Omnichannel Experience: Towards Successful Channel Integration in Retail

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Final Draft

OMNICHANNEL EXPERIENCE – TOWARDS SUCCESSFUL CHANNEL INTEGRATION IN RETAIL

Introduction

According to Deloitte’s (2018) forecast for 2018 many changes will occur in retail markets. The growth of online retailing is continuing, and it is going to have a great impact on traditional retail players. The number of physical stores will decrease, but they will still have important role in retailing. Customer experiences are now more important than ever, and digital technologies will have a key role to the store experience.

Consumers are spending more and more time on smartphones relative to other devices. Typically, they conduct searches on mobile devices and make purchase in physical stores (Singh and Swait, 2017). Today, 8% of time spent online is related to shopping (Mander and Jason, 2017). According to eMarketer’s forecast (2017), while 80% of retail sales still occur in physical stores, 80% of all sales consist of web-enabled brick-and-mortar shopping. According to Brynjolfsson, Hu, and Rahman (2015), more than 50% of cell phone owners in the United States have smartphones, and over 70% of them have used their mobile devices for comparison shopping. Thus, understanding the role of mobile technologies in retail has become critical.

This research of omnichannel experiences can help managers understand the nature of online and physical store integration and provide resources to improve customer experiences. Consumers are searching for information from several sources and are using multiple-channel combinations, including stores, catalogs, and the internet (Shim et al., 2001). Technology is breaking barriers between different retail channels, and consumers are shopping in multiple channels and expecting seamless shopping experiences between channels.

The purpose of this study was to determine how retailers should integrate their online and offline store channels to provide the best retail brand experience. The research focuses on online and offline store images and their effects on brand experience and examines channel integration from the perspective of omnichannel management. The specific research questions in this study are as follows: 1) What are the characteristics of the omnichannel experience? 2) How should retailers integrate online and offline channels to create a satisfying brand experience? 3) How should firms use digital technologies to improve customer experiences in physical stores?
First, the conceptual framework and methodology are presented. In the ensuing section, the findings as well as theoretical and managerial implications are discussed. We end with presenting the limitations of our study and proposing several areas for further research.

**Retail brand experience in an omnichannel environment**

Researchers have suggested various definitions of brand experience. Zarantonello and Schmitt (2010) described it as customers’ subjective and internal responses, sensations, feelings, cognitions, and behavioral responses. For example, a good customer experience plays a critical role when customers are choosing a website from which to purchase (Ha and Perks, 2005). Brand experiences occur when consumers are searching for, shopping for, receiving, and consuming products and services (Zarantonello and Schmitt, 2010). Some experiences are more positive, and the durations and intensities vary between different customers’ subjective experiences (Brakus et al., 2009; Zarantonello and Schmitt, 2010). Ha and Perks (2005) show that in the online context, brand experience has an important link with satisfaction and trust. They argue that the brand is connected to intentions for future purchasing in that way.

For approximately 20 years, researchers have shown interest in how retail store images are built up online. Customer experience online is the consumer’s response to the stimuli within a website environment, and it is linked to intention to purchase (Morgan-Thomas and Veloutsou, 2013; Verhagen, 2004). Because consumers are better informed about prices online, obtaining information about additional sellers reduces their costs of search. Communication possibilities and transaction capabilities online have lowered search costs for both customers and vendors (Bakos, 1997; Browne and Durrett, 2004). The literature suggests different factors influencing online store image (see Table 1).

