



Adding clicks to bricks: A study of the consequences on customer loyalty in a service context[☆]

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ARTICLE INFO

Article history:

Received 21 October 2010

Received in revised form 20 July 2011

Accepted 20 July 2011

Available online 11 August 2011

Keywords:

Multichannel

Internet

Services

Perceived service value

Loyalty

Complexity of services

Internet access

ABSTRACT

With the explosion of the Internet many firms are incorporating technology into their marketing and operations and are adopting a multichannel strategy. The impact of this strategy has been especially high in the services area, which has traditionally relied on close, personal contact between customers and employees. This study explores how overall customer loyalty is built as a consequence of the value provided by each channel (offline and online). It also analyzes the moderating role of complexity of services used and customers' Internet access in the service value–loyalty link. The model is tested with a sample of 302 multichannel financial services customers who use both the offline (traditional) and the online channel. Results show that offline perceived service value increases online perceived value; offline value has a stronger effect on overall loyalty than online value; and online service complexity and Internet adoption moderate the influence of service value on overall loyalty. Implications for management and theory are discussed.

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1. Introduction

Research has consistently shown that frontline service employees play a key role in developing and enhancing relationships with customers (e.g., Genzi and Pelloni 2004, Gwinner et al. 1998, Hansen et al. 2003). The service experience associated with e-service environments is, however, very different from a service experience mediated through a human service agent (Rowley 2006). In an e-service encounter, the customer's interaction or contact with the organization is via the Web site.¹ We particularly focus on e-tailing, that is, the selling of services over the Internet. In this context, customers have to rely entirely on sight and sound, whereas in the traditional service experience, all the senses come into play.

Nevertheless, e-service, unlike traditional service, is not constrained by distance and opening hours, and consequently it provides higher levels of convenience to customers. Therefore, the number of service retailers that have added clicks to bricks is grow-

ing fast (Ansari et al. 2008, Rajamma et al. 2007). In this environment, many customers have become multichannel users (i.e., customers who use both the traditional and the online service channel). Interestingly, some studies show that there are drawbacks associated with this strategy (Ansari et al. 2008, Moriarty and Moran 1990, Shih and Venkatesh 2004, van Birgelen et al. 2006). For instance, van Birgelen et al. (2006) found that a multichannel strategy may cause channel cannibalization and reduce sales. Meanwhile, there is some empirical evidence for the positive effects of a multichannel strategy. For example, there is empirical evidence of the attractiveness of one channel enhancing customers' intention to use another (e.g., Strebel et al. 2004, Verhoef et al. 2007).

These studies represent an important effort in improving our understanding of the implementation of a multichannel retail strategy, yet not only is the empirical evidence at this point not consistent, this stream of research has also left important issues virtually unaddressed. In particular, the influence of perceived value on customer loyalty is well established by the service literature in traditional retail contexts. Indeed, retail customers have been found to be "value-driven" (Levy 1999). Nevertheless, in this "new", increasingly important multichannel (offline and online) environment, managers and scholars alike are interested in understanding how each channel influences customer–firm relationship building. Accordingly, this study addresses the following questions in a multichannel service context: What is the impact of perceived service value on overall loyalty in each of the channels? Which has a stronger influence on loyalty? What is the relationship between perceived offline and online service value?

[☆] This study has received funding from Cajamurcia and the project ECO-2009-13170.

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¹ E-service is a type of self-service because the customer interacts with technology to create service outcomes instead of interacting with the firm's employees. Yet, e-service is unique in that a customer can receive a service through the Internet at home or in other places, whereas in other self-service operations, such as an ATM (automated teller machine), a customer has to go to the technology to receive the service. The latter are not issues of research in this study.

In addition, this study represents an initial step in the process of understanding the moderating role of complexity of the services used by the customer and Internet access in the value–loyalty link. Existing research has generally focused on a few variables to segment multichannel customers such as gender, age or education (e.g., Falk et al. 2007). However, recent research suggests other variables that may also explain multichannel consumer behavior (Lim 2009, Selnes and Hansen 2001, Simon and Usunier 2007, van Birgelen et al. 2006). First, compared to the offline context, in the online context when the customer needs a high complex service he/she anticipates high levels of cognitive effort (Simon and Usunier 2007). This explains why some customers tend to avoid the online channel for complex services. Therefore, those customers who use the online channel to get not only simple but also complex services are likely to score differently in their feelings of self-efficacy, control, confidence and perceived risk (Durkin 2007). Second, there has been a shift in the research agenda since Internet access has become so pervasive in some societies; access, or the lack of it, is less critical an issue than the types of Internet access available (Lim 2009). While some researchers suggest (e.g., Rainie 2004) that as users become more experienced with the Internet they use it more frequently and for a wider variety of activities, Ritter et al.'s (2004) results prove that this is not the case for all users but only for the “extremely connected” users (p. 17). Therefore, access may be translated into usage (Hoffman et al. 2000) but, more importantly, it explains how customers incorporate the Internet into their lives (Lim 2009). In this sense, in a context of Singaporean students, Lim's (2009) results show how for those with home or mobile access, “Internet use was routinized and often intense, to the point of being challenging for users who found the constant access burdensome and distracting” (p. 1250). In this line, location of use has been proved to predict continuity of Internet use and Internet frequency of use (Emmanouilides and Hammond 2000, Hoffman et al. 2000). Since Hoffman et al. (2000) called for further research to understand the impact of multiple access points, there have been few studies including this variable in their models. However, with the increase of smart phone adoptions with Internet access, researchers can no longer ignore how ubiquitous Internet access affects consumer's Internet behaviors. This work is important as it reveals that both service complexity and Internet access are important in moderating multichannel customers' loyalty.

