



## Segmenting multichannel consumers across search, purchase and after-sales



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### ABSTRACT

While bricks-and-mortar stores and the Internet are dominant retailing channels, mobile and social media have rapidly emerged and challenge traditional retail models and consumer behavior. However, researchers have yet to account for how consumers integrate mobile and social channels throughout the various stages of the buying process. Using Latent-Class Cluster Analysis segmentation, we examine consumer behavior in store, Internet, mobile, and social media channels across the search, purchase and after-sales buying stages in the aggregate and specific to the clothing, holiday travel and consumer electronics categories. We find five multichannel consumer segments on the basis of perceived channel importance across the buying process, as well as psychographic and demographic characteristics. Interestingly, we find a polarization in perceived importance of mobile and social media channels, with two consumer segments rating mobile and social media channels as unimportant in the buying process. Furthermore, and compared to prior segmentations of multichannel consumer behavior, we do not find an aggregate store-focused segment. However, a store-focused segment exists in the context of buying clothing and represents 28.6 per cent of consumers. The findings show multichannel consumer preferences and behavior continues to evolve in line with new and emerging retailing channels. Further, this study confirms that there is no 'one-size fits all' approach to multichannel retailing.

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### 1. Introduction

Amongst the backdrop of a dynamic and highly competitive operating environment, the past decade has seen the variety, scope and sophistication of retailing channels grow (Dholakia et al., 2010). Consequently, consumer behavior has evolved and presents critical implications for retail business models (Sorescu et al. 2011). As Verhoef et al. (2015) note, we have moved into to a new phase of multichannel retailing, driven by challenges associated with continued digitalization in marketing and retailing (Leeflang et al., 2014). Underpinning these challenges in recent years has been growth in mobile and social media as channels<sup>1</sup> in their own right, as well as the integration of these channels into online and offline retailing models (Verhoef et al., 2015; Wang et al., 2015). Today, consumers are increasingly using mobile and

social media channels as part of the shopping and buying process (Wang et al., 2015; Xu et al., 2014). The multichannel buying process includes three stages of consumer decision-making: (1) information search, (2) purchase, and (3) after-sales service (Neslin et al., 2006). Indeed, there has been a shift away from the traditional 'purchase funnel' to a 'consumer decision journey' (Edelman, 2010).

Multichannel retailers dominate the modern retail landscape, with a large proportion of retailers in the US and UK selling through more than one channel (Blázquez 2014). A large number of consumers are also using a variety of channels interchangeably as they shop and make purchases (Verhoef et al., 2015). For instance, many consumers use the Internet or a mobile device to obtain information or compare prices and then subsequently purchase in a store (Balasubramanian et al., 2005). The existence of multiple channels is thus transforming consumer behavior throughout the entire buying process (van Bruggen et al., 2010). However, prior studies have not accounted for how mobile and social media are used by consumers' in the context of multichannel shopping and buying (Wang et al., 2015). Thus, there is a need to understand the role of these channels within the context of multichannel consumer behavior in order to keep up with the pace of channel developments (Verhoef et al., 2015). Especially

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<sup>1</sup> As per Neslin et al. (2006), we refer to *channel* as a customer contact point, or a medium through which the firm interacts. Emphasis on the term *interact* reflects that we do not include one-way communications, such as television or print advertising.

given marketing science and practice have failed to keep up with the growing number of available shopping channels (Berry et al. 2010).

Against this background, this paper extends past multichannel consumer segmentations to account for usage of mobile and social media channels throughout the buying process. This is important knowledge given consumers' rapid uptake of smartphones and social media as shopping channels, and the pressure on retailers to better understand where to make incremental channel investments (Verhoef et al., 2015; Wang et al., 2015; Xu et al., 2014). Further, a more comprehensive view of multichannel consumer behavior across the stages of search, purchase and after-sales is captured. Indeed, marketing literature increasingly acknowledges the importance of the after-sales stage and calls have been made for its inclusion in segmenting consumer behavior (Gensler et al., 2012; Van Vaerenbergh et al., 2012). Finally, our multichannel consumer segments are examined across clothing, holiday travel and consumer electronics contexts in line with past research that shows consumer channel usage can be motivated by product category (Balasubramanian et al., 2005; Konuş et al. 2008).

