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# THE CHOICE OF E-CHANNEL FOR EXPERIENCE GOODS

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## Abstract

*Consumers seek different information depending on the attributes of each product. Conventional wisdom states that experience goods are known to be better for traditional channels (physical stores) while search goods are amenable to electronic channels (virtual shopping sites). However, recent research reveals that consumers show no preference of the tangibility about the experience good. Drawing on media richness theory we attempt to identify the role of perceived richness of web-enabled information. Contrary to the common acceptance that only search goods are amenable to e-channel transactions, we anticipate that the moderating effect of web-facilitated experience helps lessen the negative effect of experience attributes of products on the choice of e-channel to buy experience goods.*

**Keywords:** experience goods, e-channel, web-enabled experience, channel choice

## Introduction

Purchasing involves a buyer's decision based on the information about the match between what a consumer needs and what a product offers. This information sought by consumers is different depending on the attributes of each product. While e-commerce opened a new way of purchasing goods forming a new marketing channel (Burroughs & Sabherwal, 2002), researchers have agreed that different attributes of products influence consumers' choice of either physical or electronic channel (McCabe & Nowlis, 2001).

Burroughs and Sabherwal (2002) assert that search goods are most appropriate for retail electronic purchasing and experience goods are not amenable for e-commerce because the attributes of experience goods dictate that the product should be experienced before being purchased. However, some experience goods are actively traded over e-channels in spite of no direct experience of consumers. Digital music and software, books over amazon.com, and used cars over ebay.com are such examples. Many researchers have worked on the determinants of e-commerce development and the characteristics of experience goods. However, there are few studies which focus on what enables consumers to use e-channels in shopping for experience goods. This brings us to question what factors enable experience goods to be sold over e-channels.

## Research Framework

### *Consumers' Channel Choice*

Channel systems' viability comes from performing duties and providing benefits to end-users (Bucklin, 1973). Consumers will choose the electronic channel if they can experience the value and quality of a product because online shopping offers the spatial convenience of shopping at home, time efficiency and sometimes greater price savings than shopping in physical stores (Devaraj et al., 2002). If experience goods consumers are not satisfied with the level of indirect web-enabled experience, then they will not buy them on-line.

## ***Experience Goods and Search Goods***

According to Nelson (1970), a search good is defined as one where full information about the quality and value can be determined before a consumer buys and uses it. For example, consumers do not need to experience a three-hole binder before they buy and use one. An experience good is defined as one where the quality and value are difficult to evaluate until after a consumer purchases and uses it. For example, consumers would want to smell a perfume before they make a decision to buy. This classification of goods represents rather a balance of experience and search attribute of a product than a distinctive unit of each attribute. Thus, Klein (1998) defines an experience good as one that is “dominated by attributes for which information search is more costly and/or difficult than direct product experience”.

Experience goods are known to demand physical examination and not to be suitable for online shopping while search goods are amenable to an e-channel. McCabe and Nowlis (2001) find that the consumer’s choice of channel, whether online or offline, depends on the difference of product attributes. Therefore we expect,

**H1:** The dominance of experience attributes in a product will have a negative effect on consumers’ choice of e-channel for purchase.

On the other hand, according to Poon (1999), consumers show no preference about the tangibility of experience goods. This conflicting report implies the existence of moderators in the relationship between experience attributes and channel selection. Consumers may have some other ways to experience goods than the direct physical examination.

## ***Richness of Web-Enabled Information***

The task of buying experience goods is accompanied by an equivocality problem. According to media richness theory (Daft et al., 1987), multiple conflicting interpretations or lack of understanding about the product or ambiguity can be resolved through rich media. Rich media provide a greater number of ways in which information can be communicated and so they are needed to reduce the equivocality involved in buying experience goods (Dennis, 1999). The Internet is a new media that allows multiple means of providing rich information. Rich information will enable experience goods transactions over e-channels by substituting the direct physical experience with an indirect experience. When rich information that enables a high level of indirect experience is offered on an e-channel to the consumers who want to buy experience goods, it will lessen the negative effect of experience attributes on the choice of e-channel. When rich information is not offered, it will strengthen the negative effect. Therefore we expect,

**H2:** The perceived richness of web-enabled information will negatively moderate the relationship between dominance of experience attributes in a product and consumers’ choice of e-channel for purchase.

The richness of web-enabled information is perceived through various types of consumer experience that a website provides. This experience can be categorized into three major types: descriptive, third-party, and quasi-experience.

