Essays on multichannel customer management
Konus, Umut

IMPORTANT NOTE: You are advised to consult the publisher's version (publisher's PDF) if you wish to cite from it. Please check the document version below.

Document Version
Publisher's PDF, also known as Version of record

Publication date:
2010

Link to publication in University of Groningen/UMCG research database

Citation for published version (APA):

Copyright
Other than for strictly personal use, it is not permitted to download or to forward/distribute the text or part of it without the consent of the author(s) and/or copyright holder(s), unless the work is under an open content license (like Creative Commons).

Take-down policy
If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

Downloaded from the University of Groningen/UMCG research database (Pure): http://www.rug.nl/research/portal. For technical reasons the number of authors shown on this cover page is limited to 10 maximum.
1 Introduction

1.1 General Introduction

In recent years, with the proliferation of marketing channels, research on multichannel phenomena has gained greater interest among both marketing scholars and practitioners. Recent research shows that 40% of retailers sell their products through three or more channels, and 42% sell through at least two (Direct Marketing Association, 2005). From a customer perspective, studies reveal that multichannel shoppers constitute 70% of the consumer market (Doubleclick, 2004), and they purchase 30% more than those who use only one channel (Jupiter Research, 2006). The shopping process consists of multiple phases, including information search, purchase, and after-sales services. The prominence of multiple channels indicates that many customers use different channels across the various phases of their shopping process. The research shopping phenomenon is an apt example of this tendency: 45% of customers use an online channel to gather information before they make their purchase in brick-and-mortar stores (Doubleclick, 2004). Moreover, besides business-to-customer sector, multichannel strategy has also become a major force in business-to-business distribution channels in the last years (Rosenbloom, 2007).

For the past decade, the main driver of business-to-customer multichannel shopping has been online shopping. eMarketer (2009) reports that the total purchase volume related to online shopping has increased in the past and is expected to continue rising in coming years (see Figure 1.1). Moreover Sears, one of the largest US retail chains, reports that the growth in multichannel customer activity is even outpacing the growth in online retail and there is an increasing multichannel influence on sales (see Figure 1.2). Recent research reports reveal
similar figures for European and other non-US markets (Mintel, 2009). Those developments suggest the need for a stronger understanding of multichannel customer behavior, which continues to create increasingly complex challenges for researchers and practitioners.

![Figure 1.1: Estimated US Retail E-Commerce Sales (2008–2013)](source: eMarketer, 2009)

![Figure 1.2: Increasing Multichannel Influence on Sales](source: LaRose (Sears Corporation), 2009)
One of the core challenges for researchers in the multichannel domain is the understanding of customer behavior in multichannel environment. Managers need to recognize how customers choose, use, and switch among channels, as well as the impact of their choice on overall shopping patterns (Neslin et al., 2006). The Marketing Science Institute has emphasized that understanding the decision-making processes of consumers in today’s digital environment is now a top-tier research priority (MSI, 2008). Neslin et al. (2006) reiterate that marketers always have considered the management of marketing channels fundamental in their marketing mix. But multichannel customer management means more than conventional channel management. Since new channels are changing customer behavior and consumers are becoming more vocal; companies are shifting from brand and product focus to customer centricity in their channel management activities (Forrester, 2008). This thesis pursues a further understanding of multichannel customer behavior and how firms can manage their multichannel marketing activities optimally.

To achieve these objectives, this thesis contains several essays. Chapter 1 provides an introduction, a brief review of extant literature, and a summary of the contributions and research questions guiding this thesis. Chapter 2 focuses on the existence of multichannel shopper segments and their covariates. Chapter 3 contributes to understanding of the consequences of forced channel migration on customer attitudes, including customer reactance, satisfaction, and future purchase intentions. In Chapter 4, I investigate the impact of channel elimination on customer behavior in terms of purchase incidence and average order size. Finally, in Chapter 5, I provide an outline of the content of each chapter and discuss the conclusions and managerial implications of this research project.

