Customer Behaviour in Retailing and influencing factors during the Purchase in the context of Omnichannel Retailing

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Abstract

The advancing digitalization is influencing all sectors of economy. Customer behaviour has changed over the last ten years since technology and its use became part of our daily life. In this new environment, retailers must react and re-examine their strategies. The choice of certain channels for purchasing products, is a complex process and depends on many different factors like acceptance of technology, perceived security, flexibility and many others. Nowadays retailers are overthinking their strategy and looking for a combination of online and offline channels or specializing in one.

The article is showing how customer behaviour changed through influence of internet and usage of mobile devices. Customers are using different channels while gathering information, the actual purchase process and the post selling process. Retailing changed in the last decades and the success story of the internet redrafted the retailing from the classic brick-and-mortar retailers to worldwide acting and selling concerns. Nowadays for SMEs the need of an online shop is an important decision and is one of the big questions. It is difficult for companies to understand and explain channel choice for purchase of consumers.

The aim of this article is to the different motivations of consumers are having for shopping online vs brick-and-mortar shop or shopping using an omnichannel approach. The research was accomplished by a comprehensive literature review and comparison of common models in the field, comparing consumer and shopping behaviour.

In the article, it will be shown that there are many different motivations and factors, like acceptance and use of Technology to choose the channel of purchasing products, like personal innovativeness, perceived security, intrinsic and extrinsic motivation, products and many others. The theoretical and managerial implications are discussed.

The results of different studies provide converging evidence and show that online-offline channel integration lead to a competitive advantage and channel synergies rather than channel cannibalization.

Introduction

In the last decade, and especially in the last three years, the retail market in Austria has significantly changed. Causes of this change in the retail market includes increased availability and access to the internet, which is no longer limited to desktop computers; and the increasing importance of the internet in everyday life. The effect of the internet has impacted a wide range of sectors within the retail market. The internet made it possible for consumers to shop 24 hours a day and 7 days a week. Access to on-line stores is not only available within one's home but also from anywhere within wireless mobile coverage because of the development of mobile devices like smartphones and tablets.

Especially in recent years, internet based retail became an important player in the retail market. Depending on the sector internet retail has obtained a considerable market share and become a serious influence on stationary retailers.

Omnichannel retailing is a very young field and very intense researched yet. Due to these quite new developments classic brick and mortar retailers are thinking about their business model, necessary changes and following questions are raising:

- o What are the effects of the growing online market on employment and taxes?
- o Is the traditional brick and mortar retailer only used for showrooming?
- o How are promising business models looking in future?
- o Is an online shop compulsory for a physical retailer nowadays?
- o How should retailers react to the changing environment?

The research was accomplished by a comprehensive literature review. The findings have direct implications for retailers interested in understanding whether and how integrating different channels affects customer.

The above-mentioned market conditions, are not only challenges to the traditional brick and mortar retailers; they also highlight the opportunities and market access that e-commence and online retail can provide to the Austrian retail market.

Analysis

The expression omnichannel is young from a academic point of view. Rigy (2011, p.4) mentioned first time the expression "Omnichannel Retailing" and defined it. He defined omnichannel retailing as an integrated sales experience that melts the advantages of physical stores with the information-rich experience of online shopping. There are various definitions in the literature of "Omnichannel Retailing" with some common findings. Many researchers see the development of omnichannel retailing as a movement started with multichannel retailing (Lazaris and Vrechopoulos 2014; Piotrowicz et al. 2014; Verhoef et al. 2015).

Verhoef et al. (2015) shows in his paper a comparison of multichannel and omnichannel Management to point out the differences.

	Multi-channel management	Omni-channel Management
Channel focus	Interactive channels only	Interactive and mass-communication channels
Channel scope	Retail channels: store, online website and direct marketing (catalogue)	Retail channels: store, online website, and direct marketing, mobile channels (i.e., smart phones, tablets, apps), social media, Customer touchpoints (incl. mass communication channels: TV, Radio, Print, C2C, etc.).
Separation of channels	Separate channels with no overlap	Integrated channels providing seamless retails experiences.
Brand versus channel customer relationship focus	Customer – Retails channel focus	Customer – Retail channel – Brand focus
Channel management	Per channel	Cross-channel

Objectives	Channel objectives (i.e. sales per channel: experience per channel)	Cross-channel objectives (i.e., overall retail customer experience, total sales over channels)

Verhoef et al. 2015

Verhoef et al. 2015 shows in his paper that in the past, the roles and advantages have been clear and quite well separated between the different channels. Within physical stores consumers could touch and immediately buy products. In contrast, online retailers offered good prices and a wide range of products. In his article Verhoef shows how retailing is moving from a multichannel to an omnichannel strategy. He defines multichannel as:

