

University of Groningen

Understanding channel purchase intentions

Broekhuizen, T.L.J.

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:

2006

[Link to publication in University of Groningen/UMCG research database](#)

Citation for published version (APA):

Broekhuizen, T. L. J. (2006). *Understanding channel purchase intentions: Measuring online and offline shopping value perceptions*. [Thesis fully internal (DIV), University of Groningen]. s.n.

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).

The publication may also be distributed here under the terms of Article 25fa of the Dutch Copyright Act, indicated by the "Taverne" license. More information can be found on the University of Groningen website: <https://www.rug.nl/library/open-access/self-archiving-pure/taverne-amendment>.

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.

4 Conceptual Model

Chapter 2 and 3 analyzed the consumers' motivations and evaluation criteria to shop online or offline. The reasons to shop online or offline are determined by the expected consequences of shopping, that is the expected perceived costs and benefits. Chapter 3 introduced the concept of perceived value, as a means to measure the perceived costs and benefits in order to explain online and offline shopping intentions. By identifying the perceived benefits and costs of shopping, comparisons between online and offline shopping are possible. The first section introduces the conceptual model with its underlying hypotheses. The second section addresses the hypotheses regarding the relative importance of criteria across contexts and across experienced and less experienced buyers.

4.1 Conceptual model of channel purchase intentions

To enhance our understanding of channel purchase intentions, this study uses a means-end analysis to investigate online and offline value perceptions and purchase intentions. The basic assumption is that the value perceptions of the use of channels drive behavior. The more value consumers expect to receive from a particular channel, the more likely it is chosen. Empirical studies (e.g. Baker et al. 2002; Sirohi et al. 1998; Sweeney et al. 1999), often use more narrow definition of perceived value, and try to capture it by using a value-for-money construct. Apart from the value-for-money construct, empirical studies use additional factors are used to explain purchase intentions For example, past studies found that service quality (Baker et al. 2002; Brady and Cronin 2001; Cronin et al. 2000; Sirohi et al. 1998), merchandise quality (Sirohi et al. 1998), time/effort and psychological costs (Baker et al. 2002), and perceived value of a competing alternative (Sirohi et al. 1998) had a

direct impact on behavioral intentions. The perceived value from the competing channel⁶ represents the choice consumers have between the online and offline channel. This study proposes that consumers take into account price, merchandise quality and service quality, the shopping experience costs and benefits⁷ (i.e. time and effort expenditures, psychological costs and enjoyment), as well as the perceived value from the competing channel to form their channel purchase intentions. This study measures value for money to capture customers' expected value perceptions, but this *construct* is less comprehensive than the *concept* of perceived value (i.e. tradeoff between all salient costs and benefits).

In developing the conceptual model, it is important that the model not only explains the online and offline value perceptions and purchase intentions to a large extent, but also reflects the major differences between using the online and offline channel. The base model uses the key precursors from extant perceived value research (e.g. Agarwal and Teas 2001; Baker et al. 2002; Chen and Dubinsky 2003; Sweeney et al. 1997; 1999, Teas and Agarwal 2000) and enjoyment. Next, the extended model also incorporates attributes that play a profound role in the online context (Chen and Dubinsky 2003), but which also play a significant role in the offline context. This extension is made to make sure that the model does not ignore important predictors of online perceived value and purchase intentions. Moreover, these additional attributes –reputation, ease of use, and informativeness– are likely to explain possible differences between the constructions of online and offline perceived value and purchase intentions. The base model will be first discussed, followed by the extended model of channel purchase intentions.

4.1.1 Base model of channel purchase intentions

Figure 4.1 displays the antecedents of perceived value and purchase intentions. The conceptual model itself is well founded in the literature; it, however, introduces enjoyment as an additional predictor of purchase intentions. Note that this study treats the shopping

⁶ The author is aware that channels may not always be “competitive” as they may provide “complementary” effects for multichannel retailers through cross-channel synergies (cf. Montoya-Weiss et al. 2003).

⁷ The shopping experience costs and benefits refer to the value derived from the shopping activity itself. These costs and benefits, however, do not comprise all purchase-related costs and benefits (e.g. price, merchandise quality and service quality) (see section 3.3).

experience costs and benefits, depicted in the square box, as components of value, rather than as predictors of the value construct⁸. This study argues that this model holds for *both* the online and offline context: consumers consider the same benefits and costs, but may vary in their performance scores and weights they attach to them (see Verhoef et al. 2005). To the author's best knowledge, this is the first study that defines the construction of online and offline perceived value and purchase intentions in a side-by-side approach. By analyzing the magnitude of the determinants of perceived value and purchase intentions, it is possible to define the importance of them in each channel. In a next step, the relative strength of motivations can be determined. As a result, it is not only possible to see which factors determine perceived value and purchase intentions in each context, but also which factors have a more profound effect in one channel vis-à-vis the alternative channel. For example, time/effort costs may play an important role in both contexts, but an even greater role in the online context. In the following section, each of the proposed relationships of the model will be discussed.

⁸ This study investigated the relationships between the shopping experience costs/benefits and perceived value, i.e. the shopping experience costs/benefits as antecedents of value. The results showed that of the six relationships, only one relationship (online context: time/effort costs → perceived value) was significant. The total effect of time/effort costs on online intentions was virtually the same as the direct effect was attenuated and the relationship between perceived value and intentions was insignificant. For the sake of parsimony, this relationship was left out.