1.2 Multichannel Customer Behavior
A channel from a multi-channel perspective is “a contact point between the customer and the company” (Neslin et al., 2006; Pietersen et al., 2007). Multichannel customer management refers to “the design, deployment, coordination, and evaluation of channels in which firms and customers interact, with the goal of enhancing customer value through effective customer acquisition, retention, and development”. (Neslin et al., 2006). With a multichannel strategy, firms provide several touchpoints that customers can use to search for information and/or purchase the products or services offered by the company. In the modern multichannel environment, the most commonly used marketing channels for purchase, information, and after-sales service are (1) brick-and-mortar stores, (2) the Internet, (3) telephone or call centers, and (4) catalogs and brochures (Neslin et al., 2006). New forms of customer touchpoints and channels, such as customer self-service channels in the form of kiosks (Reinders et al., 2008), also have been emerging, and new online media channels (e.g., eBay, Facebook, Twitter, blogs, podcasts) represent alternative pathways of interest to multichannel marketers. The use of customer-based self-service technologies (CBSST) and new media marketing also is becoming more prominent as customers gain familiarity with the technology and experience of using online services.

Previous research has made considerable progress in clarifying the various issues for multichannel customer management, though it mainly concentrates on customer channel choice (e.g., Kumar and Venkatesan 2005; Kushwaha and Shankar 2007a; Montoya-Weiss 2003), customer channel migration (e.g., Ansari, Mela, and Neslin 2007; Gensler, Dekimpe, and Skiera 2004; Knox 2005; Thomas and Sullivan 2005; Venkatesan, Kumar, and Ravishankar 2007), research shopping behavior (Verhoef, Neslin and Vroomen 2007), the multichannel allocation of marketing efforts (e.g., Kushwaha and Shankar 2007b), and the value of a multichannel versus single channel customers (e.g., Ansari, Mela, and Neslin 2007; Kushwaha and Shankar 2007a). Studies also address the impact of a multichannel
environment on customer loyalty (Wallace, Giese, and Johnson, 2004; Shankar, Smith, and Rangaswamy, 2003; Danaher, Wilson, and Davis, 2003), sales and profitability (Kumar and Venkatesan, 2005; Kushwaha and Shankar, 2007, Gensler, Leeflang, Skiera and Boehm, 2010), and channel cannibalization (Deleersnyder et al., 2002).

The main goal of this thesis is to gain a greater understanding of multichannel customer behavior and how firms can manage their multichannel marketing activities. For this thesis, I propose some research issues that require further investigation. To develop efficient and customer-oriented multichannel strategies, managers must understand these uncovered issues. Neslin and Shankar (2008) have proposed some research questions that could guide additional studies in multichannel customer management; for this thesis, I focus mainly on three: (1) How should a firm segment its customers in a multichannel environment? (2) Should customers be “right channeled,” and if so, how? and (3) What channels should a firm employ? Those issues constitute the basis for this thesis and correspond to the way in which customers behave in multichannel environments and respond to different firm strategies.

1.3 Contributions and Research Questions

This research focuses on three substantial issues that require further research attention: (1) multichannel shopper segments and their covariates, (2) customer responses to forced channel migration, and (3) the effect of channel elimination on customer behavior. Table 1.1 shows the main characteristics of the studies in this thesis.
Table 1.1
Main Research Characteristics

<table>
<thead>
<tr>
<th>Subject</th>
<th>Chapter 2</th>
<th>Chapter 3</th>
<th>Chapter 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multichannel shopper segments and their covariates</td>
<td>Customer responses to forced channel migration</td>
<td>Effect of channel elimination on customer behavior</td>
<td></td>
</tr>
<tr>
<td>Survey data</td>
<td>Survey data</td>
<td>Actual (transactional) data</td>
<td></td>
</tr>
<tr>
<td>364</td>
<td>Experiment 1= 117</td>
<td>Analysis= 1000</td>
<td></td>
</tr>
<tr>
<td>Experiment 2= 129</td>
<td>Validation= 1000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experiment 3= 499</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latent class analysis</td>
<td>Experimentation</td>
<td>Tobit Type II model</td>
<td></td>
</tr>
</tbody>
</table>

In the following sections, I briefly discuss the theoretical background, relevancy, and contributions of the three research studies to marketing literature.

