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Consumers channel choice behavior in multi-channel environments: what are the influences on consumers to choose the online distribution channels over other alternative offline channels

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Abstract

This paper aims to examine the influences on the consumers to choose the online shopping channels, or to avoid using them, when alternative channels are available. This is an exploratory research conducted in the UK using a quantitative approach in collecting data. The primary data of this research have been collected through the use of questionnaires that have been completed by 106 internet users where almost all of these participants have done an online purchase before. The results of this research have determined several influences on consumers to use the online shopping channels and other influences to avoid using the online shopping channels. In addition, this research identifies the consumers' uses of the online shopping channels, and how does these uses affect their intention to purchase through the online shopping channels.

Keywords: Multi-channel, consumer behaviour, consumer internet choice

1. Introduction

During the last decade, the internet has become a powerful channel of distribution, and most companies have realized the importance of adopting the internet in their distribution processes (Morrison, & Roberts, 1998). This is where the online sales are growing continuously over time. In the UK the online sales have grown 54% in 2007 over 2006, where the amount of the online sales in the UK has increased from £30.2 billion in 2006 to £46.6 billion in 2007 (internetretailer.com 2008).

Therefore, companies in the UK (the region of this study) became more concerned in studying the nature of the online distribution channels (the internet) and where, when, & why do consumers use them, in order to develop efficient and successful online investments. Nowadays, companies give the technology the top spending property, where 71% of the companies in the UK have a meeting at least once a year in order to review and plan for technology investments which includes the online investments (internetretailer.com 2008).

However, online distribution channels are considered as complementary channels, therefore, companies started selling through the internet beside selling through other alternative channels (traditional offline channels) using multi-channel strategies (Xing, & David, 2006), which provides more channel choices for consumers.

Although the recent literature have studied the nature of online stores (Morganosky, 1997, Ha, et al. 2007), and the consumer behavior in online shopping environments (Wu, 2003), most literature have studied the consumers behavior in the online channels as single channels of distribution, and there is little research on the consumer behavior in online channels as an extension for traditional offline channels.

Therefore, this paper aims to study the consumer behavior in online channels of distribution as extension or complementary channels for the traditional offline channels. More specifically this paper studies the consumers' channel choice behavior when the online channels are available as alternative channels for traditional offline channels, in order to improve our knowledge & understanding of the consumer behavior in the online shopping channels when other alternative channels are available.

The mission of this paper is to study and determine the influences that affect the consumers channel choice behavior when alternative channels of purchase are available, and to determine the consumers' use of the online shopping channels and how do they affect their intention to purchase online.

However, the results of this research explain the consumers' uses of the online shopping channels, and the consumers' attitudes towards the online shopping channels when other alternative offline

channels are available, by identifying the influences on the consumers to deal with online or offline channels.

Therefore, this paper might be a good reference for companies who are selling through online channels, where the results of this research could help in developing successful online investments by determining the characteristics of the online channels that are desired by consumers.

On the other hand, the results of this paper could be used in other researches in the topic of the consumer behavior in multi-channel environments, where this research could be extended to discuss new eras in the topics of the channel choice & multi-channels by studying the issues arising in these topics such as channel conflict, channel performance, etc.

2. Distribution channels

Distribution is considered as one of the attack weapons in the marketing process in the same way as advertising, merchandising and product design. The distribution affects the organization's sales volume by using the distribution mix (cost & service). This mix adds value to the product by providing a better distribution service quality, and reducing the price of the product by reducing the distribution costs (Beckham 1974). Performing a good distribution performance builds a stable competitive advantage for the enterprise (Neves, 2001).

The internet has become a mass medium that provides numerous marketing opportunities (Zinkhan, 2002). This is where the internet provides an endless catalogue of marketing messages in an interactive way (Pallab, 1996). Therefore, the internet is considered as the world's biggest shopping mall and it is in a position to grow continuously over the future, on the other hand, the internet provides a competent global shopping medium (McQuitty, & Peterson, 2000). Nowadays, electronic shopping methods (internet) provide new distribution channels for supplier in different industries (Morrison, & Roberts, 1998).