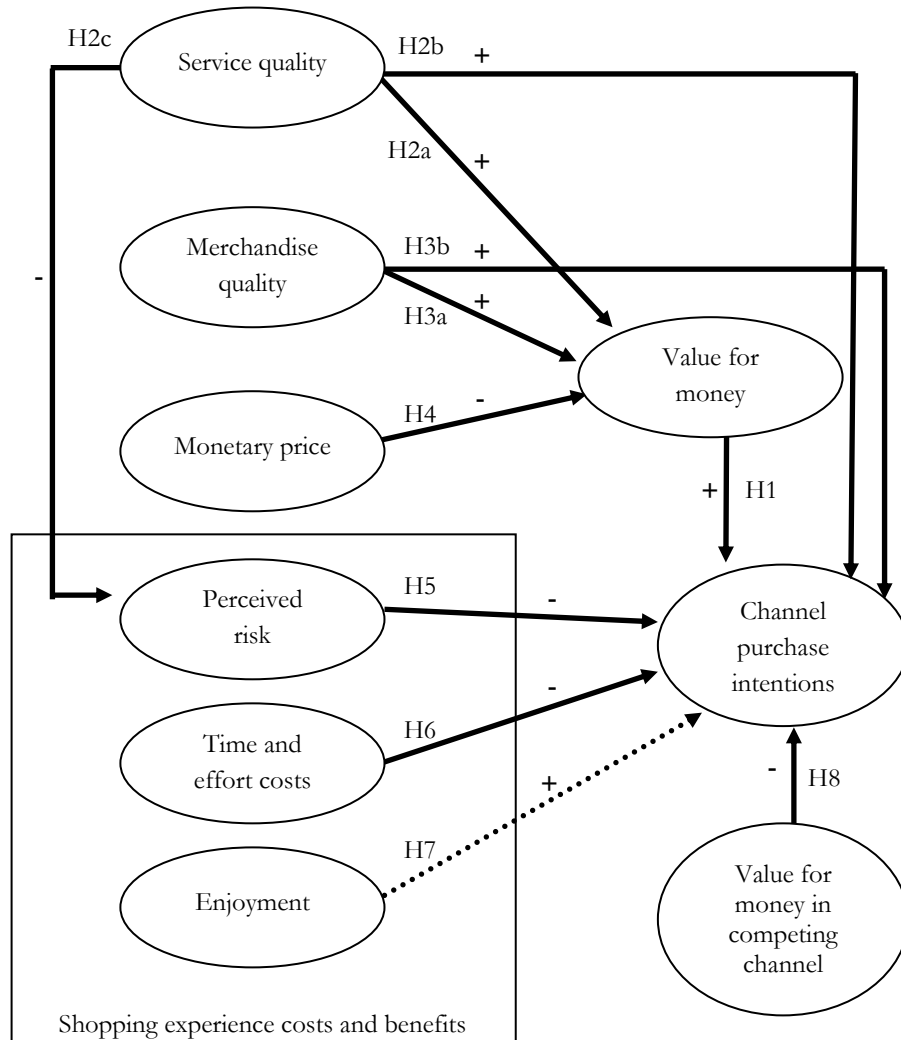


Figure 4.1: Base model of channel purchase intentions

Arrows in the model

-➔ Previously unexplored relationship that is proposed on theoretical support
- ➔ Previously explored relationships with empirical and theoretical support

Perceived value: perceived value for money

Perceived value is inherently linked with positive consequences for consumers. Consumers choose one product, store or channel over another because they believe they will get better more value than they could expect from an alternative (Gale 1994). Perceived value is frequently linked with *behavioral intentions* (Bolton and Drew 1991; Cronin et al. 2000), such as *store patronage intentions* (Baker et al. 2002), *purchase intentions* (Chen and Dubinsky 2003; Grewal et al. 1998b), *willingness-to-buy* (Dodds et al. 1991; Grewal et al. 1998a; Monroe 1990; Sweeney et al. 1999), *likelihood of repurchase* (Oh 2000) *store loyalty intentions* (Sirohi et al. 1998), and *intention to recommend* (Cronin et al. 2000; Sirohi et al. 1998), but also with *customer loyalty* (Grewal et al. 2003; Rust and Oliver 1994) and *satisfaction* (Cronin et al. 2000).

Perceived value has been shown to be an antecedent of purchase intentions in the offline channel (Baker et al. 2002; Sirohi et al. 1998), as well as the online channel (Chen and Dubinsky 2003). Researchers indicate that perceived value, being a richer evaluation criterion, is a better predictor of purchase intentions than perceived quality (Bolton and Drew 1991). This study uses the construct value for money⁹ customers to explain the intentions to shop through an online or offline retailer (cf. Sirohi et al. 1998). The more value consumers get for their money through a particular channel, the higher their intentions to use that channel for purchasing. It is proposed that:

H1 Perceived value for money is positively associated with purchase intentions

Service quality

Service quality is here referred to as the customers' perceptions of overall service quality provided by online and offline retailers. The level of service received by customers is frequently noted as a component of store image or attitude (e.g. Baker, Grewal and Parasuraman 1994; Berry 1969; Reardon and Miller 1995; Sirohi et al. 1998) and it is an important aspect of shopping in a retail context (Baker et al. 2002). In the offline context, consumers can interact with service personnel, whereas in the online context they can interact by means of e-mail, customer feedback, FAQs, and toll-free phone numbers (Lim

⁹ Note that the construct perceived value does not comprise all relevant purchase-related costs and benefits; consequently, it is less comprehensive than the concept of perceived value, which also includes the shopping experience costs and benefits.

and Dubinsky 2004). The traditional SERVQUAL scale –developed in the field of pure or interpersonal services– entails five dimensions that define the service quality. When applied to retailers that sell merchandise, service quality is often referred to as *customer service* (Chen and Dubinsky 2003; Wolfinbarger and Gilly 2003) or *retail service quality* (Dabholkar et al. 1996); it includes elements, such as *tangibles* (e.g. appearance and convenience), *personal interaction* (e.g. friendliness, helpfulness, assurance, and responsiveness of employees), *reliability* (e.g. keeping promises and doing it right), *problem solving* (e.g. return handling and complaint handling), and *service policies* (opening hours, parking facilities, warranties) (Baker et al. 1994; Dabholkar et al. 1996; Dickson and Albaum 1977; Samli, Kelly and Hunt 1998). These elements also apply to online service quality. Online consumers want an appealing website that performs correctly (Wolfinbarger and Gilly 2003; Zeithaml et al. 2000), often prefer some form of personal interaction and quick response of service personnel (Chen and Dubinsky 2003; Parasuraman et al. 2005), strongly rely on reliability/fulfillment (Wolfinbarger and Gilly 2003; Zeithaml et al. 2002), want quick and easy access to service personnel when problems occur and sometimes want to be compensated (Parasuraman et al. 2005; Zeithaml et al. 2002), and prefer clear-stated service policies about privacy, security, and shipping and handling (Wolfinbarger and Gilly 2003).

There has been a debate on the interrelationships between service quality, value and satisfaction, and their impact on purchase intentions (for a review, see Cronin et al. 2000). On the other hand, there seems to be consensus on the positive effect service quality has on perceived value (Bolton and Drew 1991; Cronin et al. 1997; 2000; Sirohi et al. 1998; Sweeney et al. 1999). In general, the more favorable consumers' service quality perceptions, the higher the perceptions of value.

