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Multichannel service providers' strategy: Understanding customers' switching and free-riding behavior☆

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A B S T R A C T

This study explores the antecedents that may contribute to the consumer multichannel shopping behavior and understand how within-channel switching and cross-channel free-riding behavior differ building on push–pull mooring (PPM) framework. Structural equation modeling (SEM) and fuzzy-set qualitative comparative analysis (fsQCA) provide techniques for analyzing survey data from 530 respondents. The results demonstrate that the perceived risk and switching barriers associated with an online store have significant direct effect on cross-channel free-riding intentions. When customers perceive risk, switching barriers from a service provider and attractiveness from other service providers would significantly affect their within-channel switching intentions. Furthermore, even if a current service provider/channel perceives risk or other service providers/channels attractiveness are strong, customers may not migrate if a service provider is reluctant to switch (e.g., provision of a specific service). The findings reveal that service providers could design and implement effective customer acquisition and retention strategies.

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1. Introduction

The rise of Internet, mobile, and social networking technologies lead to unprecedented levels of customer connection and empowerment. Customers prefer a variety of channel options when they undertake the process of purchasing goods and services (Chiou, Wu, & Chou, 2012; Chiu et al., 2011; Verhoef, Neslin, & Vroomen, 2007). Customers demand more advantages than those digital platforms provide—constant access, dynamically delivered information, and broad selection. Customers require physical assets, including the possibility to touch products and receive personalized service (Kushwaha & Shankar, 2013; Verhagen & Van Dolen, 2009; Zhang et al., 2010).

In recognition of this, marketing scholars have begun to examine customer multichannel shopping behavior (Van Baal & Dach, 2005; Verhoef, Kannan, & Inman, 2015). However, previous studies do not discuss customers' switching and free-riding behavior (Chiu et al., 2011; Wangenheim & Bayon, 2004). An in-depth understanding of the determinations of switching and free-riding behavior is essential for service providers, as that present concerns in firm losing the would-be customer and eroding profits. Thus, understanding the reasons why they make the migration decision during each purchase stage and understanding what experiential values do customers perceive in the multichannel environments is necessary.

Considering the importance of understanding customer multichannel shopping behaviors, the study specifically restricts customer purchase processes to two stages only: searching and purchasing. The study focuses on two distinct behaviors: “switching behavior” (customers who gather information from the online channel of Company A but switch to another online channel of Company B to purchase) and “free-riding behavior” (customers who gather information from online channel of Company A, although they purchase from the offline channel of Company B). The study does the following steps to reach the objective. First, the study presents a migration decision mode that draws on push–pull mooring (PPM) framework (Bansal, Taylor, & James, 2005) to realize about customers' multichannel purchasing. Then, proposes a conceptual framework that considers perceived risk, switching barriers and attractiveness as three drivers, restrain factors of customers' switching, or free-riding intentions. Second, this study explores the antecedents that may influence consumers' multichannel channel behaviors. Next, the study conducts a structural equation modeling, regression, and fuzzy-set qualitative comparative analysis (fsQCA) to test the hypotheses from 530 multichannel shopping customers.

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2. Conceptual framework and hypothesis development

Before proposing a set of testable hypotheses for the research, this study considers two dimensions to help explain customers' switching and cross-channel free rider behaviors in a multichannel environment (Bansal et al., 2005). Within-channel switching behavior is when customers gather information from the online channel of Company A but they switch to another online channel of Company B to purchase. Cross-channel free riding is when customers gather information from an online channel of Company A but they purchase from the offline channel of Company B. The ability to classify customers' purchasing process in the same or different company depends on two dimensions: (1) Does the consumer use the same channel for both searching and purchasing? (2) Does the consumer contact the same company to search and purchase? These two dimensions construct a consumer behavior matrix that includes within-channel switching, cross-channel free riding, within-channel retention, and cross-channel retention. This study focuses on customers' within-channel switching behaviors and cross-channel free riding to associate their complex shopping behaviors with this emerging multichannel environment.

Bansal et al. (2005) adopt the push–pull-mooring (PPM) paradigm to explain consumers' switching behavior. This paradigm reveals three determinants that influence consumers' switching intentions: (1) the push effect, factors that motivate people to leave an origin; (2) the pull effect, positive factors that draw prospective migrants to a destination; and (3) the mooring effect, the obstacles that prevent migration from occurring (Bansal et al., 2005; Chiu, Hsieh, Roan, Tseng, & Hsieh, 2011; Wathne, Biong, & Heide, 2001). The current study builds on the PPM model to further develop the concept structure, which relates to channel and service provider aspects—perceived risk of online store, perceived risk of company, switching barriers from online store, switching barriers from company, attractiveness of offline store, and attractiveness of competitors. Subsequently, the study focuses on the determinations of these six drivers and elucidates the roles these play in predicting the future retention of the same service provider after online searching.