In the section that follows, we review the literature on the implementation and consequences of a multichannel strategy.

2. Literature review and research model

The literature that deals with the comparison between both online and offline contexts has grown considerably over the past few years. As shown in Appendix A, channels, contexts, and variables included in multichannel studies are quite diverse. Many studies focus on the attitude towards the different channels, the use or adoption of such channels (e.g., Balasubramanian et al. 2005, Choi and Park 2006, Florenthal and Shoham 2010, Kwon and Lennon 2009, Kumar and Venkatesan 2005, Madlberger 2006, Venkatesan et al. 2007). Others have paid special attention to customer segmentation (e.g., Choi and Park 2006, Dholakia et al. 2005, Konus et al. 2008), the decision-making process (Keen et al. 2004, Lee and Tan 2003), consumers' responses to service recovery strategies (Harris et al. 2006), and the interaction effects between the different channels (e.g., Ansari et al. 2008, Bialogorsky and Naik 2003, Montoya-Weiss et al. 2003, Plé 2006, van Birgelen et al. 2006).

A number of researchers have empirically tested the difference in customer loyalty among the various types of customers (Danaher et al. 2003, Degeratu et al. 2000, Shankar et al. 2003,

Verhoef and Donkers 2005). These studies are important in the process of understanding multichannel customer loyalty, yet they have focused on different types of customers (e.g., online vs. traditional/store customers) and thus have not paid explicit attention to the multichannel customer. A notable exception is the work by Wallace et al. (2004), who found that satisfaction is a better predictor of loyalty for multiple channel customers than single-channel customers. Interestingly, Wallace et al. (2004, p. 259) called for future research “to address the unique role of specific service outputs in different channels and how these unique roles impact satisfaction and retailer loyalty”.

As a guide to the literature and hypotheses development that follows, we begin with a brief overview of our model. First, note the inclusion of the antecedents of perceived service value in each channel (H1–H2), as well as the effect of perceived service value on overall loyalty to the firm (H3a and H3b). These paths have already been established in the service literature, and they are included for the purposes of replication and statistical controlling for these basic relationships. Thus, H4 proposes that offline perceived value has a stronger effect on loyalty than online value, and offline perceived value is hypothesized to positively influence online value (H5). Additionally, Fig. 1 proposes a more general, encompassing theoretical model: the direct effects of online and offline perceived value on overall loyalty to the company are moderated by the complexity of the services provided (H6) and their Internet access (H7). Although answering these questions will help companies to achieve market place advantage, a comprehensive model incorporating these constructs has not been tested in a multichannel service context.

3. Hypotheses development

The focal constructs of the study are defined below (value, loyalty, service quality and cost). Next, the framework and the hypotheses to be tested are developed. The value concept has been constantly revisited by marketing researchers during the last two decades. Nevertheless, Zeithaml (1988, p. 14) provides the most universally accepted definition of perceived value as the “consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given”. According to the Zeithaml (1988) definition, value for the consumer results from the personal comparison of the benefits obtained and the sacrifices made. It is therefore conceived as a highly subjective and personal concept (Parasuraman et al. 1985). It also contains one component of benefits and another of sacrifices. It is thus a general view that is applicable in the field of products, services and relationships. Overall loyalty to the company is defined as a combination of consumers' intention to buy from the firm in the future and to recommend it to other consumers. This covers the two aspects of loyalty most often suggested in extant research: the intention to repurchase and the commitment, echoed in the intention to spread positive word of mouth (e.g., Cronin et al. 2000, Wolfinbarger and Gilly 2003). Service quality is defined as the relative excellence or superiority of a service offering (Parasuraman et al. 1988); while cost reflects what is given up to acquire a service, both monetary and non-monetary sacrifices (Cronin et al. 2000).

3.1. Replication of hypotheses: the antecedents of perceived value (H1a–H1b and H2a–H2b) and the influence of value on loyalty (H3a–H3b)

Several relationships are depicted in Fig. 1 that we have characterized as replications; paths that we wish to include to enhance the internal validity of our model and its consistency with the empirical evidence in the service literature. Thus, we review these

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