More favorable perceptions of service quality also lead to reductions of perceived risk (Sweeney et al. 1999). The rationale behind this is that salespeople, being part of evaluations of service quality, can assure consumers and take away mental stress (Baker 1987; Hartline and Ferrell 1996; Sirdeshmukh, Singh and Sabol 2002; Spence et al. 1970). Salespeople's advice as a risk-reducing strategy is particularly needed in high-risk purchasing situations (Black et al. 2002; Mitchell and McGoldrick 1996). In the online context, service quality also has an attenuating effect on risk perceptions. More favorable perceptions towards a retailer's reliability, return handling, responsiveness, policies and

problem solving are generally associated with lower risk (Wolfenbarger and Gilly 2003). As such, higher service quality leads to lower risk perceptions in both the online and offline context. Although research showed that the effects of service quality on behavior are largely mediated by value perceptions (Dodds et al. 1991; Sweeney et al. 1999), other studies also found a *direct* link between service quality and purchase intentions (e.g. Cronin et al. 2000; Sirohi et al. 1998; Zeithaml et al. 1996). Based on the prior discussion, the following hypotheses are developed:

- H2a Service quality is positively associated with perceived value for money
- H2b Service quality is positively associated with purchase intentions
- H2c Service quality is negatively associated with perceived risk

Merchandise quality

When retailers are considered that are closer to the “tangible-dominant” end of Shostack’s (1977) continuum, merchandise quality becomes an important value driver (Mazursky and Jacoby 1986; Wolfenbarger and Gilly 2002). This study defines merchandise quality as the customer’s overall quality perceptions of merchandise and variety provided by the online and offline retailer. Merchandise quality consists of number, quality and composition of alternatives (Berry 1969). Prior research found a positive relationship between perceptions of *product* quality and perceived value (Dodds et al. 1991; Monroe 1990). Several authors (Baker et al. 2002; Kerin et al. 1992; Sirohi et al. 1998) extend this finding to retail settings and use the term merchandise quality as a predictor of perceived value. The rationale behind this is that with higher merchandise quality, consumer needs will be more easily met because of the wide selection and availability, but also because these selections are likely to contain products of higher quality (Szymanski and Hise 2000), which is likely to increase perceptions of value.

Apart from the indirect effect on purchase intentions through influencing perceived value, other studies also found a *direct* link between merchandise quality and intentions (e.g. Sirohi et al. 1998). Merchandise quality has consistently been found to be important concerning the offline context (e.g. Baker et al. 2002; Berry 1969; Lindquist 1974; Reardon and Miller 1995; Samli et al. 1998) and in the online context (Francis and White 2004; Szymanski and Hise 2000; Wolfenbarger and Gilly 2003). Thus,

H3a Merchandise quality is positively associated with perceived value for money

H3b Merchandise quality is positively associated with purchase intentions

Monetary price

Price is a key attribute for consumers when evaluating retailers (Berry 1969; Lindquist 1974; Lim and Dubinsky 2004). Monetary price is defined as the customers' perceptions of the prices offered by the online and offline retailer. These inferences are generally made by comparing observed prices with internal reference prices (Grewal et al. 1998b; Zeithaml 1988). Consumers frequently have difficulties in recalling the actual prices of the products (Monroe 1990), and rather encode it as 'cheap' or 'expensive' (Zeithaml 1988).

Previous studies that examine the price-value relationship (Chang and Wildt 1994; Dodds et al. 1991; Sirohi et al. 1998) consistently found a negative relationship between price and perceived value. Price is seen as an important cost criterion in consumers' value judgments; the higher the price perceptions, the lower are the value perceptions. Other authors used *relative* price, indicating the perceived price of a product compared to other products with similar features (Chen and Dubinsky; Sweeney et al. 1999), or the price level of a store price level compared with its competitors (Sirohi et al. 1998). These studies also provide evidence that the higher the perceived relative price, the less is the perceived value.

Perceived monetary price does not only act as a cost driver; it can also serve as an indicator of product quality. It is frequently mentioned that price has a dual effect (Agarwal and Teas 2001; Dodds et al. 1991; Grewal et al. 1998a; Monroe 1990; Teas and Agarwal 2000). Price is a financial sacrifice, but it also positively influences perceptions of value through increased product quality perceptions. However, the net effect of price on perceptions of value seems to be negative (Dodds et al. 1991). Zeithaml (1988) argued that a general price-quality relationship does not exist. The price-quality relationship only seems to hold for moderately priced, frequently purchased goods, such as grocery products (Kerin et al. 1992; Rao and Monroe 1989). This study does not expect to find evidence for this latter relationship, as books are commodities in which the price does not signal quality.

Other research (Chen and Dubinsky 2003; Agarwal and Teas 2001) has argued that price also has an effect on (financial) risk. The higher the price, the more financial risks are

involved, as the severity of making a wrong decision increases. Similar to Sweeney et al. (1999) and Baker et al. (2002), this study does not hypothesize a relationship between monetary price and risk (or psychic costs), as it is argued that the relative low price of buying books involve no major psychological costs during the shopping experience. Based on the discussion above, this leads to the following hypothesis:

H4 Perceived monetary price is negatively associated with perceived value for money

Psychological costs: perceived risk

Consumers can bear psychological or emotional costs in order to receive their products. Past research treated these types of costs as distinct from the time and effort costs (cf. Zeithaml 1988). Baker et al. (2002, p. 122) define the psychological costs as the consumers' mental stress or emotional labor during the shopping experience, whereas time and effort costs refer to the rational aspects of the shopping experience costs. These psychological costs often originate from perceptions of risk (Carmon, Shanthikumar and Carmon 1995). Perceived risk can be defined as the overall amount of uncertainty perceived by a consumer in a particular purchase situation (Cox and Rich 1964); it refers to the subjective –not objective– expectation of a loss (Stone and Grønhaug 1993). Decision making generally produces consequences that cannot be anticipated with certainty, and some of these consequences are unpleasant (Bauer 1960: p. 30), leading to psychological discomfort (Stone and Grønhaug 1993). In their prepurchase evaluation, consumers often experience uncertainty as they think about the chances that something might go wrong or perform less than expected; this uncertainty increases psychological costs.

