

... ALTERNATIVES IN EMER

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With rapid advances in information and communication technology, many service providers are struggling with the widening range of service delivery options. Today, consumers have many different alternatives in which they can contact a company. In addition to the traditional service delivery formats (face-to-face and voice-to-voice), an increasing number of service providers are using electronic ways to distribute their services (e-services).

According to the Internet Data Corporation, in Europe, the Internet population amounts up to about 23 million people and accounts for over \$30 billion in revenues. There are many ways in which both customers and companies gain from the usage of e-services (i.e., lower transaction costs for companies, reduced waiting time and a higher level of customization for customers).

It is unclear however, whether the extension of service delivery modes will have a supplementing and/or cannibalizing effect on existing service delivery formats. Nowadays, consumers can purchase services through face-to-face (i.e. going to a travel agency personally), voice-to-voice (calling the travel agency) and bit-to-bit (searching the travel agency's website) encounters. The question that remains to be answered is whether there are tradeoffs that can be understood such that service companies can develop effective multi-channel service distribution strategies. Therefore, we explored what factors are important in the consumer decision-making process of choosing between service delivery formats. This article therefore, addresses questions such as, what motivates consumers to use e-services as their mode of preference, or which factors are most influential in decision-making processes.

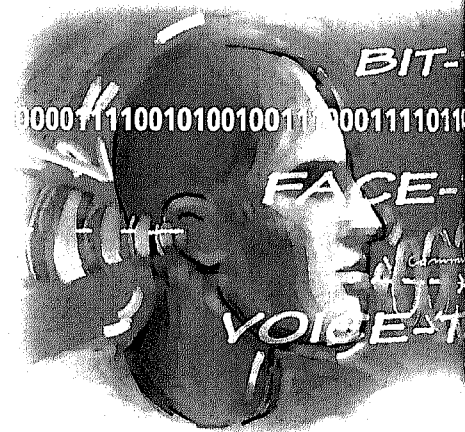
Service delivery modes

In order to identify consumer motivations, we investigated three service delivery modes. Face-to-face service delivery refers to the actual physical encounter between an employee and the customer. This mode of service delivery is strongly influenced by the human aspect, and it is likely that there will always be a segment of consumers that have a strong preference for the social aspects of personal interactions. On the downside, face-to-face service encounters are labor intensive and often limited to certain opening times. Apart from this, the customers must make an effort by physically going to the store, and in some cases, wait in line before being served.

Voice-to-voice encounters refer to those service encounters that are done by means of using the telephone (mainly after-sales support, order taking or general inquiry). Call centers and newly developed computer systems allow a more cost-effective, as well as, a more customer-oriented approach. Only a limited amount of people are needed to serve the customers, and the telephone representatives can bring up all necessary information about a customer or service during the phone call via computer and even capture customer feedback directly. An important advantage for the

consumers is the fact that the company may be reached from the comfort of their own home, requiring no physical effort. The main disadvantage of voice-to-voice encounters is the reduction in human interaction. Furthermore, time can also be a constraining factor, as a company may only be reached at specified times. Consumers might also become irritated if they have to wait long before they may speak to an agent, especially if the call is not free of charge.

Finally, bit-to-bit service encounters refer to electronic service delivery as an example of a technology-based self-service option. From a company perspective, bit-to-bit service encounters offer many opportunities, such as reducing costs, increasing productivity, improving com-



petitiveness, increasing market share, increasing customer satisfaction and loyalty, and differentiating through technological reputation. Consumers can also gain from bit-to-bit service encounters. The service is available 24 hours a day, 7 days a week, and waiting times are almost nonexistent. Furthermore, the price for the service might be lower than with other service delivery modes. But there are also factors that restrict the use of the bit-to-bit mode as a means to purchase

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services. Many people are still skeptical about the usage of these technology-based self-service options. Creditcard payments, for example, are transactions that are not perceived to be secure. Also, many people consider the cost and effort of switching to the Internet and learning how to use it to be too great to be worthwhile. Finally, the human interaction is again lacking, preventing a segment of customers who perceive human interaction to be of uppermost importance from using the bit-to-bit service delivery mode.

