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Understanding channel purchase intentions

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1 Introduction

1.1 Channel evaluation from a consumer perspective

A consumer, John, wants to buy a book and considers his main shopping options. He decides that he can either go to his favorite bookshop that requires a five minute bike ride or turn on his computer and visit the website Amazon.com. The weather is nice, so that should not prevent him from doing his daily exercise. He generally likes to shop in the bookstore, as the piles of books and the social interaction that takes place with the other customers inspire him. He is especially attracted by the discounts and the service that are offered by this bookstore. Unfortunately, the lovely sales clerk, who was always very kind to him, has quit working. Furthermore, he currently does not have much spare time to socialize and browse the store. Next, there is a considerable chance that the local bookstore does not have his intended book on stock. Being familiar with buying books through the website, he feels confident to find this book within three clicks, and that Amazon has it on stock. In contrast to his first online purchases, he is now less concerned about possible credit card abuse. He also looks forward to reading the customer reviews just before purchasing the book online. After deliberating about the perceived costs and benefits of using both channels, he decides to buy the book through Amazon. This deliberation process can be described as the evaluation of channels from a consumer perspective.

As the number of people using the Internet for their shopping steadily rises, it is increasingly important for retailers to understand why consumers decide to buy products online or offline. According to a recent study conducted by Shop.org and Forrester Research (2005), online sales reached 4.6 percent of total retail sales in 2004, up from 3.7 percent in 2003 and 2.4 percent in 2002 in the US. Dutch consumers are also increasing their expenditures online; a Dutch study performed by Blauw Research and Thuiswinkel.org (2005) showed that online sales in the Netherlands increased from € 947

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million in 2002 to € 1.2 billion euro in 2003, to €1.7 billion in 2004. The highest growth rates for 2004 were found in the markets for holidays, insurances and tickets (42%), and amusement (e.g. books, DVDs, CDs, software, games) (37%). The average online expenditures per online buyer also increased from €364 in 2003 to €424 in 2004. Despite online sales still account for less than 3 percent of total retail sales, the online growth rates still indicate that the online channel will play a more profound role in consumers' shopping activities.

Inarguably, online and offline channels present different shopping experiences even when the same products are purchased (Wolfenbarger and Gilly 2001). Instead of interacting with employees in a physical space, consumers interact in a virtual environment through the website interface (e.g. Alba et al. 1997; Hoffman and Novak 1996). Additionally, the Internet is praised for its capabilities to provide interactivity (chat, e-mail), personalized experiences (registration, user input, personalization), multimedia (Flash animations, movies), shopping tools (virtual sales assistant, search engine, order tracking), community (virtual communities, consumer reviews), increased product selection and information (cf. Wolfenbarger and Gilly 2001). Next, due to its in-home shopping characteristics online shopping is generally perceived to be more risky and, consequently, trust and risk play a more prominent role online (Forsythe and Shi 2003; Pavlou 2003). Not surprisingly, researchers have addressed that existing concepts, such as service quality or retail quality, may be inadequate to fully capture online shopping experiences (Wolfenbarger and Gilly 2003). Before one can compare channels from a consumer perspective, it is necessary to adopt an overall encompassing criterion. This study uses the concept of perceived value to enable this comparison, as it has been shown that perceived value explains consumer preferences and shopping behavior in many settings (Rust and Oliver 1994). It analyzes how consumers evaluate online and offline channels by measuring their shopping value perceptions for an online and offline retailer and their subsequent purchase intentions.

1.2 Purpose of the study

The main purpose of this research is to develop and test a model that enhances our understanding of how consumers evaluate online and offline channels for their purchasing. Rather than merely investigating the predictors of online shopping, this study focuses on understanding why consumers shop through the online or offline channel. More specifically, this study tries to explain how online and offline purchase intentions are constructed. The effects of the predictors can be interpreted as the reasons why consumers intend (not) to shop online or offline.

By explicating the underlying choice criteria, this research tries to increase our understanding of how consumers evaluate the online and offline channel for their purchasing. A general concept is required to enable comparisons between the two channels in order to explain consumers' purchase intentions. The concept of perceived value is chosen, as it represents a tradeoff between all perceived costs and benefits (Zeithaml 1988). Perceived value is capable of predicting purchase intentions for products and stores, and it is likely to predict channel purchase intentions as well (Chen and Dubinsky 2003). It acts as an 'umbrella' term (Woodruff 1997) and enables comparisons –from a consumer perspective– between the online and offline channel.

