for single-service and multi-service consumption processes. The following quotes illustrate the observed multi-channel consumption behaviour:

> Earlier this year I booked a train to Salzburg. Eventually I booked the train by going into the travel office. But I first found all the information I needed through the internet. By looking at all the adjoining trains, I feel empowered with enough information to go into the travel centre and say exactly what I want, without them giving me a package which maybe is not what I want. (Travel story 2, participant 1)

> So I phone up, but first I will have checked it online, to see roughly what's possible. Then I phone up and just say 'look I want to go on this day, at this time, I think there are some deals like this, what can you do, and is there something better'. (Travel story 70, participant 15)

These quotes illustrate that channel choices are made throughout the consumption process, both in the early stages of search and deliberation, and in the later stages of decision, purchase and dissonance. In every stage participants seem to reconsider their choice of channel.

Movement between channels

Two types of movement between channels have been identified in the analysis of the travel stories:

1. Parallel channel use – indicating movement back and forth between channels in the same stage of the consumption process.
2. Channel switching – indicating movement from one channel to another in subsequent stages in the consumption process.

Some travel stories include both parallel channel use and channel switching.

Parallel channel use

The occurrence of parallel channel use was defined as the simultaneous use of more than one channel during any stage of the consumption process. Figure 2 shows an example of a diagram from a travel story that includes parallel channel use:

	Search	Deliberation	Decision	Purchase	Dissonance
Internet	★	★	★	★	
High street					
Telephone	★				
Mail order	★	★			

Figure 2 - Diagram from travel story 18 (participant 5)

This example illustrates how in travel story 18, participant 5 has used both internet and mail order (brochures) during the search and deliberation stage, and has also used the phone in the search stage. These channels were used in parallel and P5 made up his mind on how to continue his travel preparations by comparing the information he obtained from all three channels. This process is further illustrated by the following quotes from the narrative description in this travel story:

> I saw an advertisement in the Glasgow Herald, in the paper, and they'd given the website so I looked at their website for the hotel accommodation, the transfers and so on. I hadn't decided on a location yet. I also sent for brochures. This was before I'd actually decided. I went online and ordered the brochures and then looked at the options. I didn't make my decision on the brochures. I made the decision from the online information.
> (...)
> I did compare the offers of several companies. For example I phoned up Cities Direct. But I think some of the flights were from Prestwick, which is kind of hard to get to, and they were more expensive. (Travel story 18, participant 5)

Table 3 shows a total of 80 occurrences of parallel channel use out of the total set of 143 travel stories. This indicates that parallel use of channels occurred on a regular basis in the travel stories.

Parallel use	Yes	No	
	80	63	143

Table 3 - Occurrence of parallel channel use in single-service diagrams

Table 4 shows in which stages of the consumption process the parallel channel use occurred. As parallel channel use can occur in more than one stage per consumption process, every occurrence has been counted for this

overview. The total number of occurrences is 104. For example, the diagram in figure 2 shows two occurrences of parallel channel use. Table 4 shows that parallel channel use happens throughout the consumption channel, though it is most frequent during the deliberation and decision stages.

Stages of parallel use	Sea.	Del.	Dec.	Pur.	Dis.
	24	35	31	10	4

Table 4 - Stages of the consumption process wherein parallel channel use occurs

The following quotes illustrate how participants reported on their parallel channel use:

> Last year in the summer we went to Ireland with some friends, so we wanted to book a cottage to stay together. I got onto one or two sites and found one that seemed to have quite a lot of cottages on. Initially I'd asked for a brochure from another site, and then I found this site and it seemed to have quite a big range. I compared the two and there seemed to be much more on this website, and there was a better choice. In the end I just used the Internet. (Travel story 54, participant 12)

> Most of the research, and the decision making, was done on screen. However, when we were looking for the accommodation options, my wife had also got the tourist brochure and there was obviously some duplication. (Travel story 122, participant 28)

These examples show that these participants triangulated information from several channels in the early stages of the consumption process.