For all three kinds of modes to engage in the purchase of services, the motivations for using them may vary. Our research seeks to find out what these motivations exactly are.



Critical factors in service delivery format choice

As technology increases the alternatives of service purchasing for consumers, it is important to understand what motivates consumers to use a particular service delivery format. The potential growth of e-services justifies our attempt to investigate under what circumstances and what conditions different groups of consumers will choose to use electronic service delivery. In the

past, a number of variables and constructs have been advanced to understand service mode selection and non-store purchasing behavior. In order to predict user acceptance of technology, several attributes were selected from the literature on consumer decision-making and behavioral intentions to use technology. Common elements to these theoretical extensions are 1) norms, 2) attitude, 3) behavioral control, and 4) ease of use. Another element that has been identified in both the consumer and emerging e-commerce literature is the effect of price on technology adoption.

Norms

Norms are an individual's perception of social pressure to perform a certain behavior. If there is a perceived absence of approval from those people whose opinion consumers value, it is not likely that they will actually perform the behavior. For example, only if important others within a group of people perceive using the Internet as acceptable, consumers within that group will feel comfortable using it.

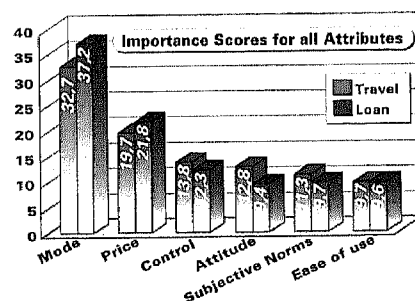
Attitude

Attitude is the individual's positive or negative feelings about performing a certain behavior. People tend to make judgements about a new situation based on related past experiences and attitudes. If a person has a positive experience when using technology, they would be more likely to use the technology again. On the other hand, the opposite is true for a negative experience. Therefore, it is likely that attitude has an important impact on the decision process on the choice of mode.

Control

Control can be defined as an individual's perceived or actual ability to perform and influence a behavior. When purchasing a

service, this refers to the amount of control a person has in the service process itself, although it usually differs from person to person. Since the Internet can also be used for customer self-service, consumers often find it more enjoyable to participate in the service transaction rather than leaving it solely up to service personnel. Therefore, control is likely to be quite relevant for evaluating technology-based self-service options, such as the Internet.

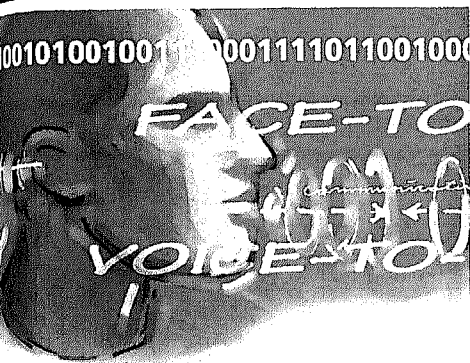


Ease of Use

Ease of use can be described as the degree to which an individual believes that using a particular service delivery mode would be free of effort. If a mode is perceived to be complex in usage, it might constitute a barrier for people. Usually, the more complex something is to do or use, the less likely people are to adopt the procedure. Providing consumers with alternative ways to interact with service providers, such as the telephone or the Internet, may be considered to be an introduction of a fairly new innovation that requires making use of a certain technology, therefore ease of use will be important in consumer choice to service mode.

Pricing

Finally, pricing may be a critical factor in the choice of a service delivery mode. The decision making process of the consumer might be influenced by price incentives to use a certain mode. If, for example, one has the option of going to a



► travel agency for an airline ticket but also has the option to acquire an airline ticket via the Internet for a reduced price, this might convince an individual to use the Internet for this kind of service.