However, the structure of the distribution process is subject to change upon several factors such as the consumers buying habits, resources, competition, marketing mix, availability of intermediaries, etc. Changes on the marketing channels are critical decisions where it will affect the overall decisions on how the product will be offered in the marketplace. This is because the adoption of a new distribution channels such as the internet (online distribution channels) by-passes many intermediaries where manufacturers could reach new customers directly through their online stores. Therefore, the use of the internet affects distribution channels by adding online channels to traditional offline channels, or by replacing some or all of the traditional offline distribution channels with online channels.

The expansion of the e-commerce has made the internet more attractive channel for companies and consumers (Yan 2008). This is where the presence of the online channels has introduced an alternative for the traditional offline channels to face the dynamics of the market (Kotzab & Madlberger 2001). Therefore, the development of the distribution activities on the internet became a must for most organizations, whether this type of distribution is exclusive (e.g. Dell Computer), or combination between the traditional distribution channels and the new ones delivered by the internet (e.g. Barnes & Noble) (Flavián & Guinalú 2005).

3. Multi-channel strategies

Multi-channel strategies have been defined by Coelho & Easingwood (2005) as the utilization of two or more distribution channels in order to make the product or service available for the target customers, these strategies are more attractive when targeting heterogeneity customers. Denise, & Geoffrey, (2002) states:

“Although the multi-channel marketer concept has been around for years, the recent pressure to add an online presence has driven more and more retailers and cataloguers to become multi-channel entities.”

This is where multi-channel strategies involves the integration of the traditional distribution channels such as retailing and catalogue marketing with the online distribution channels provided by the internet (Duffy, 2004). Norton, & Seock, (2007) States:

“Consumers may only browse internet web sites for product information and use other channels (e.g., brick-and-mortar stores) to buy products discovered at web sites. Others may sample products in physical stores and then seek better deals online.”

Therefore, the use of the multi-channel strategies have become more popular in order to fulfil all the customers' needs by adding the online channels to the traditional offline channels.

Multi-channel approaches gives the ability for the companies to build relationships with their customers by offering information, products, services, and customer support through two or more channels (Lee, & Kim , 2008). Therefore, using multiple channels provide a better customer service, where customers could use different channels according to their needs. Therefore, multi-channel strategies increase the customer base, revenue, and market share (Berman & Shawn 2004).

However, consumers show more complex buying behavior in multi-channel environments. This is why the analysis of how, when, & why consumers choose a specific channel over the rest provide important inputs to the channel design and management (Albesa, J. G. 2007). This is where if the influences on consumers when choosing a single channel were understood by the business, the implementation & the decision process of the multi-channel strategies could be simplified (Denise, & Geoffrey, 2002).

Understanding the consumer behaviour in multi-channel strategies is a critical factor, where the consumer behaviour is a key factor for performing successful channel integration (Hughes, 2006). In addition studying the consumer behaviour helps multi-channel companies in determining the value that the consumers derive from each channel and then determine the influences on the consumers' channel choice in order to help improving the mix of the marketing channels (Slack, et al. 2008).

4. Channel Choice behaviour

The consumer behaviour represents what, why, when, and where do consumers purchase products or services (Peter, & Olson 2005 page 5). Consumer behaviour has a dynamic nature that changes continuously, therefore, companies must continually monitor the consumer behaviour in order to gain knowledge about their customers' needs and act upon them (Peter & Olson 2005 page 6).

However, Reardon, & McCorkle, (2002) states:

“Consumer chooses between alternative distribution channels on the basis of the relative opportunity costs of time, costs of goods, pleasure derived from shopping, perceived value of goods and relative risk of each channel.”

Balasubramanian, et al. (2005) has identified three components that the consumer consider when choosing the channel at any stage of the purchase process, these three components are described in the following bullets:

- Utility of instrumental elements, activities that entail physical efforts, such as economic goals, self affrication, and symbolic meanings.
- Utility of the product itself, this component is driven by the instrumental elements.
- Utility of non-instrumental elements, the external elements in the shopping expedition such as the social influence & the experimental impact, and the invocation of channel script.

Figure 1 explains the flow of these elements and components in the channel choice process.

Consumers' get encouraged to purchase from different channels according to the issues of prohibitive distance, time spent in shopping, and physical travel constraints which are considered in the utility of the instrumental elements component. This makes the online distribution channels the preferred channels for the consumers where the online distribution channels provide the consumers with a quick purchase, due to 24/7 shopping accessibility, and allow comparison among e-retailers with little effort (Bickle, et al. 2006).

