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## Omnichannel-based promotions' effects on purchase behavior and brand image

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## ABSTRACT

This paper examines the effects of utilizing consumers' digital shopping traces when designing in-store promotions on purchase behavior and brand image. In two experimental studies with 526 and 550 respondents, the authors examine the effects of omnichannel-based promotions (e.g. using digital shopping trace to offer a promotion when the consumer enters the physical store) in two different product categories (utilitarian vs. hedonic), spontaneous/planned purchases and two different retail industries (durable good vs. travel). The results show that retailers benefit from using digital shopping traces as it increases purchases and enhances brand imagery. The effects are moderated by product category and type of purchase.

## 1. Introduction

Shoppers today may use a retailer's digital channels and touchpoints on the path to purchase and thereby disclose information to the retailer about, for instance, what types of products they are interested in (Pantano and Viassone, 2015; Yurova et al., 2017). This behavior produces digital trace (e.g. from website browsing with the mobile phone) about shopping goals that may be a valuable source of information for retailers that they base individualized in-store promotions upon (Lambrecht and Tucker, 2013).

In this paper we focus on consumer reactions to promotions offered to them during individual shopping trips in an omnichannel setting (Beck and Rygl, 2015; Verhoef et al., 2015). Specifically, we experimentally examine how consumers respond when retailers offer a promotion in the physical store that is based on pre-purchase digital data, that is to say a promotion on an item that shoppers have browsed for in the pre-purchase phase. We compare this shopping goal-congruent promotion with a generic, traditional promotion.

Shopping goal congruent promotions are made available through digital development and innovation within omnichannel retailing. Digitalization is turning today's consumers into omnichannel customers that often use digital and physical channels both during the pre-purchase and purchase phase (Brynjolfsson et al., 2013; Rigby, 2010; Verhoef et al., 2015; Yurova et al., 2017). Due to mobile broadband and Wi-Fi services, digitalization affects consumers in the physical store environment as well, as they have access to other channels while shopping (e.g. using the mobile phone to look for further information

about products in the assortment)

Based on Verhoef et al. (2015, p. 176 Note: our italics) definition of omnichannel management "...the synergetic management of the numerous available channels and customer touchpoints, in such a way that the *customer experience* across channels and the *performance* over channels is optimized", we address the effects of promotions on two highly relevant omnichannel variables; *purchase behavior* (related to performance) and *brand image* (related to customer experience). We argue that shopper response to these promotions is likely to be both behavioral (e.g. higher purchase) and attitudinal (e.g. enhanced brand imagery). The shopping goal congruent promotion should be linked to enhanced utilitarian benefits which is likely to affect both performance and experience (e.g. "I got a good deal on an item I was looking for") and enhanced hedonic benefits (e.g. "It is fun and entertaining to shop here") that primarily affects the brand experience (Chandon et al., 2000; Mathwick et al., 2001).

In addition, previous research has indicated that promotion initiatives in an omnichannel context are dependent on the product category (Kushwaha and Shankar, 2013; Van Baal, 2014). Shopping goal congruity in promotions may work differently in utilitarian and hedonic product categories as the shopping behavior is more focused and goal-oriented in utilitarian product categories whereas it is more recreational in hedonic product categories (Scarpi et al., 2014). The degree of planning may also produce different responses to shopping goal congruent promotions as the goals are more pronounced during a planned purchase (Bell et al., 2011), which should make the response to shopping goal congruent promotions work differently for planned versus

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spontaneous purchases.

This paper aims to contribute to the growing omnichannel retailing literature by demonstrating that using digital customer data in goal-congruent promotions may lead to positive customer reactions on relevant omnichannel performance indicators, such as purchase behavior and brand image (Verhoef et al., 2015). We aim to show that these effects are mediated by specific benefits of the promotion as well as by how the overall in-store experience is evaluated. This paper also contributes to the omnichannel literature by investigating boundary conditions of these effects related to product categorization and purchase planning.

## 2. Theoretical background

A literature review in recent years reveals that research on digitalization issues have been growing dramatically in recent years (e.g. Beck and Rygl, 2015; Bell et al., 2014; Pantano and Viassone, 2015; Verhoef et al., 2015; Yurova et al., 2017). Academic research on the use of mobile phones during shopping, linkages between online and offline retail stores, and the focus on omnichannel issues in retailing show that consumers respond positively to retailers' digital initiatives in general (Poncin and Ben Mimoun, 2014; Scarpi et al., 2014; Stein and Ramaseshan, 2016; Yurova et al., 2017).

Important findings relate to how digitalization enhances the shopping experience and creates a stronger customer-retailer relationship when it comes to customer satisfaction, service quality, and revisiting intentions (e.g. Pantano and Viassone, 2015). The majority of the previous empirical research is based on surveys that demonstrates general attitudes of shoppers and a propensity to engage in digitalization and omnichannel initiatives (Poncin and Ben Mimoun, 2014; Scarpi et al., 2014; Stein and Ramaseshan, 2016). In addition, most previous studies focus on long-term customer-retailer relationships. Our study contributes to omnichannel research by examining digitalization related to individual shopping trips and shopper reactions to omnichannel-based promotions that are created for short-term purposes. To our knowledge, we are the first to test promotions on relevant omnichannel performance indicators simultaneously (Verhoef et al., 2015 the definition of omnichannel stipulates a simultaneous focus on performance and experience).

