

# **Pick & Mix: consumers combining electronic and conventional service channels**

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## **Abstract**

One of the issues in research on the increasing use of online services, or e-services, is how and why people are combining the use of conventional service channels with using the electronic channel. This paper reports on a study that investigated consumer use of e-services in a multi-channel context. The consumption behaviour of the participants in the study has been investigated across channels in a case study-based approach. The findings indicate that even though consumers prefer the convenience and control of the electronic channel, they often use it in combination with conventional channels (shops, mail order, telephone). The reported parallel channel use and switches between channels were in many cases not triggered by problems in the e-service design or delivery, but based on voluntary decisions by the consumers. The objective of the study presented here was to investigate the occurrence of and possible patterns in this voluntary multi-channel usage.

**Keywords:** E-commerce, e-services, consumer channel choice, consumer behaviour

## **Introduction**

Over the past years the virtual environment of the internet has emerged as a major arena of service delivery and consumption. The penetration rate of the web is approaching 70 percent of the total population in Western industrialized countries (Assael, 2005). Consumers are increasingly making use of web-based systems for the search and purchase of products and services. In the UK on-line sales currently make up 6.5% of total retail sales, and are expected to rise to 25% by 2009 (Blakely, 2005).

Central to this growth in e-commerce activity has been the rapid adoption of electronic distribution channels by service sector organisations as a means of both enhancing accessibility for consumers and reducing service delivery costs.

One of the key issues to consider in research on the increasing use of online services is whether people are replacing conventional service encounters by using e-services. Are they embracing the internet as an alternative to traditional offline channels such as telephone, shops and mail order, or do they see the internet as an additional channel for the search and purchase of services while keeping hold of the traditional channels? Since most consumers in Western, industrialized countries have easy access to multiple channels, they are relatively free to choose the channel they prefer to use. This paper reports on a study that investigated consumer use of e-services in a multi-channel context. The consumption behaviour of the participants in the study has been investigated across channels in a case study-based approach.

## **Literature**

The literature on consumer channel choice and contemporary consumption describes how consumers nowadays tend to combine the various options that are available to them. In an investigation of the pervasiveness of consumer cross-shopping patterns across various retail channels, consumers have been found not to replace one retail format for another when new formats emerge (e.g. outlet stores, discounters, catalogue retailers) (Morganosky, 1997). Consumer patronage habits are becoming more and more complex. They are increasingly engaging in multiple format patronage. Consumers seem to exchange time for money in their multiple format patronage. They are willing to spend more time in order to find better deals. Although the internet generally reduces search time, shoppers are on average spending the same amount of time deliberating a purchase as before (Klein and Ford, 2003). They are using the gain in efficiency to search a broader number of sources and source types within the same time frame.

The internet has boosted the availability of information, and the ability of consumers to utilise this information (Szmigin, 2003). As a result consumers have become more empowered in their interaction with businesses. Consumers are challenging the traditional informational asymmetries between them and service professionals (Laing et al., 2002). They are able and willing to use the available

information sources in negotiating the terms for interactions with professional service providers (Baker, 2003). This has changed the way in which consumers and businesses operate. 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 (Laing and Hogg, 2003). Consumers engage with this broader network while utilising a service. The service encounter has thus become embedded in parallel consumer interactions. It encompasses multiple interactions and experiences with other parties that occur alongside the interaction with the primary service provider.

Shaped by advancing technologies and changing consumer expectations, businesses are under pressure to improve their competitive positions by increasing their focus on meeting consumer needs and delivering optimal customer services. Contemporary consumers are increasingly expecting control in transactions and choice in the service setting. These expectations may have been triggered by the facilities of the internet, but they are also projected on the use of traditional channels (Rust and Kannan, 2003).