1.3 Research questions

This research first explores the factors consumers consider when evaluating channels for their purchasing. It is expected that the perceived costs and benefits of shopping through a particular channel determine consumers' intentions to use that channel. As such, the concept of perceived value (cf. Zeithaml 1988) will be used to determine the predictors¹ of online and offline perceived value and purchase intentions. This leads to the following research question:

¹ This study uses the term “antecedents” or “predictors” to refer to the antecedents of the dependent variables in the structural equation models (see Chapter 5). Similar to regression analysis, structural equation modeling infers causation from association. Although in its strictest terms causation is rarely found, in practice strong theoretical support can make empirical estimation of causation possible (Hair et al. 1998).

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1. What are the antecedents of online and offline perceived value and purchase intentions?

Next, this study examines whether the *construction* of perceived value and purchase intentions online is different from offline. As the shopping experiences are different, consumers may vary in the criteria and the weights they attribute to them to form their value perceptions and purchase intentions. By measuring the relative weights of the antecedents of perceived value for both channels, this study shows how value and purchase intentions are constructed in each channel. As such, the relative importance of the antecedents of online and offline value and purchase intentions is investigated to see if certain antecedents have a more pronounced effect in either channel. The antecedents that have the strongest impact can be interpreted as the main reasons (not) to buy through a particular channel. Thus,

2. Do the effects of the antecedents of perceived value and purchase intentions differ between channels?

To gain additional insights into the determinants of consumers' online purchase intentions, this study explores whether experienced online buyers differ from those with less experience with respect to the importance they attribute to the antecedents. Prior research frequently distinguished between online shoppers and offline shoppers based on their prior online shopping experience with varying cut-off points. Parasuraman (1997) argued that consumers' perceptions of value and the construction of it evolve over time. For example, consumers who gain experience in online shopping may not only shop more efficiently in time, but they may also rely more strongly on the required time and effort expenditures. Next, customers who had gained much online experience relied less strongly on reputation than those with less experience (Einwiller 2003; Montoya-Weiss et al. 2003). In other words, the attributes that motivate consumers to adopt a channel may be different from the attributes during and after use (Parasuraman 1997; Parasuraman, Zeithaml and Malhotra 2005; Woodall 2003). Thus, it can be expected that there are differences between experienced and less experienced online buyers in the construction of online perceived value and purchase intentions. This study tries to elicit these differences by answering the following question:

3. Do the effects of the antecedents of perceived value and purchase intentions differ between experienced and less experienced online shoppers?

In sum, this research investigates how consumers evaluate channels by measuring the criteria consumers use to form their online and offline shopping value perceptions and purchase intentions. It investigates the strengths of the relationships across contexts. It also examines the differences in the strength of online shopping motivations between experienced and less experienced online shoppers.

1.4 Significance of the study

Today's consumers not only have an abundant store choice, but they also have a wide variety of channels to choose from. With the advent of multiple channels (e.g. Mobile Commerce, E-Commerce) and a corresponding increase in the competition between channels, the understanding of what motivates consumers to purchase from one channel rather than another becomes increasingly important to channel design and management (Black et al. 2002). Not surprisingly, scholars have called for more research to better understand why customers select particular channels for their purchasing (Black et al. 2002; Gupta, Su and Walter 2004; Inman, Shankar and Ferraro 2004; Nicholson, Clarke and Blakemore 2002; Schoenbachler and Gordon 2002). In response to these calls, this study aims to enhance our understanding of channel choice through analyzing consumers' formation of channel purchase intentions. Early research focused on understanding why consumers shop through store and nonstore formats (Gillett 1970; 1976; Korgaonkar 1984; Korgaonkar and Moschis 1982; Spence, Blackwell and Engel 1970). Nonstore formats here referred to mail order or catalog shopping. In recent years, studies discerned another nonstore retail format: Internet. Recent studies investigated why consumers shop through stores, catalogs, or the Internet (e.g. Black et al. 2002; Gehrt and Yan 2004; Keen et al. 2004). Most of these studies treat channels as a whole, neglecting that retailers within a channel can differ in their offerings. To create a more realistic setting, this study asks customers of specific websites and stores to form their expectations of shopping online and offline. Moreover, it tries to elicit differences in the criteria experienced and less experienced online shoppers use to form their online purchase intentions.