2.1. Antecedents of the six drivers

2.1.1. Perceived risk of online store and perceived risk of company

Consumers perceive risk because they face uncertainty and potentially undesirable consequences when purchasing. Therefore, the theory of reasonable action predicts that consumers will be willing to transact if their risk perceptions are low (Lim, 2003; Pavlou, 2003). A conceptual correspondence exists between the construct of perceived risk factors of switching intentions, such as financial, performance, and psychological risk (Murray & Schlacter, 1990).

Financial risk, or economic risk, represents the possibility of monetary loss in a transaction. For example, customers may worry that goods from online service providers are more expensive than those in traditional stores. Furthermore, customers may worry that the goods from the original service provider are more expensive than those from another service provider.

Performance risk is the possibility that the purchased products do not work properly or that the products are short-lasting (Jacoby & Kaplan, 1972; Simpson & Lakner, 1993). Performance risk may arise when consumers fear that the company they only know through the Internet may misuse their credit cards. Performance risk includes product malfunctioning and incorrect performance, thus failing to deliver the desired benefits (Grewal, Gotlieb, & Marmorstein, 1994).

Psychological risk is the possibility that products are harmful to individuals' health (Jacoby & Kaplan, 1972) or that they look worse than expected (Simpson & Lakner, 1993). Psychological risk may occur when consumers purchase a good through the Internet but not knowing its provenance or when they do not receive the advertised good. Customers also may worry that the product they buy differs from their expectations. Perceived risk negatively influences transaction intention with service providers (Pavlou, 2003).

H1. The higher the financial risk, performance risk, and psychological risk of an online channel, the higher the likelihood of customer cross-channel free ride.

H2. The higher the financial risk, performance risk, and psychological risk of a company, the higher the likelihood consumers switch.

2.1.2. Switching barriers

Switching barriers represent any factor that hinders consumers' decision to change providers (Jones, Mothersbaugh, & Beatty, 2000; Vázquez-Carrasco & Foxall, 2006). Variables from the service and brand switching literature that fit this conceptualization of mooring effects include switching costs, attitudes toward switching, subjective norms (social influences), past behaviors, and variety-seeking tendencies (Bansal et al., 2005).

A favorable attitude will enhance the motivation to perform a particular behavior when one perceives a high degree of controllability in performing such a behavior. When customers have a high intention or attitude toward switching, they may switch purchase channel or service provider (Bansal & Taylor, 1999, 2002). Subjective norms refer to a person's perception of the social pressures on him or her to engage in a certain behavior (Ajzen & Fishbein, 1980). Any person or group that serves as a reference group could exert a key influence on an individual's beliefs, attitudes, and choices.

Switching costs constitute the costs that change from one service provider to another (Porter, 1980). These switching costs are psychological, physical, and economic in nature. Keaveney and Parthasarathy (2001) and Bansal et al. (2005) point out the individuals' past behavior and variety seeking as possible mooring variables. Individuals' preferences are partially under the influence of their consumption history as well as their propensity for variety seeking (Lattin & McAlister, 1985). The literature suggests variables of switching barriers such as attitudes toward switching, subjective norms, switching costs, past behavior, and variety seeking as possible antecedent variables. Obviously, switching barriers may reduce intentions of channel or company transfer (Bansal & Taylor, 1999; Ranaweera & Prabhu, 2003; Tsai, Huang, Jaw, & Chen, 2006). Accordingly, the study proposes the following hypotheses:

H3. The higher the switching costs, attitudes toward switching, subjective norms, past behavior, and variety seeking of an online channel, the lower the likelihood of cross-channel free ride.

H4. The higher the switching costs, attitudes toward switching, subjective norms, past behavior, and variety seeking of a company, the lower the likelihood of customer switch.

2.1.3. Attractiveness of offline store and attractiveness of competitors

Attractiveness – the positive characteristics of competing service providers – positively influences consumers' intentions to switch (Jones et al., 2000). According to the push–pull paradigm, attractive factors at the destination pull the migrant to this destination. When viable alternatives are scarce, the probability of terminating an existing relationship decreases (Bendapudi & Berry, 1997). Attractiveness of competitors refers to customer perceptions regarding the extent to which viable competing alternatives are available in the marketplace (Jones et al., 2000). The higher the alternative attractiveness of competing service providers, the higher the likelihood of customers' switch of service providers (Bansal et al., 2005). This study assumes that the attractiveness of the alternative offline store could affect the consumers' purchase intention, resulting in cross-channel free riding.

H5. The higher the alternative attractiveness of an offline channel, the higher the likelihood of cross-channel free ride.

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