Online customer service and retail type-product congruence

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ABSTRACT

This study investigates how various elements of customer service affect the behavioral intention to shop at the online or the offline store for different product categories. We focus on the perceived value, trust, interface, empathy, and offline presence as the dimensions of the customer service for the retail store (online or offline). Using 317 respondents from the online stores' users, this study finds that perceived value is the strongest predictor for future intention to shop at online stores, whereas offline presence of an online store did not enhance the future intention to shop at online stores. Other dimensions such as enhanced trust and ease of interface strengthen the intention to purchase at the offline stores. Finally, perceived value and empathy associated with online stores harm the offline stores. In synch with the Theory of Congruence, this study supports the notion that the perceived congruence between product type and retail store type affect their intention to purchase certain product categories at the online stores and to purchase other groups of product categories at offline stores. Further ramifications of these findings are discussed in the paper.

1. Introduction

Since the introduction of online retailing, there has been an ongoing debate about which retail type – online versus offline – will dominate the market place (Doherty and Ellis-Chadwick, 2010; Mahasan et al., 2002; Weltevreden, 2007). While online retailing experienced an impressive growth, e.g., annual growth rate of 18% during 2002–2008, recent numbers present a more modest picture, e.g., the growth rate was 16.3% in 2010 (US Census Bureau, 2012). Some even speculate that online retailing will plateau by 2014 to sales volume of $250 billion (about 8% of US total retail sales) and an average growth of 10% per year (Schonfel, 2010). The growth of online retailing has been attributed to several factors, of which customer service is identified as an important one (Keblis and Chen, 2006; Walsh et al., 2010; Yoo et al., 2010). Recent studies have found that a high percentage (82%) of consumers are satisfied with their purchase experience at an online store, whereas, the corresponding figure for the offline stores is only 63% (Caruana and Ewing, 2010; Mitra and Fay, 2010). Further, some researchers suggest that the consumers may see a natural congruence between product type and retail type (Konuş et al., 2008; Schröder and Zaharia, 2008). To make sense of these confounding scenario, we argue that the future of online or offline retailing may depend on the customer service provided by the

retail and the extent to which this surmounts the stereotypical congruence between product type and retail type. Specifically, this study investigates the relationship between the customer service provided by online retailers and the purchase intentions towards products that are typically seen as congruent with online or offline retail type.

The importance of this study is underscored by the question if online stores will eventually outdo the physical stores (Weltevreden, 2007) or will the online–offline battle reach a balance based on consumer comfort with buying some goods in an online environment and others in an offline environment. Although some product categories i.e., books, computer hardware and software, apparel and toys are the top five best selling product in an online retail environment (Schonfel, 2010), we see other product categories hardly take-off in online environment. With over 75% of offline stores have created online presence to enhance their competitiveness and to counter the erosion of market share to online store, Benedicktus et al. (2010), in the same time, this strategy enables the consumers to go back and forth between online and offline environment to search for information and purchase the merchandise in a retail environment they feel comfortable. This may be one reason that in 2010, the consumers' online activities influenced 42% of physical stores' sales (Schonfel, 2010). Kwon and Lennon (2009) also found a reciprocal relationship between consumer shopping behavior in online and offline stores. Schröder and Zaharia (2008) suggested that different stages of shopping process influence the preference for the shopping channel. Further, although online retail sales represents a small percentage (less than 10 %) of US' total retail market (Schonfel, 2010),

the increasing ease in using the features of online transaction medium might lure consumers to use it more often if they perceive that online stores are able to better serve their needs. Our study, should help answer if this is inevitable or perhaps both online and offline retail stores will serve different needs—i.e., different retail types will be seen differentially suitable for different basket of goods.

2. Theoretical framework

Theory of congruence has been used to explain why consumers prefer to shop at a particular store (Ericksen, 1997; Houston and Nevin, 1981; O'Cass and Grace, 2008; Sirgy et al., 2000). Schröder and Zaharia (2008) and Konuş et al. (2008) suggest that from a consumer's perspective, some products fit an online environment while others fit a physical environment, and consumers prefer to purchase a particular product based on the perceived product-store type congruence.

Online retailing studies propose that the effectiveness of online stores will depend on their ability to enhance the social and product presence (Badrinarayanan et al., 2012; Han and Back, 2008; Jahng et al., 2000; Korgaonkar and Karson, 2007; Morrison and Roberts, 1998). Social presence captures the interaction between buyers and sellers using tools such as email, real time chat, and the store's offline presence and customer service personnel. Product presence refers to a consumer's interaction with the product using tools such as static pictures, three-dimensional visualization, and audio visual interaction. These hopefully make an online consumers feel as though they are in a physical store, and blur the line between the online and offline store. However, congruence perspective may also explain why some consumers would purchase certain goods at an offline store.

