Assessing customers' perceived value of the online channel of multichannel retailers: A two country examination

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ABSTRACT

Given the constant and often dramatic technological advancements that facilitate retailing, especially online channel adoption by industry and customers, research focusing on customers perceived value of the online channel of multi-channel retailer's requires conceptual and empirical elaboration. This study advances understanding of customer perceived online channel value and how customer perceptions of value effect online channel satisfaction and online channel loyalty. Using data from a multi-country study, we provide a deeper understanding for multi-channel retailers of how to balance investments in various value drivers to enhance online channel satisfaction and customer loyalty.

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1. Introduction

With the continued adoption of disruptive technologies by firms and customers in retailing, bricks and mortar retail firms with e-commerce capabilities must give more attention to the performance of their online channel in order to enhance the multichannel customer experience (Ahrholdt, 2011; Badrinarayanan et al., 2014). Online sales grew 21.1% for 145 of the 'Top 250' retailers globally with e-commerce operations (Deloitte, 2015) and U.S. retail e-commerce sales (in 2014 representing 8.9% of total sales) are estimated to increase from $263 billion in 2013 to $414 billion in 2018 (Forrester Research, 2014). It is projected that as online sales accelerate, leading bricks and mortar retailers (Walmart, Nordstrom, Woolworths) are viewing e-commerce as a key element of their expansion (Deloitte, 2015) with the "brick-and-click" business model growing because of advances in the integration of retail processes across multiple channels. Such seamless integration across channels now allows retailers, more than ever before, the ability to provide greater benefits and innovative services to customers (Oh et al., 2012).

In line with these developments, researchers studying retail channel management continue to argue that multi-channel retailers need to better understand consumer decision making in

technology mediated environments across country markets (Badrinarayanan et al., 2012). In particular, researchers have called for research to understand how consumers perceive value by taking into account the idiosyncratic nature of the online channel and cross-channel effects (Maity and Dass, 2014; Yang et al., 2013; Zhang et al., 2010) when making purchases across channels. This has become a central issue for practitioners and researchers since consumers make judgements regarding the presentation of a coherent brand across other retail channels (Carlson and O'Cass, 2011; Badrinarayanan et al., 2012), as well as how the online channel provides advantage (e.g. convenience) in comparison to other channels of the retailer (Banerjee, 2014; Verhoef et al., 2009).

Despite the growth in retail firms moving to "bricks-and-clicks", explicit research on customer perceptions of value relating to the online channel of multi-channel retailing has remained underexposed. For instance, perceived value research within the online environment so far has adopted a single-channel mindset restricted to understanding customer value assessments in an e-retail context only (e.g. Barrutia and Gilsanz 2013; Chiu et al., 2014; Wetzels et al., 2009) which inherently does not consider cross-channel interactions that consumers value with a multi-channel retailer's physical channel. Therefore, there is a need for a more in-depth understanding of the specific drivers of value creation in the online channel of multi-channel retailers. Advancing understanding will help multi-channel retailers of all size

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effectively allocate their resources to enhance online channel value perceptions. In order to overcome this gap in the literature, this study advances customer perceived value theory in online environments within a multi-channel retail context addressing three key areas.

First, we extend the multi-dimensional approach to the formulation of online channel value in a multi-channel business-to-consumer retail context to capture the distinct components that reflect benefits the customer receive that facilitates the achievement of goals in this setting, particularly benefits which create value for customers. Specifically, our investigation focuses on value assessments by the customer arising from the performance of the online channel together with important cross-channel interactions which considers value judgements regarding the presentation of a consistent retail brand across channels, and how the online channel provides convenience in comparison to other channels of the retailer. Accordingly, we clarify the conceptual components to advance a model of perceived online channel value (labeled POCVAL), grounded in perceived value-in-use theory, which is a formative second-order construct comprising five first-order components which together constitute POCVAL.

Second, given the growing focus on integrating the role of customers and technology for value measurement and optimization to enhance customer centricity objectives (Ostrom et al., 2015; Rust and Huang, 2014; Verhoef and Lemon, 2013), we identify outcomes of POCVAL and examine the effect of customers POCVAL evaluations on the customer satisfaction and online channel loyalty intention in multi-channel retailing. We also investigate the mediating role of customer satisfaction intervening between POCVAL and online channel loyalty to provide a more complete picture of the value creation process and its consequences.