While traditional shoppers avoid purchasing through the electronic channels due to perceived risks and technology illiteracy, online shoppers often find lower prices for the same product through the electronic distribution channels due to the strong competition between the internet sellers, and it provide a better time and effort efficient methods of purchasing (Choi, & Park, 2006).

Seock, & Norton, (2007) states:

“The internet offers new customer-retention possibilities through the management of relationships between marketers and consumers owing in part to consumers' access through the internet to more product and service information and a wider range of products than they would have otherwise.”

Although previous researchers have found that the consumer behaviour affects the performance of the electronic distribution channels (Louvieris, et al. 2003), the existing frameworks fail to determine

the consumers' channel choice influences (Mattila, 2004). Semeijn, (2005) indicates that acquiring customers via the web is costly and, since the competition is just a mouse click away, understanding the consumer behaviour when choosing channels appears essential in an economic as well as a competitive sense.

Therefore, this research will study determinants of the consumers' behaviour in choosing the online distribution channels over other alternative channels, and determine the consumers' uses of the online distribution channels when other alternative offline channels are available.

5. Data Collection

This research follows a quantitative approach in collecting data, and the computer software SPSS (Statistical Package for the Social Sciences) has been used to edit and analyze the data collected from the participants in order to gain a clear understanding and analysis of the data. This research has used the questionnaires as the instrument to collect the research primary data.

The questionnaires were completed by the sample that was identified for the needs of this research, and a total of 150 participants have participated in this research. However, in order to gain a clear understanding of the consumers channel choice behavior when choosing the online shopping channels over other alternative offline channels, the questionnaire has been divided into two parts.

The first part of the questionnaire collects data about the participants' personal information in order to point up the characteristics of the participants in this study. The second part collect data for the purpose of the research problem, and the analysis of this part has been divide into three sections, the first section collect data about the participants' uses of the online shopping channels, and their effects on increasing the intention to purchase online, the second section collect data about the influences on the participants to avoid using the internet as a channel of purchase, and the third section collect data about the influences on the consumers that increase their intention to use the online shopping channels.

6. Conclusions

The understanding of the consumers channel choice behaviour can make more efficient decisions regarding the investment in online channels. In order to provide clear understanding of the consumers channel choice behaviour, the conclusions of this research are categorized into three categories according to the purpose of the findings and these categories are:

- The uses of the online channels & how do they increase the consumers' intensions to use the online channels.
- The influences on the consumers to avoid using the online channels.
- The influences on the consumers to use the online channels.

However, each category of the conclusions will be discussed in a separate subsection as following:

6.1 Uses of online channels & their affects on consumers' channel choice decisions

In this category, the conclusions are:

- The online channels are the most effective channels for advertising for new products, where consumers usually know about the new products through them.
- The online channels are the most effective channels for providing the information that the consumers need before purchasing a certain product, where consumers usually use the online to get the information they need about the products they intend to purchase.
- When consumers get aware of new products or get the information they need about a certain product through online channels, this will increase their intention to choose the online channels of purchase over other alternative offline channels.

6.2 Influences on consumers' to avoid using the online channels

In this category, the conclusions are:

- Consumers usually avoid using the online shopping channels because there is a risk in using the online channels regarding the issues of privacy & security.
- Consumers usually prefer using the offline shopping channel rather than using the online channels, because through the offline channels they can communicate socially, but they can't through the online channels.
- Consumers usually prefer using the offline shopping channel rather than using the online channels, because using the offline shopping channels is more enjoyable than using the offline shopping channels.
- Consumers usually avoid using the online shopping channels because there is a delivery delay to receive the product.

6.3 Influences on consumers to use the online channels

In this category, the conclusions are:

- Getting better prices through the online shopping channels is always a powerful influence on consumers to increase their intentions to choose the online shopping channels over other alternative offline channels.
- The 24/7 shopping access provided by the online shopping channels is a powerful influence to increase the consumers' intentions to choose the online shopping channels over other alternative offline channels.
- The effort saved by the consumer when using the online shopping channels is a powerful influence to increase the intention to choose the online channels over other alternative offline channels of purchase.
- The easy comparison between several products through the online channels of purchase is a powerful influence on consumers to prefer choosing the online shopping channels over other alternative offline channels.
- Consumers usually prefer choosing the online shopping channels over other alternative offline channels, because through the online channels consumers can find bigger varieties of products.
- The international purchase through the online channels is a powerful influence on consumers to prefer using the online channels when making an international purchase.
- The recommendations about using the online channels usually increase the consumers' intentions to use the online shopping channels.