1.3.1 Multichannel Shopper Segments and their Covariates

Neslin et al. (2006) identify multichannel customer segmentation as a key issue in designing effective multichannel strategies. At one extreme, customers might behave homogeneously with respect to available channels, in which case the multichannel strategy is essentially mass marketing. At the other extreme, specific segments might align with specific channels, such that the market contains a store segment, a catalog segment, and an Internet segment, for example. Previous research identifies a multichannel customer segment (Kumar and Venkatesan, 2005; Kushwaha and Shankar 2006), mostly focusing on customer purchases from multiple channels. However, information search and purchase represent two critical and often separate stages of the shopping process, for which consumers may use different channels (Verhoef et al. 2007). Thus, the main research question for Chapter 2 is:
Research Question 1: Do multichannel shopper segments exist? If so, what are the covariates of multichannel segment membership?

To contribute to existing literature, this study thoroughly investigates the existence of multichannel shopper segments, with consideration of both the information search and purchase phases of the shopping process. It also investigates the psychographic and sociodemographic covariates of a multichannel orientation, in line with prior retailing research (Ailawadi et al. 2001). By examining multichannel shopping behavior for multiple product categories, this study determines some potential differences in segmentation schemes and their covariates.

1.3.2 Customer Responses to Forced Channel Migration

In the past decade, many customers have migrated from traditional to alternative channels, though existing research has focused mainly on voluntary channel migrations (Thomas and Sullivan, 2004; Kushwaha and Shankar, 2006; Gensler, Leeflang, Skiera and Boehm, 2010; Ansari, Mela and Nesin, 2008). In this form, customers have the freedom to choose among multiple channels without any restrictions. Yet a newer form of customer migration reflects firm strategies that are coercive in nature and eliminate certain channels or discourage customers from using particular channels. These tactics imply that customers’ freedom to choose a channel has been threatened or eliminated, which could lead to customer reactance, dissatisfaction, or lowered usage intentions. Therefore, the main research question for Chapter 3 is:

Research Question 2: What is the impact of forced channel migration on customer reactance, satisfaction, and future channel preferences? How can firms mitigate the potential negative consequences of a forced channel migration strategy?
This research makes several contributions to the literature. First, this study is the first to study the effect of forced channel migration on customer attitudes such as customer reactance, satisfaction, and compliance. Second, Chapter 3 investigates the effect of incentives to encourage mitigation on the negative consequences of a forced migration strategy with regard to customer attitudes. In this sense, the study includes both rewards and punishments as mitigation tools. Third, I examine if the response of customers to forced migration strategy varies across customer groups (i.e., high and low value customers).

1.3.3. Effect of Channel Elimination on Customer Behavior

Various studies address the introduction of new channels and their effects on customer behavior (Deleersnyder et al., 2002; Van Nierop, Leeflang, Teerling, and Huizingh, 2009, Boehm and Gensler, 2006; Ansari et al., 2008). However, eliminating non-profitable marketing channels is also part of today’s business practices. Empirical studies have shown that forced channel migration leads to negative customer attitudes (Konus, Trampe, and Verhoef, 2009; Reinders et al., 2008) but do not indicate the impact of channel eliminations on actual customer behavior. Therefore, Chapter 4 aims to examine the consequences of channel elimination on customer behavior, with particular reference to the catalog retailing industry, according to the following research question:

Research Question 3: How does the elimination of a catalog channel influence customer purchasing behavior? Which factors affect customers’ responses to a channel elimination?

This study makes several contributions to existing literature; primarily, it is the first study to investigate the effect of eliminating a channel on actual customer behavior. This investigation considers various factors such as past customer behavior, channel use
demographics, e-mail communications, and time trends, which may influence customer responses to the channel elimination. Finally, the research contributes substantial knowledge on catalog retailing and multichannel marketing, because it investigates the role of the print catalog channel as an information source and a potential impetus for the shopping process.