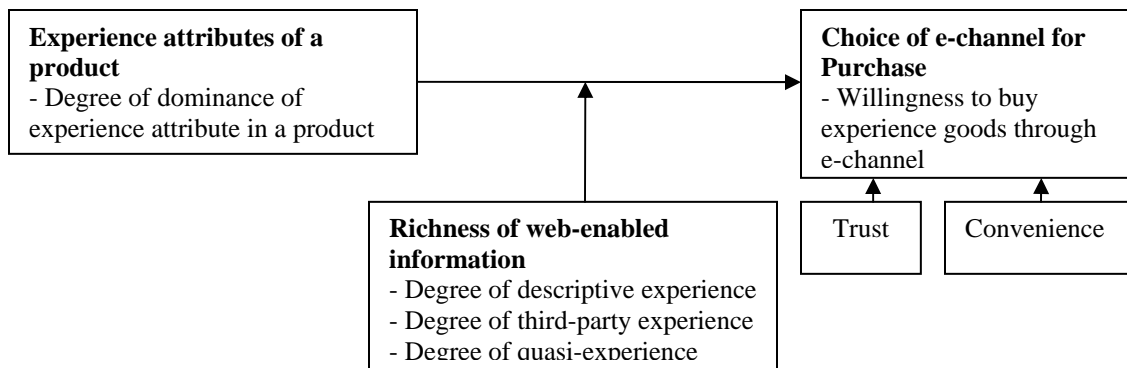
First, descriptive experience is an experience with detailed visionary description or acoustic trial, which is richer than simple information such as color, price, and ingredients which can adequately describe search goods. For example, standardized specifications of a PC such as size of RAM can replace the consumers’ experience for how powerful a specific computer is. A free sample of music file provides alternative descriptive experience. Shapiro and Varian (1999) recommend a free sample such as a short sound file of music to let consumers appreciate the value of the music.

Second, third-party experience means indirect experience through the information from experts or other existing users. If inspection of a specific product’s quality and value requires professional knowledge, experts’ reviews would offer richer and more effective evaluations to match the consumers’ need than a consumer’s own experience (Kamp, 1998). Ford, Smith and Swasy (1988) note that third-party information such as consumer reports and feedback can serve as a replacement for direct experience.

Finally, quasi-experience is the experience through interaction with the tools of interactive digital trial, 3-D experience, and online customization. A trial version of software with limited functionality is a popular way for companies to let consumers experience information goods. This type of experience is similar to Li et al.’s (2001)

“virtual experience” in that consumers may rotate, zoom in and out, and change properties such as color of a simulated 3-D product. It allows consumers to be exposed to most of the experience attributes of a product before consumers buy and use the real product (Klein, 1998). Also, a customization function through the web offers another alternative experience to consumers. Consumers do not need to experience a product passively if they can configure or create an experience of a good’s properties that meet their needs (Grenci & Todd, 2002).

Since the degree of these experiences reflects the richness of the information, they serve as first -order constructs which are governed by second-order construct, “richness of the web-enabled information”.



**Figure 1. Research model**

### ***Control Variables***

When consumers choose an e-channel, two important factors discussed frequently in the literature are convenience and trust. An e-channel allows a convenient way to save search cost and time for many consumers (Steinfeld et al., 2002). Trust is asserted to be one of the important enabling forces of online exchanges under uncertainty, lack of control and anonymity of e-channel transaction (Lee & Turban, 2001; McKnight et al, 2001; Bhattacharjee, 2002). We hold these two factors constant to find how indirect web-enabled experience enables consumers to choose online channels for purchasing experience goods.

### **Anticipated Methodology**

We will solicit about 500 college students in the Southeastern United States to participate in a survey. Each construct will be assigned at least three indicators. We will examine the role of the richness of web-enabled information through the structural equation modeling (SEM). SEM using EQS6.1 gives easy tools to check construct validity and best chance to check the second-order model. Confirmatory Factor Analysis will be conducted to check the convergent validity and the discriminant validity for the model.

### **Limitation**

Our sample data will be collected from highly educated population within the limited regional boundary. Though there is no evidence about the relationship between the level of education and the willingness of Internet shopping, there can be some bias in the regional limitation to generalize the findings. The validity of student samples are frequently questioned (Miranda & Saunders, 2003) for studies with managerial context. Since students are active participants in e-channel transaction, with some researchers even referring to students as the “next generation of e-commerce users” (Rifon, LaRose & Choi, 2005), we expect little issue in using them for our study except for age and education level bias. These biases may be solved in extended studies in the future.

## Conclusion and Implications

We expect all hypotheses to be supported. In that case, experience goods will be shown to be viable for e-commerce under the present web technology that enables the moderation of web-enabled experience. Also, identification of the three types of indirect web-enabled experience on e-channel across products would encourage more comprehensive evaluation of effectiveness of e-commerce. Further, understanding experience attributes within online shopping channels will enhance our understanding of the e-commerce environment.

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