A number of risk dimensions have been proposed, including financial, product performance, physical, social, and psychological risk and time/convenience loss (cf. Kaplan, Szybillo and Jacoby 1974; Peter and Tarpey 1975). Most of these studies involved risks concerning the purchase and use of products. When related to buying products through channels, consumers may be afraid to lose (some of) their money (financial risk), to run the risk that the product purchased will not function as expected and/or will not fulfill their needs (product performance risk); to injure themselves (physical risk); to encounter the risk that peers will not accept their choices or to embarrass themselves in public (social risk); to waste time and/or experience inconvenience (time/convenience risk)

and, finally, to run the risk of psychological discomfort (psychological risk). These various risk dimensions are often mediated through psychological risk to influence overall risk, as customers' psyche generally translates any type of risk into feelings of discomfort (Stone and Grønhaug 1993). As such, it can be assumed that consumers prior to purchase consider future benefits and sacrifices and discount them in an overall measure of expected risk (cf. Spreng et al. 1993). Next, perceived risk has been empirically shown to have an effect on value perceptions and purchase intentions in the offline context (e.g. Agarwal and Teas 2001; 2004; Shimp and Bearden 1982; Sweeney et al. 1999), as well as in the online context (Einwiller 2003; Forsythe and Shi 2003; Pavlou 2003).

Shopping in the offline environment is perceived as rather safe, although some people (e.g. elderly people) rather engage in in-home shopping to avoid physical injuries and possible robberies. Conversely, shopping online is generally perceived as being more risky (Donthu and Garcia 1999; Pavlou 2003). This is mainly due to the in-home shopping aspects. Prior research found that consumers associate a higher level of risk with nonstore shopping (Akaah and Korgaonkar 1988; Spence et al. 1970; Gillett 1970). Apart from the in-home shopping aspects, the Internet is a relatively new and complex shopping environment causing more failures than its established counterpart. Consumers often have not gained much experience with online shopping and therefore lack relevant knowledge about how to deal with certain aspects (Einwiller 2003). This may lead to frustrations that prevent consumers from online purchasing (Lohse and Spiller 1998). Forsythe and Shi (2003) examined the impact of four types of risk –financial, product performance, time/convenience, and psychological (privacy concerns) risk– on online patronage behavior (e.g. frequency of purchasing, dollar amount spent). The results show that financial risk was the most consistent predictor of patronage behavior, followed by time/convenience risk, product performance risk and privacy concerns. Despite privacy is frequently cited as a reason not to purchase online (e.g. Ranganathan and Ganapathy 2002; Swaminathan et al. 1999; Szymanski and Hise 2000), Forsythe and Shi (2003) found no significant influence of it on patronage behavior.

Baker et al. (2002) argued that time/effort costs and psychological costs are distinct, but related concepts. However, they did not suggest a structural relationship between them, but correlated them in their model. In a similar vein, this study acknowledges the possible

correlations between the three shopping experience costs and benefits¹⁰ (time/effort costs, perceived risk, and enjoyment), but does not propose any structural relationships between them.

Several studies showed that perceived risk negatively impacts perceived value (Agarwal and Teas 2001; 2004; Shimp and Bearden 1982; Sweeney et al. 1999; Teas and Agarwal 2000). These studies, however, explained perceptions of *product value* rather than *store value*. For example, Sweeney et al. (1999) found a direct impact of performance/financial risk on perceived value for a consumer durable. In this case, the greater the risk of having a product that performs less than expected or losing money, the less value consumers receive. Baker et al. (2002) investigated store value perceptions and showed that psychological costs affected purchase intentions, but did *not* affect perceived value. It seems that the psychological shopping experience costs have a direct impact when evaluating retailers. In other words, these shopping costs operate as a distinct component of value rather than being an antecedent of perceived value for money. Other studies also found support that perceived risk has a direct influence on purchase intentions (Lee et al. 2000; Montoya-Weiss et al. 2003; Pavlou 2003). Cox and Rich (1964), for example, found that some shoppers perceived intolerable amounts of risk that prevented them from telephone shopping. Perceptions of risk are negatively associated with online purchase intentions and online channel use (Forsythe and Shi 2003; Jarvenpaa and Tractinsky 1999; Lee et al. 2000; Montoya-Weiss et al. 2003). It is hypothesized that perceived risk has a direct effect on the intentions to buy through an online or offline retailer, but does not alter perceptions of value. Hence, the previous arguments suggest the following hypothesis:

H5 Perceived risk is negatively associated with purchase intentions

Time and effort costs

Time and effort costs refer to the customers' perceptions of the time/effort required to shop through the online or offline channel. The convenience and time-resource management literature indicates that consumers generally perceive time and effort as costs.

¹⁰ For instance, higher perceptions of risk are expected to be negatively correlated with enjoyment. Simultaneously, higher perceptions of risk are likely to be positively correlated with time and effort expenditures (cf. Chaudhuri 2000; Dowling and Staelin 1994).

Understanding Channel Purchase Intentions

Especially when consumers engage in goal-directed behavior rather than experiential behavior, they are motivated to acquire their products or services in an efficient and timely manner with a minimum of irritation (Babin et al. 1994). Consumers' interest in conserving time and effort has long been identified (e.g. Anderson 1972; Kelley 1958; Schary 1971). High income, time-poor consumers require a lot of value from the limited hours available and may be willing to pay more money to enjoy their leisure time (Engel, Blackwell and Miniard 1995). They attach more value to time because of their higher opportunity costs (Marmorstein, Grewal and Fische 1992). Additionally, consumers want to spend their limited cognitive capacity efficiently and may decide that certain purchases are not worth investing a lot of cognitive effort (Simon 1976). Retailers currently develop strategies to enable consumers to save time by making the shopping process less time consuming and more convenient (Berry, Seiders and Grewal 2002). The efficiency of shopping has been recognized to be a key influencer of consumer behavior in the offline context (Engel et al. 1995; Kerin et al. 1992), but seems even more important in the online context due to the utilitarian nature of online shopping (Kim and Lim 2001; Parasuraman et al. 2005; Srinivasan et al. 2002; Szymanski and Hise 2000; Zeithaml et al. 2000).

Zeithaml's (1988) classification treats time and efforts costs as predictors of perceived product value, assuming that the effect of these costs on purchase intentions are mediated through perceived value (Baker et al. 2002). Kerin et al. (1992) found support that shopping experience perceptions were directly associated with store value perceptions. Consumers incur time/effort costs during the shopping process and they implicitly place a premium on their time (Marmorstein et al. 1992; Schary 1971), attenuating perceptions of value. Other researchers propose that time and effort expenditures directly influence store purchase intentions. Consumers, for example, will decide not to shop through retailers when the expected time and effort costs are too high (Hui and Bateson 1991). Baker et al. (2002) tested the effect of time/effort costs has on perceived value and purchase intentions. Time/effort costs only appeared to have a direct effect on purchase intentions, but not on perceptions of value. In line with this, this study does not hypothesize a relationship between time and effort costs and perceived value for money, but only between time/effort costs and purchase intentions.