- Distinction between physical and online retailers
- Channels are customer contact points
- Attention for multi-channel has mainly been driven by growth of the online channels
- Limited integration of channels within firms
- Channels with one-way (TV) or two-way (Internet) communications
- Consider mainly retail channels

With the wider use of smartphones and tablets, new digital channels like mobile channels leaded to another change. With this development researchers investigated the effect of apps and mobile devices on performance like it happened couple of years before with the growth of the online channel. (Xu et al. 2014)

Omnichannel

- Driven by the development of Apps and mobile devices
- Involves more channels
- Channels are getting blurred and boarders begins to disappear (Brynjolfsson, et al. 2013)
- Channels are interchangeably and seamlessly used during search and purchase process
- Use of mobile devices in stores
- Using WIFIs in stores, giving firms the possibility to communicate with their customers
- By using interactive Apps, the boarders between channels with one-way or two-way communication are disappearing
- Interplay between channels and brands
- Broadening the scope of channels
- Further determination of channels within the online channel: Email, Displays, referral websites, affiliates (Li and Kannan, 2014) – they can facilitate one- and two-way communication

Juaneda-Ayensa et al. (2016) published the following differentiation to distinguish between multichannel and omnichannel strategy.

	Multichannel strategy	**Omnichannel strategy**
Conept	Division between the channels	Integration of all widespread channels
Degree of integration	Partial	Total

Channel scope	Retail channels store, website, and mobile channel	Retails channels: store, website, mobile channel, social media, customer touchpoints
Customer relationship focus: brand vs channel	Customer-retails channel focus	Customer-retail channel-brand focus
Objectives	Channel objectives (sales per channel, experience per channel)	All channels work together to offer a holistic customer experience
Channel management	Per channel Management of channels and customer touchpoints geared toward optimizing the experience with each one Perceived interaction with the channel	Cross-channel Synergetic management of the channels and customer touchpoints geared toward optimizing the holistic experience Perceived interaction with the brand
Customers	No possibility of triggering interaction Use channels parallel	Can trigger full interaction Use channels simultaneously
Retailers	No possibility of controlling integration of all channels	Control full integration of all channels
Sales people	Do not adapt selling behaviour	Adapt selling behaviour using different arguments depending on each customer's needs and knowledge of the product.

Juaneda-Ayensa et al. (2016)

Juaneda-Ayensa et al. (2016) and Verhoef et al. (2015) are indicating a very clear and strong separation of channels with little or no overlap. These definitions and descriptions are supported by Piotrowicz et al. (2014). He defines omnichannel as a channel which aims or deliver a seamless customer experience regardless of the channel. Levy et al. (2013) introduced the expression of "omniretailing" and defined it as a coordinated multichannel offering that provides a seamless experience when using all of the retailers shopping channels. Juaneda-Ayensa et al. (2016) defined omnichannel shoppers as those shoppers who use at least two channels of the same retailer during their shopping journey.

Frasquet, et al. 2015 looked for patterns in channel usage across stages of shopping. They split the shopping process up into three stages: search, purchase and post-sales.

Research framework based on TAM Model (Davis, 1989) with the support of the Motivational Model (Deci and Ryan, 1985). This model distinguishes between extrinsic and intrinsic motivation. It is intended by the authors to explain channel usage with transaction cost economics to explain different channel usage at each shopping stage.

To capture the extrinsic motivation the perceived usefulness was defined as main influencing factor. They hypothesize that a higher level of perceived usefulness is positively associated to the use of the online channel (vs. offline channels) for search/purchase/post-sales. Since searching in the Internet does usually not require disclosing personal and financial data they don't expect an influence in this case.

Another factor to be considered is time pressure. Previous researches reveals that consumers which considered to be consumers under time pressure, perceive online shopping to be a time saving channel. (Alreck and Settle, 2002). There is a tendency that consumers prefer to choose an online shop when they are pressed by time during the purchasing.

Frasquet et al (2015) belief that performing after-sales activities online is not connected to time saving since there is usually a delay in the answer (product exchange, product repair).

In fact, researches show, that consumers rarely report using the internet to save time because the delivery takes too much time. (Alreck et al., 2009).

This is supported by a research of Chatterjee (2010), who found that consumers tend to purchase offline if they are having high waiting costs.

Capturing the intrinsic motivation was achieved by the perceived ease-of-use construct. The perceived enjoyment is another important factor for the intrinsic motivation (Teo et al. 1999, Venkatesh 2000). Another influencing factor for the intrinsic motivation was the consumer involvement with the product category.

Frasquet et al. (2015) contribute with their study to the current literature on multichannel consumer behaviour. The scope of the findings has an impact in three different ways:

1. Channel choice is explained by different variables at each of the three phases of the purchase process (search, purchase and post-sales).
2. Product category affects the usage of the online versus offline channels at each stage.
3. Full characterization of channel-based segments is provided.