This study contributes to the existent marketing literature by comparing the offline and online channel side-by-side. Only a few of the most recent advances consider the use of

both channels simultaneously (Gehrt and Yan 2004; Keen et al. 2004; Montoya-Weiss, Voss and Grewal 2003; Shankar et al. 2003), as opposed to an adoption type paradigm where E-Commerce is considered in isolation. This side-by-side comparison makes it possible to increase our understanding of channel choice, as it makes explicit the choices consumers have and the tradeoffs they make. Moreover, as the Internet as a shopping channel has become more mature and accepted, it is more useful to investigate the intentions to *use* rather than to *adopt* the Internet. This study also makes a significant contribution to the literature by comparing the *constructions* of perceived value and purchase intentions (1) across the online and offline channel and (2) across experienced and less experienced online buyers. As such, it is possible to investigate whether certain factors play a more articulated role in either channel, and whether the strength of specific relationships online differ between experienced and less experienced online buyers. This comprehensive research approach increases our understanding of how consumers evaluate channels. Next, this study is one of the first studies to use the concept of perceived value to determine channel purchase intentions. In addition, this research introduces the construct of enjoyment to capture the hedonic aspects of shopping; the extant perceived value literature largely neglected the influence of this shopping benefit (e.g. Baker et al. 2002). This study investigates whether enjoyment has a distinct and genuine impact on purchase intentions, and whether it should be included in future perceived value models. Practically, managers can increase their understanding of what drives perceived value and channel purchase intentions. By surveying customers with the provided questionnaire, the relative strengths of channels and relative importance of criteria in each channel can be elicited. This provides managers valuable information about the key motivating and inhibiting factors; as such, they can effectively increase the value and purchase intentions for their customers. Chapter 8 provides a more detailed discussion.

1.5 Background on channel choice

When channels are considered in the decision to buy a certain product through a certain retailer, the choice automatically becomes more complex than just a product or store choice (Black et al. 2002). Apart from retailer and product factors, consumers also consider channel factors. Consequently, the choice is influenced by *product factors* (complexity,

diversification, product category risk), *consumer factors* (e.g. demographics, motivation, shopping orientations, experience), *retailer factors* (reputation, merchandise, service, price level), *channel factors* (e.g. channel accessibility, efficiency, channel risk) and *situational factors* (e.g. weather, moment of day, time pressure) (Black et al. 2002; Gehrt and Yan 2004; Nicholson et al. 2002). According to Belk's scheme (1975), type of product pertains to the situational factors; this research, however, treats product factors as a separate factor just like Black et al. (2002). Figure 1.1 shows the general factors that influence consumer choice.

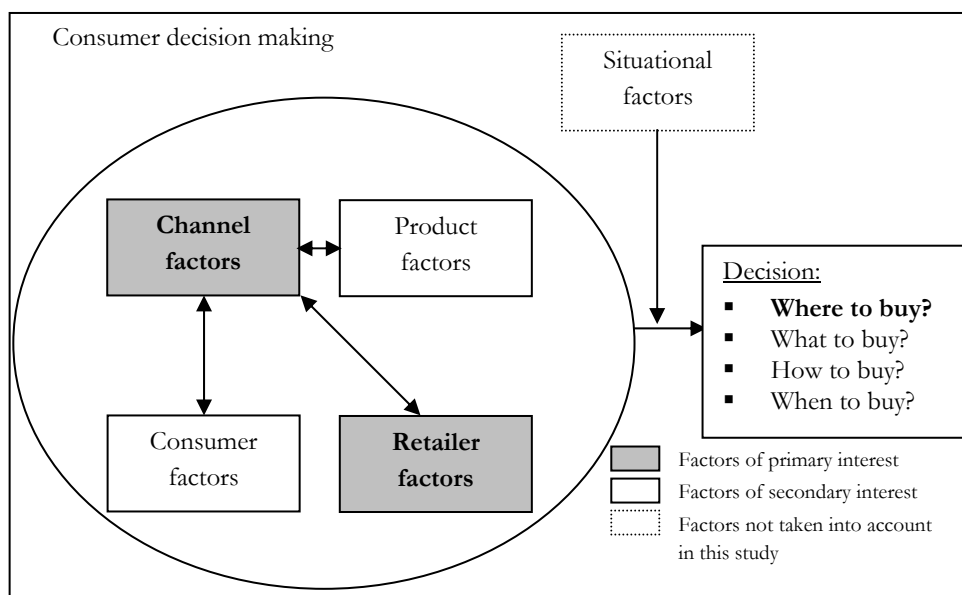


Figure 1.1: General factors affecting consumer decision making (adapted from Black et al. 2002, p. 171)

Before buying a product through a certain channel, consumers are expected to evaluate channels on their benefits and costs (Verhoef, Neslin and Vroomen 2005). In this respect, one could argue that in order to understand channel choice one should merely focus on the channel factors in order to determine the best option available to consumers (i.e. the channel with the highest utility). However, the performance of the channel is influenced by product, retailer, and consumer factors. As a result, channel choice is not solely based on the general merits of the channel itself (e.g. accessibility, efficiency, risk), but its utility must be seen in context of product factors, retailers' offerings and consumer abilities and

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motives to use a particular channel. Finally, situational factors can have a strong influence on the actual decision.