## 2. Retailing channels as multiple service outputs

Multichannel retailing comprises the set of activities involved in selling goods or services to consumers through more than one channel (Levy and Weitz, 2009) and has received considerable attention in the literature (e.g., Neslin et al., 2014; van Bruggen et al. 2010; Verhoef et al., 2015; Zhang et al., 2010). As a retailing strategy, multiple channels assist retailers to augment their core product offerings with particular service outputs (e.g., product selection, attribute information and personalized service) before, during and after purchasing (Bucklin, 1966; Wallace et al., 2004). Conceptually, service outputs are the productive outputs of the marketing channel that end-users demand (Bucklin, 1966; Nargundkar 2006), and provide important context for understanding consumers' multichannel behavior. Service outputs represent all of the aspects of the shopping experience that affect consumer channel choice, as opposed to simply what they buy (Nargundkar, 2006). A wide portfolio of complementary channels makes a greater and deeper mix of service outputs available to end consumers (Frazier and Shervani, 1992; Bucklin et al., 1996). As such, multichannel retailing is an opportunity for retailers to provide consumers with a seamless and convenient experience and enhance overall shopping value (Neslin and Shankar, 2009; Venkatesan et al., 2007).

Consumer channel-choice behavior has been previously studied in accordance with the service outputs model (i.e., Bucklin, 1972; Wallace et al., 2004), albeit primarily in relation to the store (and more recently the Internet) channel. Nonetheless, channel systems exist and remain viable by performing duties and providing end-user benefits. Fundamentally, channel systems differ in their ability to perform various service outputs (Betancourt and Gautschi, 1990; Bucklin 1966, 1972; Bucklin et al., 1996), which Bucklin (1972) summarized in terms of delivery time, lot size, spatial convenience, and assortment. Delivery time is the time consumers have to wait between ordering and receiving goods and services. Lot size is the number of similar goods or services provided at each transaction. Spatial convenience reduces consumers' transportation and search costs. Assortment is the variety of goods or services offered through a distribution channel. For example, stores provide opportunities for product trial, instant gratification and personalized attention, while the Internet provides expanded accessibility, product information and novelty (Zhang et al., 2010). Given these relative strengths, consumers may use specific channels for different purposes or at different stages in

the buying process.

Stores capture upwards of 90% of total retail sales (NAB, 2015), providing the hub of the retail industry's value proposition and driving consumer perceptions of value (Kerin et al., 1992). The Internet is the next largest retailing channel, growing at a rapid pace since its commercialization in the mid to late 1990s (Razak et al., 2009). This growth has been driven by consumer demand for convenience and retailers' desire to lower transaction costs (Mulpuur et al., 2009). The growth of the Internet is expected to continue, with US online store sales forecast to grow at a compound rate of 10 per cent and reach US\$370 billion in 2017 (Mulpuur et al., 2013a). Recent years have seen the rapid emergence of new retailing channels such as smartphone mobile devices and a wide range of social media platforms (Rapp et al., 2013). However, important questions remain regarding how consumers integrate mobile and social media with the well-established store and Internet channels when shopping, and what this looks like across the buying process (Verhoef et al., 2015).

Commerce via mobile devices has been cited as the new service frontier and the greatest area of retailing channel development (Wannemacher and Johnson, 2011; Wang et al., 2015). Although often characterized as an extension of the Internet, research highlights the need to consider mobile as a unique channel given its ubiquitous connectivity and location sensitivity (Lee, 2005; Shankar et al., 2010). Further, a number of different mobile channel formats exist, including text (available via all mobile devices) and micro websites (via 3G and later mobile devices) to more recent developments such as dedicated mobile websites and downloadable applications (via smartphones). The mobile channel has quickly become a popular retailing channel, offering transactional capabilities and, in turn, an enhanced remote shopping experience (Wang et al., 2015). From the consumer's perspective, a uniquely defining characteristic of the mobile channel is its ubiquity – the ability to engage in commerce anytime and anywhere. As such, the value of mobile commerce represents greater sophistication in eliminating temporal and spatial constraints to the delivery of retail services (Nysveen et al., 2005). In response, retailers are evolving from an information-push stage to a transaction stage of mobile channel development (Hickey, 2011).

Social media has also undergone a rapid rise in popularity, recording phenomenal growth as a retailing channel and more recently in terms of purchasing within social media communities and conversations (Shankar et al., 2010). Research indicates that time spent using social media is ever-increasing, with engaged consumers more likely to create and share content about products, brands and service experiences (Deloitte, 2011). A reported 47 per cent of social media users have also engaged in 'social care' services, which is the practice of offering customer service via social media platforms. In fact, 30 per cent of social media users prefer this type of customer service above telephone assistance (Nielsen, 2012). To reach consumers in this way, retailers (and consumer-facing brands more broadly) are adopting after-sales brand engagement and service strategies via social media platforms and networks.

In essence, consumers are now faced with a two-dimensional decision at each stage of their shopping path to purchase: which firm to interact with and through which channel to interact (Neslin et al., 2006). This shift in decision-making has had a major impact on consumer behavior given that shoppers increasingly desire to search multiple sources of information before making a purchase and then sharing their purchase and after-sales experiences with others (van Bruggen et al., 2010). Previous studies that segment consumers on the basis of their multichannel behavior do so based on channel usage, providing different segment profiles across several stages of the buying process. Konuş et al. (2008) proposed distinct multichannel consumer segments based on the

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