



## Shopping Benefits of Multichannel Assortment Integration and the Moderating Role of Retailer Type

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### Abstract

To what extent should multichannel retailers integrate assortments across channels? Previous literature controversially discusses the question of which integration strategy is most successful but arguments are only conceptual, and no empirical assessment exists. This article presents a framework that (a) shows how customers' perceived shopping benefits of variety, convenience, and reduced risk mediate the impact of multichannel assortment integration (full, asymmetrical, no) on patronage intentions and (b) differentiates the impact for retailer types based on substitutive, complementary, and independent assortment relations. Two large-scale experimental studies empirically investigate whether a dominant integration strategy exists in the context of full and simultaneous information (Study 1) and more uncertain and subsequent information accessibility (Study 2). We consistently find that full integration dominates no integration across assortment relations, but asymmetrical integration—the strategy that is most often realized by multichannel retailers—can have a detrimental impact for substitutive relations compared with no integration. Asymmetrical integration can be more beneficial than full integration for independent relations, while customer outcomes differ less for complementary relations. Researchers and managers can use our findings to understand how shopping benefits of variety, convenience, and reduced risk explain the different customer outcomes of multichannel assortment integration, depending on retailer type.

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Although assortment is one of the most important determinants of customers' channel and retailer choice (Hoch, Bradlow, and Wansink 1999; Verhoef, Neslin, and Vroomen 2007), the outcomes of multichannel assortment integration (i.e., the coordination of assortments between channels) have not yet been scrutinized. Studies on channel coordination address information and delivery services and prices, but not assortments (Neslin and Shankar 2009; Zhang et al. 2010). They show that similar prices can be beneficial for retailers (Zettelmeyer 2000) and that online information on physical stores (e.g., prices and inventory) and delivery services such as in-store pick-ups and returns positively influence customers' purchase decisions (Bendoly et al.

2005; Burke 2002). Research on coordination also studies the addition of entire channels, finding low cannibalization between online and physical channels (Avery et al. 2012; Deleersnyder et al. 2002; Xu et al. 2014).

Assortment integration across channels has its specific challenges and may lead to different outcomes than other retail mix instruments. Several conceptual papers discuss whether retailers should offer no integration or full integration (i.e., different or the same assortment sets across channels), but they do not offer empirical insights on this issue. Berry et al. (2010) argue that capabilities, costs, and competitors differ across channels, so retailers should offer different assortments (i.e., no integration). Similarly, Neslin and Shankar (2009) suggest that offerings can be differentiated if channels target different customer segments. However, the literature also proposes that full integration prevents undesired outcomes, such as customer confusion, distrust, and frustration (Neslin and Shankar 2009). On the continuum between no and full integration, retailers most often use asymmetrical integration, in which one channel carries all of the items

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of the other channel as well as additional merchandise (PWC 2012). Zhang et al. (2010) advocate to offer larger assortments online (i.e., “the long tail,” Anderson 2004), where assortment costs are comparably low. Indeed, 74% of retailers indicate that they selectively differentiate assortments across channels (PWC, 2012).

Despite the many conceptual arguments presented, it remains unclear through which mechanisms positive or negative customer outcomes of multichannel assortment integration may evolve and what they ultimately mean for patronage intentions. Because the previous literature finds that assortment perceptions and choice strongly differ depending on assortment structure (e.g., Kahn and Wansink 2004), the impact of multichannel assortment integration may depend on underlying assortment relations. Assortment relations are determined by the use relatedness of assortment items; that is, how customers perceive assortment items regarding their similarity and compatibility for end use (Kotler and Armstrong 1996). Substitutive relations describe items that serve the same customer need and constitute alternatives within one choice decision (e.g., different DVD players). Complementary relations exist among items that provide a higher consumption utility from joint usage compared with the sum of isolated usage (e.g., DVD player and a DVD movie). Independent relations refer to items that are neither highly similar nor highly compatible with regard to their intended usage, and thus, choice decisions for these items do not influence each other (e.g., DVD player and a vase). Assortment relations are relevant to the extent that they constitute different retailer types; limited-line retailers (e.g., Ace Hardware) have a high assortment depth of items with substitutive relations, broad-line retailers (e.g., Home Depot) have a high assortment breadth of items with complementary relations, and general merchandizers (e.g., Sears) have a high assortment breadth of items with independent relations (Miller, Reardon, and McCorkle 1999).