The literature on physical store image (see Table 2) recognizes several factors behind store image and experience. Verhagen and Van Dolen (2009) presented a model for physical store image where they introduce factors behind it. Like their online store image model, it includes service, merchandise, and atmosphere factors, but instead of navigation, it includes the offline layout.
<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Year</th>
<th>Sample</th>
<th>Key findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Verhagen and Van Dolen</td>
<td>2009</td>
<td>685 registered customers of one of the largest bricks-and-clicks music retail stores in the Netherlands</td>
<td>Online store image is a combination of four factors: online service, merchandise, atmosphere, and navigation.</td>
</tr>
<tr>
<td>Hoffman et al.</td>
<td>1999</td>
<td>Two surveys; 1,555 and 14,014 web users</td>
<td>Consumers do not trust most online retailers and are not interested in giving money or personal information to them. Consumers are worried about misuse of their data and the difficulty of controlling secondary use of their information.</td>
</tr>
<tr>
<td>Elliot and Speck</td>
<td>2005</td>
<td>40 college students</td>
<td>Online store merchandise is amount of the assortment, accuracy of the stock, and information about the products offered. Online atmospheres that offer sensory and hedonic stimuli from colors, music, action, and interactivity increase customers’ willingness to visit again. Useable online navigation requires clear organization, uncluttered screens, logical flow, and ease of navigation, which should help customers to process product and purchase information, decrease customer’s search costs, and conduct faster and more effective searches. Online return policies, privacy policies, and third-party assurances diminish perceived risks, such as misuse of personal data, cookies, and spam.</td>
</tr>
<tr>
<td>Lee and Lin</td>
<td>2006</td>
<td>165 members of online communities</td>
<td>Online service quality, linked with clear navigation, is a key driver of customer satisfaction and trust.</td>
</tr>
<tr>
<td>Eroglu et al.</td>
<td>2003</td>
<td>328 respondents of online questionnaire</td>
<td>Online atmospheric factors, such as website environment, provide information about the retailer. The atmosphere’s effect on customer behavior is indirect, and it is the result of the emotions experienced on the retailers website.</td>
</tr>
<tr>
<td>Gefen et al.</td>
<td>2003</td>
<td>213 online shoppers</td>
<td>Trust encourages customers’ online business activities by reducing the social complexity, such as undesirable yet possible behaviors of the retailer, the consumer faces in online retail.</td>
</tr>
<tr>
<td>McKnight et al.</td>
<td>2002</td>
<td>1,403 undergraduate and graduate students</td>
<td>Website quality and vendor reputation contribute to trust in an online environment.</td>
</tr>
<tr>
<td>Childers et al.</td>
<td>2001</td>
<td>274 students in introductory classes in the business school of a large Midwestern university</td>
<td>Easier navigation with product quality information makes consumers less price-sensitive and decreases the psychological costs of shopping, which may make the experience more enjoyable.</td>
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*Table 1 online store image*
<table>
<thead>
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<tbody>
<tr>
<td>Verhagen and Van Dolen</td>
<td>2009</td>
<td>685 registered customers of one of the largest bricks-and-clicks music retail stores in the Netherlands</td>
<td>Physical store image is a combination of service, merchandise, atmosphere, and layout.</td>
</tr>
<tr>
<td>Baker et al.</td>
<td>1994</td>
<td>157 students</td>
<td>Service quality is a key component in physical store image. Store merchandise factors, such as quality, styling, pricing, and assortment, influence customers' behavior.</td>
</tr>
<tr>
<td>Yoo et al.</td>
<td>1998</td>
<td>294 customers of the two largest department stores in Ulsan, Korea</td>
<td>Physical store characteristics include assortment, price, service, location, facilities, and atmosphere. Returns, repairs, delivery, installation, and refunds are key elements of offline service.</td>
</tr>
<tr>
<td>Dabholkar et al.</td>
<td>1996</td>
<td>225 customers of department store chains in United States</td>
<td>Service quality involves physical aspects (appearance and convenience), reliability (fulfilling promises and doing it “right”), personal interactions (helpfulness and inspiring confidence), problem solving, and policy.</td>
</tr>
<tr>
<td>Sweeney et al.</td>
<td>1997</td>
<td>Two different samples: an exploratory survey with 609 respondents and a confirmatory survey with 459 respondents</td>
<td>Functional service quality relates to how a service is delivered, responsiveness, empathy, and courtesy, and technical service quality relates to product that was delivered and knowledge about it.</td>
</tr>
<tr>
<td>Donovan et al.</td>
<td>1994</td>
<td>60 shoppers of two different stores</td>
<td>If the atmosphere evokes the right emotions, consumers enjoy shopping in the store. They spend more time browsing and are more willing to contact salespersons. They may spend more money than they have planned and are more willing to return to the store.</td>
</tr>
<tr>
<td>Zhang et al.</td>
<td>2010</td>
<td>Literature review</td>
<td>Customers are using technologies like ordering hubs, iPads, and display screens to make purchasing easier, which creates a totally new merchandise layout.</td>
</tr>
</tbody>
</table>