Results

To identify consumer motivations, two financial services were used, namely getting travel insurance (low-risk service) and applying for a loan (high-risk service). This distinction was made to account for the possibility that alternative multi-channel distribution strategies would have to be developed based on the perceived risk associated with the service. We designed an experiment to identify what motivated customers to use one of the three service modes. Consumers were given relatively realistic profiles in which each of the attributes listed above was given to them. Respondents were then asked to select the combinations of attributes that they would use to purchase one of the services. Respondents made trade-offs among various attributes, selecting the combinations that were more realistic to their actual behavior.

From the results, we were able to show that consumers preferred face-to-face interactions the most, with easy to use delivery, high levels of control, approval from their peer group, medium price levels and positive previous experiences. Analysis of how important the attributes were in terms of selection of service mode was also analyzed. The figure below shows how important each attribute was for each service tested. On the aggregate level, mode and price were perceived to be two most important factors, playing a role in the decision-making process on the service encounter of choice. The other factors played a less important role. We found significant differences between low-risk and high-risk services, relating to mode and attitude. Mode appeared to be more important in high-services, while attitude appeared to be more important form travel insurance.

Generally speaking, it appeared that the face-to-face option was clearly the preferred service delivery option. Its relative position, compared to the voice-to-voice and bit-to-bit mode, was very strong. Even in the case where the bit-to-bit and voice-to-voice options would be made most attractive to use, still the advantages of the face-to-face mode would outweigh.

With all of the data and speculation surrounding the impact of the Internet compared to other channels, our data shows that face-to-face encounters are still going to be preferred by some consumers. It seems that the relative distance to price limits the impact of financial incentives to transfer customers from one mode to the other. Since the similarities between voice-to-voice and bit-to-bit were closer than either one was with face-to-face encounters, we can assume that bit-to-bit modes will sooner overtake voice-to-voice modes than the face-to-face option. What the research also showed was that consumers will be more likely to switch from voice-to-voice encounters to bit-to-bit encounters, and that those consumers that prefer face-to-face encounters will be less likely to switch to either other alternative. It is important to note though that as technology changes, so will consumer preferences.

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Managerial implications

The conclusions drawn from this research also hold some interesting managerial implications. The face-to-face mode clearly has a relative advantage over the other two alternative modes. The bit-to-bit mode is still far away from being a preferred mode of choice for many people. This is, of course, important to realize from a company viewpoint. If a company decides to offer the bit-to-bit mode to make use of their service, it should be careful in doing so. In many cases it may not prove not to be worthwhile, unless your customers are ready to embrace it.

As more factors are discovered that influence the choice of mode, and more detailed results exist for their relative importance, companies know how to design the offering of the service by means of the bit-to-bit mode more attractive. It has been shown that the bit-to-bit mode brings along several potential advantages. This may, for some companies, be an incentive to offer products through the Internet. However, as stated, one should realize that this does not automatically mean that customers will use Internet as their preferred mode of choice. Companies should make sure that they research their consumers to see what would motivate people to use the bit-to-bit mode for their particular service.

If groups of people can be identified that, under given circumstances, would have the bit-to-bit mode as their preferred mode of choice, one should try to make the bit-to-bit mode as convenient to them as possible. The preferred attribute levels then help in the process of doing so. It is however important to note that this should only be done in the case where the group itself is large enough so that the effort is worthwhile.

In time, the Internet, or bit-to-bit mode will become more and more popular as a medium to engage in the purchase of both products and services. Therefore, the importance scores for each of the attributes analyzed will change. Smart companies will keep track of the changes that occur for all the attributes that may play a role in the purchasing decision as well the intentions to use a certain mode. Every time that the factors undergo changes in importance and importance ranking, it means that companies would have to adapt their current policies on attracting people to use the Internet. Only companies that are keeping track of those changes in the social environment, that may exert an influence on consumer's preferences, will, in the long run, be able to survive the continuous struggle for the acceptance of the bit-to-bit mode.

Bij hoge uitzondering is bovenstaand artikel in samenspraak met de auteurs van Maastricht University in het Engels geplaatst. Wilt u hierop reageren, dan kunt u uw reactie mailen naar e-mail: redactie@bbp.net •