## **Study**

The study presented in this paper examined consumer behaviour in a multi-channel context. The study aimed to observe consumption processes from the start (need recognition) to the finish (purchase or dissonance), and investigate consumer behaviour in a reality-based, free-choice situation. It examined what choices consumers make to satisfy their needs when they have several channels at their disposal. The case-study approach allowed for a detailed investigation into the behaviour of a small sample of consumers, as opposed to a large-scale study that focuses only on one specific aspect in the consumption behaviour of its participants. Leisure travel preparations were chosen as the area of research, because they often involve the search for and purchase of several services that are connected to one trip or holiday (e.g. flight, hotel, hire car). The services in this domain 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). 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, internet experience, and travel experience. 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.

## **Findings**

Although many participants expressed their preference for using the internet as a first port of call, the consumption processes observed through the self-reports clearly showed that the conventional channels were also used quite frequently. In the majority of reports a combination of channels was used for the travel preparations. Out of the total of 143 travel preparation reports, only 53 involved the use of just one channel and 90 involved multi-channel usages. Parallel channel use and channel switches occurred throughout the consumption process. In many reports participants described how they used the information they had obtained through the internet to make sure they would get exactly what they want out of their negotiations with a service provider. In accordance with the literature on contemporary consumption they engaged in parallel interactions to secure their control over the service encounter. In their reports many participants mentioned a switch from internet or mail order to telephone in the later stages of the consumption process. In some cases these switches were caused by external factors such as the design of the e-service (e.g. no online booking possible), but in many other cases the switches were caused by a personal preference (e.g. to get advice or reassurance). Out of the 90 multi-channel travel reports, 58 involved voluntary channel movements.

The findings in the study indicate that the participants enjoy the convenience and control the online channel offers them. This preference for convenience and control through the internet does not mean however, that the participants no longer appreciate using traditional channels. They seem not eager to give up the traditional options for travel preparations (high street travel agent, mail order catalogue, and telephone). They are happy to have all options available to them in case of situations where they might prefer to use them, for instance if they feel like engaging in personal contact. In these cases channel choices seem not to be based on functional motivations alone. Just like many other choices made during shopping activities consumers can be driven by hedonistic motivations as well (Gabbott and Hogg, 1998). Even for e-services that have no flaw in their design or delivery people may still decide to use conventional offline channels at particular moments. Consumers can be rational, planned and organized, just as they can be irrational, incoherent and inconsistent (Gabriel and Lang, 1995).

Specifically in situations where communication with the service provider is wished, the online channel does not seem to be sufficient. In those situations almost all participants resorted to using the phone. Personal contact seemed to be a key driver in the channel choice of the participants in situations where they were looking for answers to specific queries or reassurance on their travel preparations. Although the phone was predominantly reported as the most suitable channel in these situations, participants also frequently reported mixed feelings about using the phone. They expressed a strong dislike of having to deal with automated voice response systems. However, the chance of being connected to such a system did not tend to stop them from using the phone in situations where they wished to contact a service provider.

## **Discussion**

The focus of this study was the investigation of voluntary multi-channel use. This is currently an under-researched area, as most studies on the use of e-services focus on identifying obstacles that cause consumers to involuntarily switch between channels. For instance, various studies on electronic service quality have yielded important knowledge about customers' use and evaluation of e-services (Zeithaml, 2002), but they are limited to measuring the isolated use of e-services rather than their usage in combination with other, offline channels. The study presented in this paper may

complement the existing literature by offering additional input for the development of e-service strategies. Based on the findings improvements to the design and management of e-services can be further explored. A key issue is that e-services are currently not built to support the multi-channel use of consumers. Extra services to for instance facilitate the triangulation stage of the consumption process may be very helpful to consumers. Another issue this study has pointed out is that many current e-services are of limited use in the final stages of the consumption process. They are not good in handling specific queries and reassurance. Can the online channel offer better facilities for this? Further investigation of solutions in the form of direct communication, personal support and service may contribute to answering this question. Future research and improvement on these aspects may contribute to a stronger position for e-services as a valid option for channel choice in the later stages of the consumption process.

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