H6 Time and effort costs are negatively associated with purchase intentions

Enjoyment

Enjoyment refers to the experiential value that is derived from the online and offline shopping process. For experiential products such as books, the shopping process is often fun or entertaining for its own sake, apart from any other performance measures that may be anticipated. This study uses the construct of enjoyment to capture the intrinsic value that is derived from the shopping experience, such as visual appeal, pleasure, escapism, arousal, excitement, and surprise (Mathwick et al. 2002).

Although online shopping is often renowned for its utilitarian benefits (cf. Mathwick et al. 2002; Parasuraman et al. 2005; Wolfinbarger and Gilly 2001; Zeithaml et al. 2002), it has also been argued that hedonic aspects of online shopping are important predictors of online shopping attitudes and online purchase intentions (Childers et al. 2001; Kim and Lim 2001). However, on balance, it appears that enjoyment plays a less profound role in the online context, because the online shopping experience is far less compelling than its offline counterpart (Wolfinbarger and Gilly 2001).

Environmental psychologists demonstrated that a favorable impression of environments or shopping experience may influence consumers' emotional states and consequent behavior (cf. Mehrabian and Russell 1974; Eroglu et al 2003; Wakefield and Baker 1998). Retail environments may evoke feelings of pleasure and arousal that directly affect consumers' behaviors (Bitner 1992; Donovan and Rossiter 1982; Eroglu et al. 2003; Hui and Bateson 1991). Consumers experiencing positive affect exhibit higher approach responses (i.e. staying/buying), whereas those experiencing a more negative affect display more avoidance responses (i.e. leaving/not buying). Past research also showed that positive feelings lead to more unplanned spending (Babin and Darden 1996; Donovan et al. 1994). The rationale for this relationship is that consumers who are in positive moods are more likely to reach decision resolution and spend less time to reach a decision (Isen 1989). Moreover, if shoppers have had their moods improved during the shopping experience, they may give something back in the form of a small purchase (Babin and Darden 1996). Thus, this leads to the following hypothesis:

H7 Perceived enjoyment is positively associated with purchase intentions

Perceived value competing channel

Consistent with brand, store and channel choice literature (e.g. Ailawadi, Neslin and Gedenk 2001; Montoya-Weiss et al. 2003; Sirohi et al. 1998), it is assumed that higher perceptions of value for the alternative channel will attenuate purchase intentions in the corresponding channel. It is assumed that consumers compare channel performance relative to alternative channels before using (Montoya-Weiss et al. 2003). Consumers simply choose a channel over another, because they believe they will get better perceived value than they could expect from an alternative (cf. Gale 1994).

H8 Perceived value in the competing channel is negatively associated with purchase intentions

4.1.2 Extension of base model

To ensure that no important influencers of online value are left out, elements that play a profound role in the online context are included in the basic perceived value model (see Figure 4.2). A review of the literature indicates that reputation/trust, ease of use and informativeness play a profound role in the online context; they can be seen as significant influencers of perceived value and purchase intentions in the online context. These additional factors can help explaining how key antecedents of perceived value and purchase intentions are influenced (cf. Chen and Dubinsky 2003). The next section describes three store attributes that play a profound role in the online context, but also play a role in the offline context (see Chapter 2). They are seen as lower level store attributes (with the exception of reputation) that have their effect on intentions through the more abstract purchase-related consequences (Zeithaml 1988). Figure 4.2 shows the extended model of perceived value.

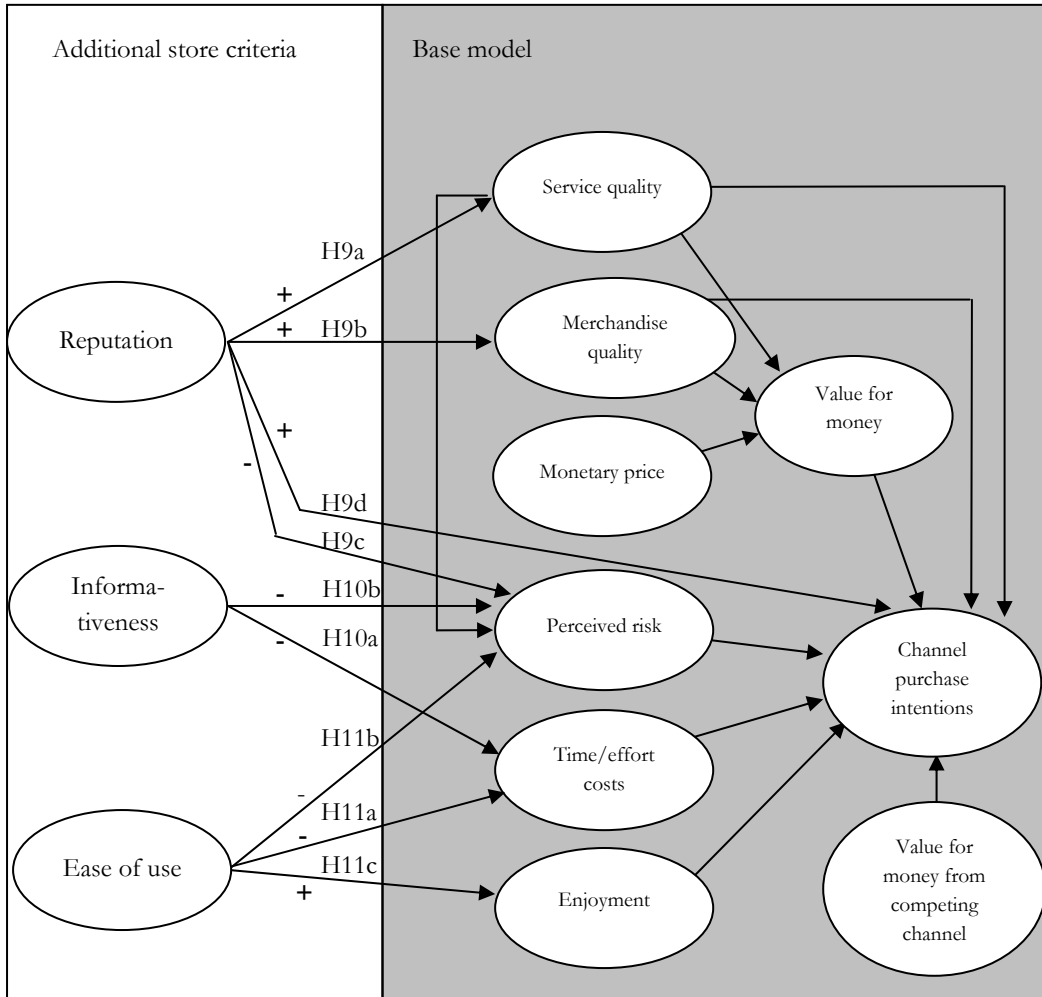


Figure 4.2: Extended model for channel purchase intentions

Reputation/trust

Reputation and trust are essential in adequately explaining online shopping behavior (Pavlou 2003; Swaminathan et al. 1999), but they also explain offline consumer patronage (Agarwal and Teas 2001; Berry 1969; Dodds et al. 1991; Grewal et al. 1998b; Morgan and Hunt 1994). Reputation is often used synonymously with store image. However, reputation differs slightly from store image as it refers to the public evaluation of the credibility and accountability of retailers (Einwiller 2003). Image tends to be more individually based and overall encompassing.