We posit that the success of the use of retail formats will depend on how well they are able to change the perception of product-retail type congruence. In this study we use the intention to purchase offline-congruent-products (Offline-CP) and online-congruent-products (online-CP) at an offline or online retail store as dependent variables. We argue that the online retailers will gain the share of consumer wallet if they can make buyers of offline-CP buy these products at an online retail store. Similarly, offline retailers will win back lost market if they can get the shoppers of online-CP buy these products offline. Otherwise, the retail market place will see a stalemate between online and online stores. Further, we argue that this switch can be facilitated through enhanced consumer service, given that both online and offline retailers tend to offer similar products and brands. Theoretically, this line of thinking may be anchored in the Expectancy Disconfirmation Theory (Liao et al., 2011; Oliver, 1980) and Congruency perspective (Ericksen, 1997; Sirgy et al., 2000). Thus, a positive evaluation of an online or offline retailer on a particular customer service dimensions may persuade a consumer to alter his/her perception of product-retail type congruence.

We next review the literature on customer service offered by retailers, especially online retailers, and hypothesize the relationships between the customer service offered by online retailers and consumer intention to purchase online or offline congruent products at an online or offline retail store.

2.1. Customer service by online retailers

Some argue that retailing, online or offline, is a service and consumers will opt for the type of retail stores which provide high levels of customer service (Eng, 2008; Lennon and Harris, 2002; Massad and Beachboard, 2009).This is particularly pertinent because both online and offline retailers tend to offer similar products and brand assortment. These studies suggest the dimensions of customer service that are important for online retailers include reliability, access, ease of navigation, efficiency, responsiveness, flexibility, price knowledge, assurance, security, aesthetics, and personalization; however, although both online and offline stores are service organization, they may focus on different service dimensions (Ladhari, 2010; Yang and Fang, 2004).

Existing online retailing literature has primarily focused on the risk and security of online transaction (Beldad et al., 2010; Benedicktus et al., 2010; Chau et al., 2007; Kim et al., 2009), interactivity and design (Wang et al., 2011; Yoo et al., 2010), and online retailing as a part of the multichannel strategy (Aksen and Altinkemer, 2008; Grewal et al., 2009; Konuş et al., 2008; Kumar, 2010; Kwon and Lennon, 2009; Schröder and Zaharia, 2008). Others proposed dimensions such as product information, security, ease of use, e-service experience, and interaction (Keeney, 1999; Koufaris,2002; Parasuraman and Grewal, 2000). Several researchers have focused on the customer service aspect of online retailers. Liu (2003) identified information quality, service quality, playfulness, system design quality, and system use as the critical aspect of the online retail design. Eisingerich and Bell (2008) related the technical and the functional aspects of to the customer service offered by online establishments Ladhari (2010) identified six constructs which need more research focus—ease of use, reliability, responsiveness, security/privacy web design and information content.

Based on these studies, especially Ladhari's (2010) inventory, we focus on *perceived value, trust, interface, empathy,* and *offline presence* as dimensions of customer service provided by online retailers, and argue that these will influence the shoppers' intention to shop for certain products at an online or an offline retail stores.

2.2. Perceived value

Ceteris paribus, price is an integral part of value, and a key driver for to the success of online retailing (Fagerstrøm and Ghinea, 2011) and includes both monetary and non-monetary components. Typically, consumers associate online stores with low cost due to the short distribution channel, no physical facilities and no frill service (Moon et al., 2008). However, Ba et al. (2008) suggested that price would not be a dominant factor in the purchase decision for product requiring high service, than for generic product which does not require high service. Relying on the assumption that consumers will try to minimize the cost of shopping and consumption (Papatla and Liu, 2009), it is not surprising that consumers use online stores to maximize their utility in terms of time and money savings (Punj, 2011). We argue that if the online store enhances the perception of value (including lower price), consumers are more likely to patronize the online store, for all product categories, and less likely to shop at offline store.

Hypothesis 1. Perceived value advantage associated with the online store is *positively* associated with the intention to purchase the online-congruent-products at the online store.

Hypothesis 2. Perceived value advantage associated with the online store is also *positively* associated with the intention to purchase the offline-congruent-products at the online store.

2.3. Trust

Trust has been the focus of debate among the proponents and the opponents of online retailing. Trust is an attitude of confidence that one will not be exploited (Beldad et al., 2010) and is applicable for