7. Discussion

The results of this research show the factors and the influences that affect the consumers channel choice behaviour when the online shopping channels are available for the consumers as alternative channels for the traditional offline channels. These results indicate that the factors or the influences that affect the consumers, affect them either in increasing their intention to purchase through the online channels, or in avoiding using the online shopping channels.

However, as shown in the previous section, this research has found stronger influences on the consumer which increase their intention to purchase through the online channels, and according to that the research has found that there are high possibilities for the consumers to choose the online

channels over other alternative offline channels, therefore, this paper concludes that the adoption of the online shopping channels is very important for companies in order to attract more customers and maintain their existing customers' loyalty.

The findings of this research suggests that companies must adopt different kinds of channels in order to keep fulfilling the customers' needs and keep them loyal for the company. This is where consumers prefer using certain channels for certain purposes and avoid using certain channels for other purposes, for instance, consumers prefer to use the online channels of purchase when making international purchases, but in other situations consumers could prefer to use the offline channels because they are more enjoyable.

On the other hand, when companies are selling through the online shopping channels, companies must keep monitoring the influences that increase the consumers' intention to purchase through the online shopping channels. Monitoring these influences improve the strategies of attracting new customers by acting upon the influences.

Moreover, the adoption of the online shopping channels is important for companies because the online channels are the most effective channels to advertise for the new products they offer, where this research has found that consumers often get aware of the new products through the online channels.

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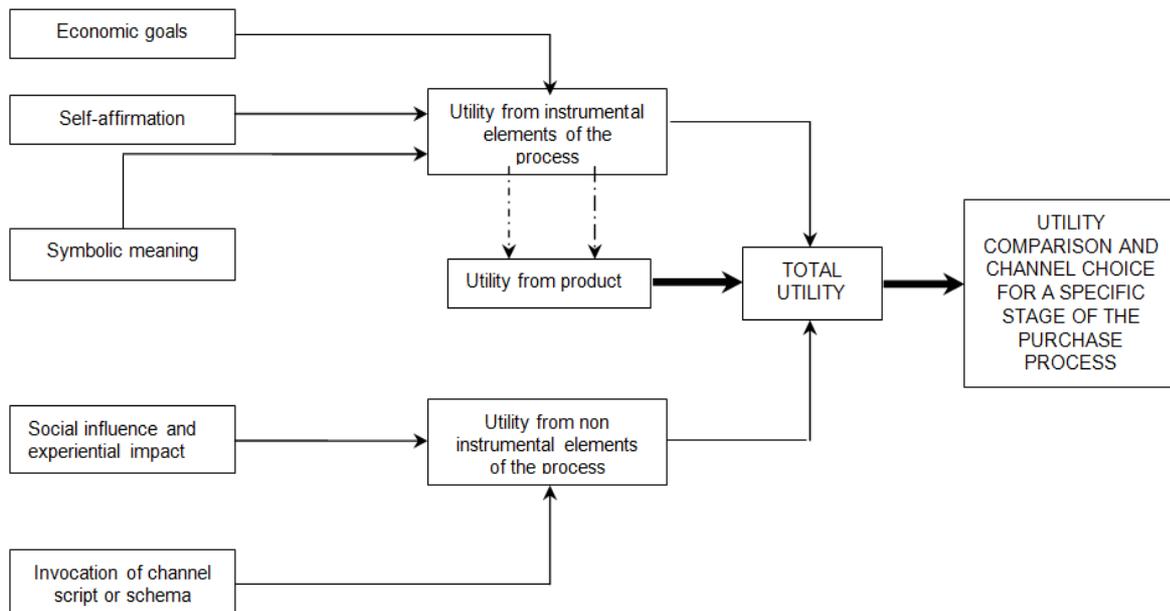


Figure 1, "determinants of channel choice at a given stage of the purchase process" source: Balasubramanian, S. et al. 2005.