Reputation is an important influencer of the likelihood of online shopping (Swaminathan et al. 1999) and is intertwined with trust: reputation refers to the extent to which the general public belief that the store is honest and concerned about its customers (Doney and Cannon 1997), whereas trust refers to the individual's willingness to rely on a store in which he or she has confidence (Moorman, Deshpandé and Zaltman 1993). Not surprisingly, reputation is often found as predictor of trust (Einwiller 2003; Jarvenpaa and Tractinsky 1999). Trust can be defined as the confidence of the trusting party that the trustworthy party is reliable, has high integrity and is associated with such qualities as consistency, competency, honesty, fairness, responsibility, helpfulness and benevolence (Morgan and Hunt 1994). In other words, trust refers to the consumers' willingness to be vulnerable to the actions of retailers, based on the expectation that a retailer will perform a behavior that is beneficial to them, irrespective of the ability to monitor or control these retailers (Mayer, Davis and Schoorman 1995). Trust is a critical factor in any relationship in which the trustor (i.e. consumer or retailer) does not have direct control over the actions of a trustee (i.e. retailer or consumer), and where possible negative consequences may arise when one party is not fulfilling its promises (Mayer et al. 1995). As such, trust and risk are also closely related. Actually, risk is a necessary condition for trust to be operative (Mitchell 1999). Trust is a vital mechanism to reduce perceptions of risk (cf. Einwiller 2003; Jarvenpaa and Tractinsky 1999). Consumers compare the levels of risk and trust; the higher the initial risk perceptions, the more trust is needed to facilitate a transaction (Mayer et al. 1995).

Consumers often use extrinsic cues (e.g. reputation, store image) to infer quality (Agarwal and Teas 2001; Zeithaml 1988). They do not examine every purchase into detail by comparing product attributes, but rather simplify their choice by basing their choice on global judgments, such as brand image, store image or reputation (Teas and Agarwal 2000). Zeithaml (1988) argued that consumers rely more heavily on extrinsic attributes for initial purchase situations, when intrinsic cues are not available, and when quality is difficult to evaluate. In the online context, it is rather difficult for consumers to evaluate merchandise/product quality and security of transactions upfront. Consumers therefore often rely heavily on the e-tailer's reputation (Lee and Turban 2001), especially those with limited prior shopping experience (Einwiller 2003).

For the sake of parsimony, this study does not differentiate between reputation and trust and uses a combined reputation/trust construct. This construct refers to the customers' perceptions of the online/offline retailer's reputation and trustworthiness. Based on the assumption that consumers use extrinsic cues to infer perceived quality, reputation/trust is expected to positively influence service quality and merchandise quality (Zeithaml 1988). Past research already showed that reputation (store name) is positively related to perceptions of quality (Agarwal and Teas 2001; 2004). It is also hypothesized to reduce perceptions of risk; the more reputable and trustworthy a store is perceived to be, the more likely risk perceptions are reduced. Finally, a direct relationship between reputation/trust and (online) purchase intentions is hypothesized based on prior findings (Einwiller 2003; Pavlou 2003; Yoon 2002). This leads to the following hypotheses:

- H9a Reputation/trust is positively associated with service quality
- H9b Reputation/trust is positively associated with merchandise quality
- H9c Reputation/trust is negatively associated with perceived risk
- H9d Reputation/trust is positively associated with purchase intentions

Informativeness

The provision of information is a store attribute that has been identified to be important in the offline context (Berry 1969), as well as in the online context (Wolfenbarger and Gilly 2001; Zeithaml et al. 2000; 2002). Consumers generally search for information in order to eliminate anxiety and reduce the discomfort produced by uncertainty or perceived risk in a choice situation (Jasper and Oullette 1994; Montoya-Weiss et al. 2003; Roselius 1971). However, information search leads to time and energy costs, and possible excessive cognitive efforts. In this respect, consumers that are confronted with too much information (i.e. information overload) tend to be less satisfied, less confident, and more confused (Lee and Lee 2004). Consumers only find *relevant* information to be useful and valuable (Chen and Dubinsky 2003). This study defines informativeness as the extent to which an online or offline store is perceived to provide *relevant* information for purchasing. Informativeness is not limited to product information, and includes information aspects such as information about end price, payment options, and service policies and conditions. Although informativeness partly overlaps with 'search convenience' (cf. Seiders et al. 2000), many authors differentiate this construct from ease of use (Zeithaml et al. 2000;

Wolfenbarger and Gilly 2003). While search convenience refers to the speed and ease of retrieving product information, informativeness is concerned with the relevancy of information to make a well-informed decision.

The online context is praised for its prepurchase information provision (Alba et al. 1997; Lynch and Ariely 2000). For example, comparison websites can provide substantial amounts of in-depth information about products and enable comparisons to find their desired product (Häubl and Trifts 2000). However, online stores are inadequate to distribute tactile information, which makes it difficult for consumers to assess the quality of products requiring physical examination. Additionally, skilled salesmen can customize answers to consumers' information needs, which facilitate choice drastically. Contrastingly, the skills of salespeople have been questioned; experienced online buyers often doubt the competence of salespeople, and report they appreciate the direct obtainment of information without having to go through a salesperson (Wolfenbarger and Gilly 2001).