### 2.1. Omnichannel retailing and shopping goals

Omnichannel retailing is about creating an overall retailing experience that is the same across all channels and touchpoints (Beck and Rygl, 2015; Bell et al., 2014; Verhoef et al., 2015). Moreover, omnichannel retailers should address sales and branding effects jointly (Verhoef et al., 2015). As a consequence, retailers need to constantly evaluate how their actions affect sales performance and brand experience simultaneously and they need to stay away from short term performance enhancements that may have negative effects on the brand experience such as heavy discounts. At the same time, synergies on sales and branding may be created by targeting customers based on shopping goals (Puccinelli et al., 2009). In order to evaluate omnichannel promotions correctly it is important to examine the effects on purchase behavior (promotion redemption) and brand image (retail brand attitude) simultaneously.

Shopping as an activity has been shown to be strongly linked to goal-directed behavior (Puccinelli et al., 2009). Consumers tend to form shopping goals before and during a shopping trip. We argue that digitalization increases the possibility for retailers to utilize customer data across channels and also get indications of shopping goals from a consumer's digital shopping trace. In an omnichannel retail landscape where channels are used interchangeably (Dholakia et al., 2010; Stein and Ramaseshan, 2016) we argue that consumers more easily reveal their shopping goals (e.g. browsing for items on sale or for new items in the assortment, focusing on certain types of products). If retailers use

the digital shopping traces when designing promotions across channels, retailers could create goal congruent promotions that produce attractive utilitarian and hedonic shopping experiences. Moreover, retailers benefit from gaining more knowledge about different types of shopping behaviors to ensure that they act correctly on the right type of digital trace (e.g. based on product category and type of planned/unplanned purchase).

### 2.2. Effects of goal congruity

In this paper, we argue that the perceived congruity between a shopping goal and an omnichannel-based promotion affects shopping behavior and shopping experiences. Congruity theory has been applied in several different research areas; marketing, advertising, and retailing research (e.g. Dahlén and Lange, 2004; Lane, 2000). However, contradicting results have often been demonstrated. Moderate incongruity has been shown to be more positive than congruity in advertising since moderate incongruity seems to increase curiosity towards the communication (Dahlén and Lange, 2004; Dahlén et al., 2005). When consumers are situated in a shopping setting, and generally more task-oriented than when evaluating an advertisement (cf. Nordfält, 2011; Pieters and Wedel, 2007) congruity has been shown to yield more positive effects on consumer behavioral aspects (Puccinelli et al., 2009).

Thus, we argue that congruity is preferred in an omnichannel shopping situation, and produces a positive effect on promotion redemption and retail brand attitude. We base our arguments on previous retail research that has demonstrated that consumers are a) exposed to millions of stimuli from the shopping environment (Lurie, 2004), b) equipped with too little cognitive resources to deal with all these different types of stimuli (Broniarczyk et al., 1998), c) forced to filter out a lot of this information (Nordfält, 2011), and d) use different heuristics, and usually base their shopping choices on habits (Broniarczyk et al., 1998). In addition, since consumers that are in a shopping mode often are task oriented, we expect that they prefer marketing stimuli and marketing activities that demand less mental activity and make their shopping trip more fluent.

Compared to a generic promotion that is not based on digital shopping trace, we argue that a shopping goal congruent promotion will be perceived as more fluent. Since fluency seems to be sought by consumers when they are shopping, we argue that a shopping goal congruent promotion have a positive effect on consumer behavioral aspects. Moreover, if a retailer offers a shopping goal congruent promotion, it is likely that shoppers will perceive that the retailer is making an effort to create a favorable brand experience. Thus, we expect shopping goal congruent promotions will have positive effects on both promotion redemption as well as retail brand attitude. Hence we hypothesize:

**H1a.** Promotion redemption is higher for a shopping goal-congruent promotion than for a generic promotion in an omnichannel setting

**H1b.** Retail brand attitude is higher for a shopping goal-congruent promotion than for a generic promotion in an omnichannel setting

How can these effects be explained? Previous research on specific effects on sales promotions (Chandon et al., 2000) and general effects on the overall shopping experience (Mathwick et al., 2001) suggest that both utilitarian and hedonic value may be created during a shopping trip. Chandon et al. (2000) developed a framework with utilitarian promotional benefits like savings and getting a good deal and hedonic promotional benefits like fun shopping and entertainment. These benefits correspond to different experiential values connected to a consumer's shopping experience listed by Mathwick et al. (2001), where shopping efficiency is linked to utilitarian shopping values and enjoyment to hedonic values.

We argue that a shopping goal congruent promotion initially produces shopper perceptions of certain promotional benefits (e.g. savings,

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