*Table 2 offline store image*
Omnichannel perspective

Recently, Piotrowicz and Cuthbertson (2014) examined the role of information technologies in retail. New technologies, smart mobile devices, and social networks increase the incremental importance of in-store technological solutions. The omnichannel concept is defined as using many channels, like the internet, mobile devices, and physical stores, all within the same transaction process. The shopping experience should be smooth, and because the channels are managed together, customers should be interacting with the brand, not with the channel.

Oh et al. (2012) stated that retail channel integration has positive effects on firms’ performance and competences. Both online and physical stores should serve cross-channel consumers, and successful channel integration may improve retailers’ performance. In addition, Blom et al. (2017) noted that omnichannel retailing has a positive influence on performance and experience. Thus, we propose that:

\[ P1. \text{ Online and offline store images should be integrated smoothly to provide positive experiences.} \]

\[ \begin{array}{c}
\text{Store images} \\
\text{Online} \\
\quad -\text{service} \\
\quad -\text{merchandise} \\
\quad -\text{atmosphere} \\
\quad -\text{navigation} \\
\quad -\text{trust} \\
\text{Offline} \\
\quad -\text{service} \\
\quad -\text{merchandise} \\
\quad -\text{atmosphere} \\
\quad -\text{layout} \\
\quad -\text{new in-store technologies} \\
\end{array} \]

\[ \begin{array}{c}
\text{Customer experience} \\
\text{Dimensions} \\
\quad -\text{sensory} \\
\quad -\text{affective} \\
\quad -\text{intellectual} \\
\quad -\text{behavioral} \\
\end{array} \]

\[ \begin{array}{c}
\text{Satisfaction} \\
\end{array} \]

\[ \text{Fig. 1. Formulating customer experiences in an omnichannel context} \]

Piotrowicz and Cuthbertson (2014) reported that channel integration plays an important role in building customer experience. Customers choose channels depending on
their current situations, so easy movement among channels is important. Customers are also using their mobile devices in-store. For instance, they may check prices online before making an in-store purchase, search for information, compare products, ask for advice, and look for cheaper alternatives. Customers are able to check product ratings from social networks or contact their groups to ask questions, and retailers cannot control these interactions.

Verhoef et al. (2015) showed that omnichannel retail is replacing multi-channel retail. Compared to multichannel management, omnichannel management includes more channels. Omnichannel channel management is interactive, and the mass-communication channels include stores, online websites, direct marketing, mobile channels, social media, TV, radio, print, and customer-to-customer communications. These channels should provide a seamless retail experience because they all influence retail customer experience and each touchpoint influences brand and retail performance. Lemon and Verhoef (2016) noted that mobile devices are more suitable for searching than purchasing, and some channels are more useful than others at different stages of the buying process. Hennig-Thurau et al. (2010) stated that touchpoints like one-way and two-way interactions between retailers and customers, such as through social media or word-of-mouth communication, influence brand consideration. Based on these findings, we propose that:

\[ P2. \] Firms should use digital technologies to improve customer experiences in physical stores.