Product factors may strongly affect the consumer's decision to shop online or offline. In other words, there are strong product-channel interactions (Black et al. 2002; Schoenbachler and Gordon 2002; Inman et al. 2004). This means that the channels' derived utility or suitability is dependent on the type of product or service that is purchased. For instance, the Internet is particularly suited for selling products that have predominantly search aspects, as opposed to products that are high in experiential aspects (cf. Alba et al. 1997). In addition, complex, higher involvement products (e.g. mortgages) are more suited to face-to-face channels, as they often require personal support (Black et al. 2002).

Retailer factors clearly impact channel choice. Perceptual differences in the offerings between online and offline retailers are likely to affect channel preference and use. Superior selections offered by online bookstores may attract customers shop online. In contrast, consumers may also decide to choose offline bookstores, because they seek personal advice. Clearly, the capabilities of retailers are partly determined by the channel itself.

Consumer factors, such as socio-demographic factors (e.g. gender, income, education, family sizes), psychographic factors and personality traits (e.g. lifestyle, opinion leadership, self-efficacy, trusting disposition) and behavioral factors (e.g. previous online shopping experience) clearly impact the consumers' utility derived from a channel (Dabholkar and Bagozzi 2002; Eastlick and Lotz 1999; Inman et al. 2004). These consumer-channel interactions imply that consumer factors impact perceptions of channel performance and channel preference.

Finally, *situational factors* (e.g. mood, time availability) have been shown to have a strong influence on consumer decision making (Belk 1975) and, in particular, channel choice (Nicholson et al. 2002; Gehrt and Yan 2004). Based on Belk's classification, Nicholson et al. (2002) proposed that channel selection is influenced by the physical setting (weather or climate), social setting (presence or absence of others), time-delimited context (time of day, time availability, season), task definition (type of product, gift giving), and antecedent states (mood).

Consumers are expected to seek the right mix of product, retailer, and channel factors to optimize their utility, given their motivations and their limited cognitive, physical and temporal resources. Channel choice is part of the decision-making process and should be seen in the light of the other four factors.

The goal of the current study is not to identify every factor that might affect online and offline purchase intentions, but rather to elicit consumers' main motivations to use a particular channel. The nature of this study is descriptive rather than predictive. One of the foundations of the conceptual model (see section 4.1) is that consumers evaluate shopping online versus offline in terms of the complete shopping experience rather than just the outcome of the process (e.g. Parasuraman, Zeithaml and Berry 1985; 1988). The reasoning behind this is that consumers generally optimize the full process of decision making (procedural rationality), not just the outcomes (substantive rationality) (Simon 1976). It is thus assumed that consumers decide whether to buy a particular product/service online or offline, based on *what* (outcome value) is delivered and *how* (process value) the product/service is delivered². Consequently, given a particular product, channel factors and retailer factors are expected to largely explain the motivations to use a channel. **Retailer factors**, such as service quality, merchandise quality and price, play a role in shaping influence *what* (outcome value) is delivered. Note that channel factors may also impact the retailer offerings (see above). Apart from the retailers' capability of providing a valuable shopping experience, it can be expected that **channel factors** clearly influence *how* the product or service is delivered. Prior research indicated that the online shopping process is significantly different from the offline shopping experience even when the same product is purchased (cf. Childers et al. 2001; Wolfenbarger and Gilly 2001). **Consumer factors** play a relatively small role in this research –with the exception of the moderating influence of customers' prior level online experience that might explain differences in the construction of perceived value and intentions for the online channel (see section 4.2.2). Other consumer factors, such as age, gender, education, are likely to influence the value perceptions of using channels (i.e. channel's ease of use). However, it is assumed that the

² In this respect, Heinonen (2004) argues that consumers deliberate not only about what and how the product or service is delivered, but also on when and where it is delivered. This study investigates the spatial dimension (where), but not the temporal dimension (when).

influence of these consumer factors on the motivations to shop online or offline is captured by changes in the perceptions of channel use (channel factors). Moreover, the study's focus is not on understanding *who* buys online or offline, but rather *why*. **Product factors** also play a minor role in the research model, as this research is not interested in measuring the effect of product-channel interactions. To control for the influence of product factors, only one particular product is considered: books. Books are relatively simple products and are often sold through the Internet. For these products, consumers have a real opportunity to choose between channels.