One of the main conclusion is, that variables investigated influence channel usage differently at each purchase stage and for each product category. There is only one variable explaining a higher use of online channels across the entire shopping process (search, purchase and post-sales) and for both categories: Product involvement. Frasquet et al (2015) explain this finding with a higher shopping frequency and familiarity with the channel. A more focused view on the specific stage during the shopping process shows that during information search, product involvement and usefulness explain a higher use of online channels. Furthermore, a hedonic orientation shows a lower use of online channels during the information search. For the actual purchase the common variables are the same as in the case of search: product involvement and usefulness. In post-sales only product involvement appears in both product categories (apparel and electronics).

Another interesting conclusion in the paper of Frasquet et al. is that multichannel shoppers are not a homogenous group. They identified two polarised segments:

- Online shopper
- Offline shopper

In between this two segments there are three segments of cross-channel shoppers. Comparing the two categories apparel and electronics the group of offline shoppers is bigger within the apparel shoppers.
There is another very interesting finding about choice of channel and changing patterns:

> *"In both product categories, we can confirm the trend of searching online and purchasing offline (webrooming), but we do not get strong support for the purchase online-collect at the store behaviour (click-and-collect) or search offline-purchase online (showrooming)."*

The segmentation of consumers is a widely-used approach for explaining customer's behaviours. It is shown by several researches that (e.g. Brengman et al. 2005) customers are not a homogeneous group and a segmentation of consumers helps to understand customer behaviour. The methods of segmentation differ from paper to paper.

Davis (1989) describes with the TAM model as the two main determinants of acceptance of a technology usefulness and ease of use.

Based on the TAM model Davis and Venkatesh (2000) suggested additional variables. This development of the TAM model should improve the understanding of consumer's behaviour.

A further development of the TAM model was published 2008 by Venkatesh and Bala. The focus in this model is more towards evaluation targeted intervention. This model includes six new factors which determining the influence of acceptance.

Venkatesh et. al analysed 2003 eight prominent models in the field of information technology acceptance:

- The theory of reasoned action
- The technology acceptance model
- The motivational model
- The theory of planned behaviour
- Model combining the technology acceptance model and the theory of planned behaviour
- Model of PC utilization
- Model innovation diffusion theory
- The social cognitive Theory

The so-called research-shopper phenomenon was defined by Verhoef et al. (2007). It describes the tendency to use one channel for research and the other channel for the actual purchase process. The research shows the lack of the internet channel to convert searches into sales. In this paper, there is an overview over a few studies which are examined search and purchase decisions jointly.

Since this development is a quite new one (Neslin et al., 2006) there is a need for studies considering channel choice decisions for search and purchase in a multichannel environment.

Verhoef et al. (2015) introduced a model for a two-channel case. The objective of his model is to understand the channel choice for searching and purchasing. Verhoef gives us three explanations for the research-shopper phenomenon: Attribute-based decision-making, lack of channel lock-in, cross-channel synergy

Frasquet et al. (2015) summarize their findings and giving some recommendations for retailers if they want consumer accomplish their search for products online: Improving the usefulness of the website, provide value-adds information on the product, allow easy comparison of alternatives.

It is clearly shown in the research that searching online is driven by extrinsic motivation. If consumers should be encouraged to use online and offline channel, retailers should make the search process swift and easy ant the store and make an enjoyable shopping experience.

For online retailers Frasquet et al. (2015) having the following suggestions to not lose customers between search and purchase stage. The suggestions differ from apparel to electronics:

Apparel:

- Promoting of hedonic aspect of shopping online
- Increasing enjoyment
- Enhancing the sensory appeal of the website (trends, videos)

Electronics:

- Increasing perceived usefulness

- Increasing perceived security of the website
- Providing full information of products
- Reviews by other customers
- Expert advice
- Useful Apps
- Tips to reach higher performance

Jueandeda-Ayensa et al. (2016) did a research which aimed to find out the factors that influence omnichannel consumers behaviour through their acceptance of new technologies. To this end the authors based the research on the UTAUT2 model (Venkatesh et al. 2012) and two additional factors: personal innovativeness and perceived security.

The findings show that the main impulse for purchasing in an omnichannel environment are personal innovativeness, effort expectancy and performance expectancy. These findings are contrary to other researches (Verhoef, 2015) which found an influence by habit, hedonic motivation, social influence and perceived security.
The strongest predictor for purchasing in a omnichannel context is personal innovativeness. Consumers which are more innovative can be attracted by new technologies.

The second strongest predictor of purchase intention in the omnichannel context is expectancy effort. An explanation could be that omnichannel shoppers are more task oriented and using different channels to look for more convenience.