When stores are perceived to distribute more relevant information, consumers can more easily and quickly reach a decision. In this way, search costs for products and product-related information are drastically reduced. It is thus expected that an increase in informativeness saves time and (cognitive) effort. Next, the provision of relevant information reduces consumers' risk perceptions (Jasper and Oullette 1994; Montoya-Weiss et al. 2003). This leads to the following hypotheses:

- H10a Informativeness is negatively associated with time and effort expenditures
- H10b Informativeness is negatively associated with perceived risk

Ease of use

This study defines ease of use as the customers' perceptions of overall convenience of offline/online shopping. In the offline context, ease of use has been described by retailing concepts, such as: accessibility (Berry et al. 2002), store layout and design (Lohse and Spiller 1998), ease of navigating through the store, and fast checkout (Arnold, Oum and Tigert 1983). Often authors refer to the term 'convenience' to describe the ease of using a channel (cf. Childers et al. 2001). According to Seiders et al. (2000) there are mainly four ways to enhance convenience, namely by improving access, search, possession and

transaction convenience. Retailers that are convenient: are easy to reach (access convenience); enable consumers to speedily identify and select/order the desired products (search convenience); make it easy to obtain the desired products (possession convenience); and expedite the purchase and return of products (transaction convenience).

In the online context, ease of use has been termed *usability* (Swaminathan et al. 1999) or *efficiency* (Parasuraman et al. 2005; Zeithaml et al. 2000). Usability, which includes navigation and ease of use (search functions, download speed, overall design, ease of ordering), is a key factor in realizing the promise of E-Commerce (Swaminathan et al. 1999). Efficiency is referred to as the consumers' ability to get to the website, find their desired product and information associated with it and check out with minimal effort (Zeithaml et al. 2000), clearly establishing the link between ease of use and time/effort savings. In early E-Commerce literature, technical functioning of a website was identified as strong influencer of ease of use. When websites are not functioning properly (e.g. website unavailability, long download times), it can seriously harm the online experience and raise psychological costs. A large part of this problem has been solved, as consumers have gained higher speed access and retailers have invested in the technical functioning of their websites.

Previous TAM studies indicated that ease of use predicts attitudes towards online shopping (e.g. Childers et al. 2001; Pavlou 2003). Ease of use particularly refers here to the accessibility and convenience of online shopping (Childers et al. 2001). Obviously, channels may differ in their ease of use. While the online channel is generally perceived as superior in accessing retailers, finding relevant information and selecting/ordering the desired product with minimum time and effort invested (with the exception of physically examining products), the offline channel seems to outperform the online channel in the latter stages (e.g. ease of payments, immediate possession of goods, exchange and return of products and other postpurchase services) (Seiders et al. 2000). This superiority of offline channels in the final stages is likely to hold only for physical products. Financial services, for example, do not require physical prepurchase examination, can be obtained at a distance, and do not require exchange and return services.

As mentioned before, the ease of using a channel is strongly related to the time and effort required. When consumers perceive channels as being easier to use, they can more easily

and quickly obtain the desired product, leading to time and effort savings (Childers et al. 2001). Additionally, when channels are more convenient, things are less likely to go wrong (Seiders et al. 2000). This leads to reductions in frustration and, in turn, reduces risk perceptions. At the same time, it has been proven that increased convenience makes the shopping process more appealing, and, in turn, leads to more enjoyment (Childers et al. 2001).

A widely discussed topic within TAM is whether ease of use has a direct effect on intentions. Empirical studies supported the direct link between PEOU and intentions/behavior (e.g. Teo et al. 1999; Venkatesh 2000; Venkatesh and Davis 2000), whereas others found insignificant results (Gefen and Straub 2000; Lee et al. 2000; Pavlou 2003). This study does not hypothesize a direct effect of ease of use on purchase intentions, as the task at hand involves purchasing rather than making book inquiries. Ease of use has a direct effect when the task is integral part of the interface (e.g. book inquiry, browsing), but not when the channel is used as a means to fulfill tasks that are not solely intrinsic to the interface (Gefen and Straub 2000). This leads to the following hypotheses:

- H11a Ease of use is negatively associated with time and effort expenditures
- H11b Ease of use is negatively associated with perceived risk
- H11c Ease of use is positively associated with enjoyment

4.2 Relative importance of criteria

As mentioned in Chapter 3, the construction of perceived value and purchase intentions may vary between contexts (i.e. channels), and between (groups of) persons. For example, Childers et al. (2001) tested whether enjoyment was a stronger predictor of attitude towards online shopping in the hedonic shopping context versus the utilitarian shopping context. They found a stronger relationship between enjoyment and attitude in the hedonic context, concluding that enjoyment was a stronger motivator in the hedonic context. Next, Einwiller (2003) found that more online buyers who have experience with an e-tailer relied less on reputation as an indicator of trust. In a similar vein, this study tests the strength of

relationships that are expected to differ between channels (online versus offline context), and between groups of buyers (online versus offline buyers).

This study deals with the issues as follows. First, the strength of the relationships found in the online and offline context are compared. Second, this study investigates the moderating influence of online shopping experience on shopping in the online context. Most studies tend to study direct effects of factors, for example, by measuring the influence of perceived value on purchase intentions. However, at times, it is much more meaningful to investigate the moderating effects of factors (Dabholkar and Bagozzi 2002; Mittal and Kamakura 2001), such as consumer traits or situational influences, on the strength of relationships.

By investigating the strength of the relationships among channels and among groups of buyers, insights are provided into (1) whether certain factors play a more (less) profound role in either context and (2) whether online buyers rely stronger (weaker) on certain factors in the online context. The hypotheses regarding the strength of relationships are discussed for channels, and for groups of buyers.

4.2.1 Differences in importance of criteria between the online and offline channel

Based on the literature review on the determinants of online purchasing (see Chapter 2), it is argued that online shoppers shop online because they seek *relevant information* (Li et al. 1999; Rosen and Howard 2000; Rowley 2001; Swaminathan et al. 1999), *ease of use* (Anderson and Srinivasan 2003; Wolfinbarger and Gilly, 2001), *time and effort savings* (Anderson and Srinivasan 2003; Bhatnagar et al. 2000; Rosen and Howard 2000) and *wider selections* (Szymanski and Hise 2000; Srinivasan et al. 2002; Wolfinbarger and Gilly 2001; Yoon 2002). One could expect that these factors then also play a more prominent role for online shoppers to shop online, compared to the factors that motivate offline shoppers to shop offline. However, although online shoppers attribute higher scores to the performance of the online channel relative to the offline channel, it is still uncertain whether they also rely more heavily on these factors in explaining their perceptions of value and purchase intentions. For example, online shoppers may be motivated to shop online because of the superior merchandise quality offered, but this does not necessarily mean

that the relationship between merchandise quality and perceived value in the online context is stronger (i.e. higher beta) than that in the offline context.