Finally, we conduct our study in a cross-country setting to validate the proposed conceptualization of POCVAL. In an effort to better understand and model how consumers make value assessments when engaging with online channels within multi-channel retailing which increasingly transforms retailing into a global retail landscape, we study two developed economies. As such, data from a cross-country setting is used to substantiate the theory and our developed model, respectively, which is supported by empirical data from two country market settings.

2. Theoretical framework

The development of the theoretical framework and relevant hypotheses are discussed in three phases. First, the background of customer perceived value theory is discussed which acts as the theoretical underpinning of the study. Second, the dimensionality of POCVAL in the context of multi-channel retailing is examined followed by its conceptualization and operationalization. Third, the interrelationships between POCVAL, online channel satisfaction, and online channel loyalty intentions are examined.

2.1. Customer perceived value

Although perceived value has received growing attention, researchers seem to hold divergent views and definitions of it. Value has been defined as "consumer's overall assessment of the utility of a product based on perception of what is received and what it is given" (Zeithaml, 1988, p. 4). In this context it has been treated as a uni-dimensional construct including give (e.g., payment/effort) and take (e.g., quality) aspects together. However, studies addressing customer value have suggested that the construct is too complex to be operationalized as uni-dimensional and solely utilitarian-based (e.g. O'Cass and Ngo, 2011; Woodall, 2003) where it

loses conceptual richness. Consequently, an approach which considers customer value as a concept with multiple components (e.g. Sheth et al., 1991; Holbrook, 1994; De Ruyter et al., 1997; Sweeney and Soutar, 2001) seems more adequate.

Many conceptualizations consider functional, as well as hedonic components which helps overcome the overly restrictive concentration on economic value. In moving away from the traditional value conceptualization (cost-benefit), the multi-dimensional approach echoes the growing relevance of emotional and experience facets in consumer behavior research (Sánchez-Fernández et al., 2009). Taking the multidimensional view of value, Woodruff (1997, p. 142) defines customer value as "a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations". Others also view customer value as the customer's perception of the benefit or advantage arising out of their association with an organization's offering (Bradley and Sparks, 2012; Holbrook, 1999; Woodall, 2003). As such, value is directly related to the benefits one receives from a product or service and encompasses two domains – outcomes and processes. Customer perceived value encompasses outcomes which reflect the nature of the end-state – what an individual wants or their ultimate goal (i.e., benefits received). An outcome is valued in this sense to the extent that the object is useful, satisfies a need, or solves a problem. It also encompasses process which reflects the experience during the activity driving goal pursuit. Perceived value is seen a more broad, including any factor that affects the individual's experience during goal pursuit (Higgins and Scholar, 2009). This view is also consistent with Grönroos (2011) who states that, value for the consumer is created or emerges during the consumption experience arising from direct interactions with the firm. Therefore, value is accumulated (or destroyed) within the value creation process. In this sense, value (and its components representing the benefits derived from service) is not determined solely at the end of the process, but during the interactions between the customer and the firm.

Other frameworks have been advanced on the premise that value is complex and consists of multiple components that deliver benefits to customers. Sheth et al. (1991) propose five components of customer value – epistemic, social, functional, emotional, and conditional where a decision may be influenced by one or all of the consumption values. Their study serves as a framework for research conducted by De Ruyter et al. (1997) and later by Sweeney and Soutar (2001) who advance the notion of perceived value or PERVAL. This collective work provides the foundation for extending customer perceived value focusing on the benefits perceived by customers in the Internet retailing environment, which has been advanced over the past decade.

Other views on value have also been advanced into the literature. For instance, the work of Hirschman and Holbrook (1982) and later Holbrook (1994) differentiates people based on their consumption motives. Hirschman and Holbrook (1982) describe consumers as either problem solvers or seekers of fun and enjoyment, and thus refer to utilitarian vs. hedonic consumption. The hedonic view highlights the importance of a fun experience in contrast to the effective achievement of a utilitarian goal. Holbrook (1994) further postulates that consumption experiences most likely involve more than one type of value simultaneously.

Mathwick et al. (2002) were the first to introduce a multi-dimensional scale of experiential value in an online purchasing context. They define online experiential value as "a perceived, relativistic preference for product attributes or service performances arising from interaction within a consumption setting that facilitates or blocks achievement of customer goals or purposes" (p. 53) which may be experienced as the consequence of active or