Our article contributes to two important but unresolved questions in multichannel management. First, we investigate the impact of multichannel assortment integration: How do integration strategies influence customers’ perceived shopping benefits and, ultimately, their patronage intentions? Conceptual articles propose arguments for and against channel integration, but they do not analyze the underlying psychological mechanisms (i.e., shopping benefits such as perceived variety) that determine customer outcomes. Moreover, most retailers realize asymmetrical integration by offering larger assortments online, but the consequences of such a strategy for retailers remain undetermined.

Second, we consider the intervening role of assortment structures: How do assortment relations moderate the impact of multichannel assortment integration? Customer outcomes of channel integration may strongly vary, as the different assortment relations are likely to frame customers’ attention to different contextual aspects (Shocker, Bayus, and Kim 2004). For example, channel integration may influence shopping benefits more strongly in terms of risk reduction at a limited-line retailer where customers’ focus is on finding the best alternative. In comparison, customers at a broad-line retailer may

more strongly focus on the joint usage of items so that convenience benefits of channel integration, such as one-stop shopping opportunities, may play a greater role.

By jointly considering channel structures (i.e., the different integration strategies) and assortment structures (i.e., the underlying assortment relations), this article aims to synthesize the controversy over multichannel assortment integration and to differentiate its impact for different retailer types. Our results inform retailers on their integration strategy and help to understand the mechanisms that lead to contrary effects. We will present a conceptual model of multichannel assortment integration and develop hypotheses regarding its impact on shopping benefits and patronage intentions. Two studies investigate the theoretical model under the assumptions of fully and simultaneously accessible channel information (Study 1) and the more realistic customer setting of more uncertain and subsequently accessible channel information (Study 2).

## Theory

### Conceptual Model

In Fig. 1, we posit that the influence of multichannel assortment integration on patronage intentions for a retailer can be fully explained by perceived shopping benefits (as mediators) and depends on assortment relations (as moderators). Multichannel assortment integration may affect three key shopping benefits that have been shown to have a positive influence on patronage intentions for a retailer: perceived variety (e.g., Arnold, Oum, and Tigert 1983; Borle et al. 2005), perceived convenience (e.g., Keaveney 1995; Seiders et al. 2007), and reduced perceived risk (e.g., Morgan and Hunt 1994; Sirdeshmukh, Singh, and Sabol 2002).

First, perceived variety of an assortment encompasses an assessment of the number of items available and the diversity of those items (Kahn and Lehmann 1991). The positive relationship between perceived variety and patronage intentions holds as long as an overabundance of assortment items does not lead to customer confusion (Iyengar and Lepper 2000). We assume in this study that the overall assortment does not exceed this critical threshold. We suggest that channel and assortment structures influence perceived variety even though the actual variety—the total number of assortment items across a retailer’s channels—is constant.

Perceived risk in assortment choice refers to the uncertainty of whether a product performs according to customers’ expectations (Dowling and Staelin 1994; Shimp and Bearden 1982). Previous research finds that customers rely on diverse retailer signals, such as ads, price or brands, that diminish this uncertainty (e.g., Dawar and Parker 1994; Erdem and Swait 1998; Kirmani 1990). We propose that the retail infrastructure resulting from channel and assortment structures also affects customers’ risk perceptions (Bitner 1992; Ofek, Katona, and Sarvary 2011).

Perceived convenience results from the perceived savings of time and effort during the purchase process, including the stages of search, evaluation, acquisition, and use convenience (Seiders

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