Channel switching
The occurrence of a channel switch was identified as the use of different channels in subsequent stages of the consumption process. Figure 3 shows an example of a diagram from a travel story that includes a channel switch:

	Search	Deliberation	Decision	Purchase	Dissonance
Internet	★	★	★		
High street					
Telephone				★	
Mail order					

Figure 3 - Single-service diagram from travel story 151 (participant 21)

This example shows that in travel story 100, participant 23 used the internet during the search, deliberation and decision stages, but switched to the phone for the purchase stage. This channel switch is further illustrated by the quote from the narrative description in the travel story, wherein P23 reports on the reason for the channel switch:

> I go to Lanzarote for a week every year with a friend. We go to a place called Club La Santa, which is a sports complex place. We have been going on and off for about eight years now. You can't actually book this over the Internet. I'd like to book it over the Internet, but you can't. You've got to phone up and book that. You can get the information online, but you have to phone up to book it. I'd rather book online because to phone up is more of a hassle. (Travel story 100, participant 23)

In table 5 the occurrence of channel switches in the total set of travel stories has been counted. This is to identify how often consumption processes with channel switches occur. In case a travel story includes more than one channel switch, the travel story is only counted once.

Channel switch	Yes	No	
	67	76	143

Table 5 - Occurrence of channel switches in single-service processes

This table shows 76 occurrences of channel switches in the total set of 143 travel stories. This indicates that, like parallel channel use, channel switches also occurred quite frequently in the travel stories. Table 6 gives an overview of the stages of the consumption process in which the channel switches occurred:

Stages of switching	Sea.	Del.	Dec.	Pur.	Dis.
	0	16	27	40	21

Table 6 - Stages of the consumption process wherein channel switches occur

As channel switches can occur more than once per consumption process, every occurrence has been counted separately for this overview. In the 76 travel stories that involved channel switches, a total of 105 channel switches occurred. This table also shows that channel switches happen throughout the consumption channel, but most frequently in the decision and purchase stages.

The following quotes illustrate how participants reported on channel switches as part of their travel preparations:

> For our second summer holiday in France we basically repeated the procedure of the year before, though this time we went immediately to Bon Vacance. We got the brochure by mail, and we looked at the websites of the cottages. It didn't take long. I had a look, lifted about four of them out, and then just rang them up. We were late in arranging this holiday, and this was quicker to do that than wait for any e-mail reply. (Travel story 26, participant 7)

> On the website of British Midlands I read that they do take unaccompanied minors. You cannot book this online. You have to ring them up to book. The site explained that there would be extra costs for minors, but the price of the online ticket would be honoured. Normally booking by phone is more expensive. I then phoned BMI to book a ticket for the flight I had selected online. (Travel story 151, participant 21)

V. CONCLUSIONS AND FUTURE RESEARCH

The accounts by the participants on their travel preparations, mentioned many of the factors that are reported in the literature as influencing consumer channel choice. But, contrary to the suggestion in the literature that consumers only make a single channel choice per consumption process, the participants in this study often reported on a series of channel choices in connection to the search for and purchase of a specific product or service.

The findings thus confirmed the initial assumption that consumers may make multiple channel choices during the course of a consumption process. Since the multi-channel environment is continuously at their disposal, they use whatever channel seems suitable to them at subsequent stages of the consumption process. The participants in the study often used two or more channels in parallel, or they switched from one channel to another. Their movements between the channels happened throughout the consumption process. Parallel channel use seemed to occur mostly in the deliberation and decision stages, and channel switches seemed to occur mostly in the decision and purchase stages.

The post-hoc self-reports as compiled in the narrative descriptions in the travel stories, indicate that the trigger for parallel channel use or a channel switch can either be self-initiated by a participant, or forced upon the participant by the design and operation of a service. As this distinction between voluntary and involuntary movement may be relevant for the further exploration of multi-channel consumer behaviour, it will be investigated in more detail in the next stage of this research. The current stage of the research was focused at identifying and observing multi-channel consumption behaviour, rather than explaining it. The next stage will further investigate the reasons for the observed behaviour; why do consumers choose to use a combination of channels? More details from the interviews, as elicited through laddering and card sorting, will be analysed for this.

The results of this study, and future studies in this area of research, are relevant for researchers and marketers involved in channel management. The findings can contribute to improved channel design, aiming to better facilitate multi-channel consumption behaviour. The acknowledgement that channel choice is not a single decision but occurs throughout the consumption process, may lead to better support of parallel channel use and opportunities for channel switching at any stage of the consumption process. Since these findings are based on a small sample of participants, they cannot be generalized. For this purpose a more large-scale validation study would be needed. Further suggestions for future research related to this area are:

similar studies in other domains than leisure travel, and similar studies in other countries, to allow for comparisons across domains and cultures.

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