Similar to the work of Childers et al. (2001), this study proposes that differences exist in terms of the importance of utilitarian and hedonic aspects of shopping. Due to the utilitarian aspects of online shopping, it is expected that time/effort costs are of greater importance in explaining online purchase intentions compared to offline purchase intentions. Simultaneously, enjoyment is to be expected of lesser importance in explaining intentions in the online context. Childers et al. (2001) called for research to determine whether enjoyment has a stronger impact on online shopping behavior than offline shopping behavior. This study addresses this issue, and proposes that enjoyment more strongly affects purchase intentions in the offline environment compared to the online context. In other words, it is expected that in the offline context shoppers are more concerned with enjoyment than those in the online context. Next, based on online studies (Einwiller 2003; Pavlou 2003; Swaminathan et al. 1999), it is presumed that perceived risk and reputation play a more dominant role online. Apart from the higher risk perceptions of online shopping, it is thus expected that the relationship between perceived risk and intentions is stronger in the online context. Next, it has been found that consumers generally attach more importance to reputation as risk reliever in the online context, because of the absence of intrinsic product cues that are generally used to evaluate quality (Black et al. 2002; Zeithaml 1988). Therefore, the relationship between reputation and perceived risk is expected to be stronger in the online context. Finally, it is proposed that merchandise quality more strongly affects intentions in the online context than in the offline context. Consumers have consistently been found to be motivated to shop online because of the superior assortments (Gehrt and Yan 2004; Szymanski and Hise 2000; Wolfinger and Gilly 2001). This leads to the following hypotheses:

For base model:

- H12: Time/effort expenditures have a more pronounced effect on purchase intentions in the online context than in the offline context
- H13: Enjoyment has a less pronounced effect on purchase intentions in the online context than in the offline context

H14: Perceived risk has a more profound effect on purchase intentions in the online context than in the offline context

H15: Merchandise quality has a more profound effect on purchase intentions in the online context than in the offline context

For extended model:

H16: Reputation has a more profound effect on perceived risk in the online context than in the offline context

4.2.2 Differences in importance of criteria between more and less experienced online buyers for the online channel

Dabholkar and Bagozzi (2002) argue that most studies tend to study the *direct effects* of external factors. They suggest –together with other researchers (Baron and Kenny 1986; Mittal and Kamakura 2001)– that hypothesizing direct effects may be somewhat redundant and obvious and it is much more meaningful to investigate the *moderating effects* of external factors, such as consumer traits (e.g. prior online shopping experience) or situational influences. Prior research suggested that the nature and strength of relationships between constructs may change during the various stages of a customer’s familiarity or experience with a company (Parasuraman 1997; Parasuraman and Grewal 2000; Woodruff 1997). For example, Verhoef, Franses and Hoekstra (2002) found that the duration of a relationship with a provider moderated the relationships between important relational constructs (i.e. satisfaction, affective commitment) and the number of services purchased. Bolton (1998) addressed that the relationship between cumulative satisfaction and retention is enhanced by the level of experience customers have with the continuous service provider. In other words, more experienced customers rely stronger on their cumulative satisfaction – compared to those who have less experience– as they can rely more strongly on their own experiences. Other research reported that the importance of trust in explaining service usage decreased with increasing relationship age (Grayson and Ambler 1999); trust affected customers use of services in short-term relationships, but had no effect in long-term relationships. Past research thus suggests that the level of experience with a retailer can moderate the relationships between important relational constructs. In addition to this, information research demonstrated that the antecedents of user adoption and use of an information technology (IT) change with experience; nonadopters use a richer set of

criteria to evaluate the IT than adopters do (Karahanna et al. 1999). Adopters were only concerned with the instrumental benefits of using the IT. In line with this reasoning, customers that have experience with shopping through a particular website may rely stronger on the instrumental consequences of using this website. Finally, E-Commerce literature suggested that differences may exist in the evaluative processes in judging e-SQ and attitude toward online shopping, due to customer traits such as the level of online shopping experience and technology readiness (Bobbitt and Dabholkar 2001; Monsu   et al. 2004; Parasuraman et al. 2005). In other words, (groups of) customers may vary in the weights they attribute to the antecedents of online purchase intentions. In sum, there is evidence that the level of prior online shopping experience may act as a moderator of the relationships in the research model.

This study investigates the moderating influence of prior online shopping experience in the online context. It is assumed that the strength of relationships in the online context can be attenuated or strengthened through the level of prior online shopping experience. More specifically, the importance of reputation tends to decrease with increasing levels of familiarity with online shopping (Einwiller 2003; Montoya-Weiss et al 2003). Einwiller (2003) found that customers who had gained much experience with a particular retailer were significantly less influenced by retailer's reputation than those who had never or rarely bought something from the respective retailer. For customers who have high levels of familiarity, reputation is not frequently used as a means to reduce risk as they can rely on their own prior experiences. Moreover, more experienced online shoppers tend to have a strong internal locus of control and are more innovative (Hoffman et al. 2002); for them risk generally plays a less inhibiting role. Thus, it is expected that the relationships between reputation and risk (Hypothesis 20), and risk and online purchase intentions (Hypothesis 17) are attenuated by the level of prior online shopping experience. Next, the level of prior online shopping experience is expected to strengthen the relationship between time/effort costs and purchase intentions. More experienced online shoppers tend to have an internal locus of control (Hoffman et al. 2002), are goal-directed (Wolfenbarger and Gilly 2001), and have a 'wired' lifestyle with scarce leisure time (Lohse et al. 2000). For them time/effort savings significantly alter their behavior. Gehrt and Yan (2004) also found that more experienced Internet users rely more strongly on shopping convenience. Once they have experienced the time and effort savings, they rely more strongly on these instrumental

benefits (Karahanna et al. 1999). It is thus expected that those online shoppers in general rely more heavily on the time/effort costs. In a similar vein, it is expected that the level of prior online experience attenuates the relationship between enjoyment and purchase intentions. Once, customers have become used to shopping online, they rely less on the enjoyment received as they are driven by the instrumental time/effort costs. Wolfinbarger and Gilly (2001) state that experienced online shoppers rather see purchasing as “buying” instead of “shopping” and are less concerned about the enjoyment they receive. On the other hand, customers who have little prior experience are expected not to shop online because of the lack of enjoyment. They generally rely more heavily on the enjoyment than those with much online shopping experience. This leads to the following hypotheses:

For base model:

- H17: The relationship between perceived risk and purchase intentions is attenuated in the online context by the degree of prior online shopping experience
- H18: The relationship between time/effort costs and purchase intentions is strengthened in the online context by the degree of prior online shopping experience
- H19: The relationship between enjoyment and purchase intentions is attenuated in the online context by the degree of prior online shopping experience.

For extended model:

- H20: The relationship between reputation and perceived risk is attenuated in the online context by the degree of prior online shopping experience