1.6 Research design

This study investigates consumers' prepurchase evaluations of buying books offline and online. It synthesizes the E-Commerce and perceived value literature to develop a conceptual model that explains online and offline purchase intentions. Based on this literature review, it is proposed that online and offline purchase intentions are based on perceptions of service quality, merchandise quality, price and the shopping experience costs and benefits (i.e. time/effort costs, perceived risk, and enjoyment) (for details, see Chapter 4). The conceptual model is empirically tested in two studies by using structural equation modeling. Data are collected through a survey amongst 656 customers of a multichannel bookseller and 437 customers of a pure-play online bookseller. The relative importance of the predictors of perceived value and purchase intentions are first determined by investigating the direct and indirect effects. Next, based on conceptual and/or empirical support, it is hypothesized that certain factors play a more profound role in either context. To test for the differences in the strength of specific relationships between the online and offline context, structural invariance tests are performed (see section 4.2.1). Additionally, the moderating influence of the degree of prior online shopping experience is investigated for specific relationships within the online context (see section 4.2.2). This is determined by testing the differences in the strength of structural relationships between experienced and less experienced buyers.

1.7 Demarcations and assumptions of the study

It is tempting to undertake an analysis that would address all factors that explain channel purchase intentions. Such an undertaking is probably overly ambitious at this time, as empirical research about consumers' channel choice has just recently started to take place. To limit itself, this study concentrates on two relevant factors: channel and retailer factors, while controlling for certain consumer and product factors. The influence of situational factors is left out, as the focus is on the relatively enduring motivations to shop through either channel. Situational factors are expected to influence channel purchase intentions through altering the importance of criteria (cf. Van Kenhove, Van Waterschoot and De Wulf 1999; Gehrt and Yan 2004), but not through altering the perceived performance of channels; consumers that have little time available are likely to use the most time-efficient channel. Further, this study especially focuses on understanding mono-channel purchase intentions and not on possible multichannel behavior. Although the actual purchase takes place in one particular channel, consumers might engage in multichanneling prepurchase behavior (switching from one channel to another), resulting in somewhat blurred perceptions of individual channel performance. As a consequence, the proposed model is particularly suited for low-involvement, simple products in which multichanneling does less frequently occur (cf. Peterson, Balasubramanian and Bronnenberg 1997). For simplicity reasons, this study equates the online channel to the Internet, despite the advent of other online channels such as interactive television channels and wireless services (e.g. Kleijnen, De Ruyter and Wetzels 2004). Further, as will be discussed in Chapter 3, the expected value or utility derived from channels goes beyond the perceptions of shopping value; consumers may derive additional value from channels through fulfilling certain personal motives (e.g. role-playing, enhancing self-image) and social motives (e.g. peer group attraction) (Tauber 1972). This study, however, limits itself to the more specific purchase-related costs and benefits. As the focus is on channel choice from a consumer perspective, it logically adopts a business-to-consumer (B2C) rather than a business-to-business perspective (B2B). Finally, this study investigates websites that sell products; although the success of auctions online is apparent, for example eBay and Marktplaats.nl, the focus is on purchases from retailers rather than through auction sites.

Based on the theory of reasoned action (Fishbein and Ajzen 1975), this study assumes that consumers –at least in time– think about channel choice when making purchases. The reality of this assumption can be questioned, as habits and rituals may impose strong effects on consumer decision making (Tetreault and Kleine 1990). In order to minimize the chance that consumers do not deliberate about channel choice, this study investigates books that are frequently sold through the Internet. They particularly refer to search goods (cf. Darby and Karni 1973); for these products information on dominant aspects can be gathered prior to purchase. As such, consumers have a real option to choose between the two channels. Table 1.1 shows the classification based on involvement and the type of goods; the study’s focus is on the down-left quadrant.

Table 1.1: The involvement-product type classification

	Search goods	Experience goods
High involvement	Mortgages, personal computers	Second-hand cars, houses, evening dresses
Low involvement	Car insurances, books, CDs, DVDs, software	Groceries, domestic and personal care appliances

1.8 Outline of the study

The content of this study is as follows. Chapter 2 provides an overview of the existent literature on E-Commerce in order to identify the main motivations and inhibitors of online shopping. It is here determined to what degree these motivations are unique to the online context. Next, Chapter 3 provides a background on the concept of perceived value. It addresses the classifications of value and the main determinants of perceived value and purchase intentions. Based on a symbiosis of the perceived value literature and E-Commerce literature, a research model is developed to capture online and offline purchase intentions. Chapter 4 discusses the conceptual model and its underlying hypotheses. Chapter 5 explains the methodology used to test the research model and the underlying hypotheses. Chapter 6 and Chapter 7 represent the main findings of the empirical studies, including the statistical procedures that were undertaken to test each hypothesis. Implications and future research possibilities are discussed in Chapter 8.