Pauwels and Neslin (2015) examined the impact of channel additions. They looked at the performance of a retailer with existing online and catalogue business by opening an offline store. They show that store introduction cannibalizes catalogue sales but has much less impact on internet sales. Adding a store is leading to the "availability effect" and this is accompanied by increased returns and exchanges on the one hand and net increase in purchase frequency across channels resulting in higher overall revenues.

Similar results were shown by Cao and Li (2015) with a data analyse of 71 U.S. retail firms. They show that a cross-channel integration has a positive influence on sales growth. Another finding is that this positive influence is weakened if companies having a strong developed online channel or physical store presence.

For many retailers, the development in the field of mobile devices and Apps results in a broadening of their channels. Wang et al. (2015) examined the effect of mobile usage on customer purchase behaviour. The importance of mobile channels is fast increasing and will have a severe influence on the whole retailing. Their findings are that mobile channel usage is affecting shopping behaviour across channels. Mobile is in this paper most relevant in the search phase.

Piotrowicz et al. 2014 had a different approach to research the development towards omnichannel retailing.
They established group discussion covering the following topics: Theme role of information technology in retail, new business models, the future role of traditional stores as e-commerce advances
The group discussions were made during an academic conference and a workshop with leading retailers. In both cases participants were treated as focus groups.
The findings from the group discussions suggest that the following areas are important:
Channel integration is a main issue. It is shown that retailers often think of separate channels which are managed by different people. This leads to the fact that a channel integration is less seamless and efficient. This could lead to the fact that in extreme cases two channels from the same retailer compete directly.

The increased use of mobile devices makes it much easier for consumers to access product information from any point and at any time. This development makes the balance between retailers and consumers more even due to easier access to information. Bar code scanning is nowadays a quite common practice.

Nowadays consumers are producing their own "media content" by sharing photos and videos. One consequence is that consumers can share their experience during their purchase process at each stage and at any time. This fact and the fact the many people are implementing social media as extension of their private life on a daily base, this opens for retailers an additional sales channel, the so called social commerce. (Piotrowicz et al. 2014)

Changing role of the physical brick-and-mortar store is as per experts a possible development for the next years. Piotrowicz et al. (2014) see a possible future for physical stores in a "hub". That means they could change to a focal point which integrates all sales channels. The researchers found out that both groups (retailers and scientist) are convinced that customers can accept an open and helpful customization. If customization is ending up with pushy and misleading information customer more likely reject it. Another danger of digitalization experts see in digital exclusion. This means that special offers and prices are only available for people which have access to IT and dealing with it quite frequently.

One of the main findings in the paper shows that experts see the need of the supply chain redesign as key issue in channel integration. Physical stores are "hub" which would integrate all sales channels. By redesigning the supply chain some issues like inventory management, returns, delivery options, reverse flows, product availability should be addressed.

Conclusions

The more consumers know about a product, the more the use online as the main channel in the entire purchase process (Frasquet et al. 2015). That brings the importance of innovation to a new level. It is to assume that innovative products combined with high degree of mechanization will bring consumers more to physical shops.

Offline shoppers are showing lower perception in usefulness and ease-to-use of the Internet (Frasquet, et al. 2015). The consequence of these findings could be that soon the group of consumers with little experience and little interest in the Internet will get smaller and smaller. And generations with consumers which were grown up with the Internet will have less issues in the field of usefulness and ease-to-use of the Internet. This could lead to a further growing of the online channel. This could lead that the present tendency of searching online and purchasing offline (webrooming) will be reversed in the future.

For brick and mortar retailers an omnichannel integration is in different ways possible. Integration of technology in the physical shop can be one step to this goal. In this case, prior conditions must be fulfilled to succeed in this change. Integrated technology in the last corner of the shop or staff which is not willing to use new devices like tablets or touchscreens will lead to very difficult implementation of these steps (Piotrowicz et al. 2014). The limitation of goods in a physical store is evident and leads to the fact that customers are leaving the shop as their preferred product is not available. The integrated possibility of ordering the missing product with an option of delivery into the shop or back home can give the possibility of finalizing the customers shopping with sales. Increase store offering with the help of technology and different channels, physical retailers can play an important role in an omnichannel retailing environment.

A key issue for brick and mortar retailers will be the redesign of the supply chain (Piotrowicz, et al. 2014). The availability of the right products at the right team will be one of the most important success factors for physical retailers. Information technology can help with this issue like installing integrated NOS-systems (never out of stock) and addressing issues like returns, delivery options, reverse flows and inventory management across channels. (Piotrowicz, 2014).

One of the future roles of physical retailer could be as "hub" (Piotrowicz, 2014). This gives retailers the possibility something what another channel can't offer. An integration of almost all possible channels in their shops.

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