Dholakia et al. (2005) examined customer behavior in a multichannel retail context and stated that customers typically use the same channels for repeat purchases. If they are switching between channels, they are more willing to switch between similar channels, such as catalogs and websites, than dissimilar channels such as retail stores and websites.

Brynjolfsson et al. (2013) reported factors that improve the omnichannel experience: First, retailers should provide attractive pricing and good content. Second, retailers should gather new data from social, mobile, and nearby establishments. Next, retailers should avoid facilitating direct price comparisons. Making direct price comparisons difficult, such as by providing exclusive offerings, distinctive features, or product bundles, can protect retailers from competitors. Retailers should provide information about their inventory that makes finding products from physical stores much easier. Good channel integration attracts consumers who prefer shopping in multiple channels. Finally, because of competition, retailers must improve their products, services, and prices to succeed. Huré et al. (2017)
discovered that all omnichannel touchpoints should be managed specifically but not in isolation. Therefore, we propose that:

\[ P3. \text{Good channel integration encourages consumer to use multiple channels.} \]

**Methodology**

This paper utilizes a qualitative approach to investigate omnichannel experiences through one-on-one, in-depth, semi-structured interviews. Participants were selected using a purposeful criterion sampling method. In this research, the following criteria were used: informants should be adults, both men and women. All informants should have had experience visiting both online and physical stores of the case firms. The age of the interviewees ranged from 19 to 29; people in this age range are the most active in using different channels for shopping. The sample (n=15) was 53% men and 47% women. Over half of the respondents (53%) were in school, and the rest were employed full-time.

**Results**

*Online and physical store images*

Our data suggests that both online and physical stores are behind customer’s impression about brand. Physical stores are only more important than online stores if the product is not important to the consumer. Some respondents thought that the product that they are buying has an impact on which channel they find more important. In some cases, the online store may be satisfying, but the offline store is not, or the reverse may be true.

“The physical store has a bigger effect. If I visit a physical store and have a negative experience, it has a bigger impact. If I’m visiting an online store and have some problems with the internet connection, it isn’t such a big problem for me.”—Male, 25

“I think that usually if the offline store is good, the online store is also. It is possible that smaller retailers are not very active in updating their websites, but the service at physical stores is good. I think the physical store is more important to my brand experience.”—Male, 27

“If products are not very important for you and you can find them anywhere, the online store is more important. For example, if I’m ordering a package of nails.”—Male, 29

The majority of respondents (60%) found the ability to see, touch, and try physical products prior to purchase the most important reason to visit physical stores. Thirty percent of
respondents also wanted to get products immediately and found return policies to be better in physical stores than online. In addition, some of the study participants mentioned that offline shopping is an easier way to make purchases than through online stores because the purchasing process is physical.

“When I have to see the physical product. I can see if the size is suitable and try it.”—Male, 23

“You can go to Intersport and buy a jacket and then walk out with that jacket and use it instantly.”—Male, 23

Respondents set their expectations for physical stores based on their experiences in the same retailer’s online store. They expect the same prices in both stores. Also, if the online store’s website navigation is not clear and the site atmosphere is not pleasant, customers will expect to have a similar experience in the physical store. Some respondents note that in this digital age, every physical store should also have an online store.

“Prices should be same as in the physical store if the retailer is same. That way I can find the same product with the same price from the physical store.”—Male, 26

“Online and physical stores should look the same. If the retailer has good quality online, I will expect the same in the traditional physical store. The images should be convergent.”—Male, 29

“If the web store’s layout doesn’t make a good impression or if there is news from last year and I notice that the site isn’t updated, I will think that prices and products are not correct. The website could have positive or negative effects. The layout doesn’t have as big of an effect as the updating, but if it is confusing, I will choose another web store. The maintenance is important.”—Male, 27

Why are customers visiting online stores? The larger assortment was the main reason for seven respondents. They noted that online stores offer more options, including the ability to visit international stores. Moreover, as with physical stores, some of the study participants see online shopping as an easier way to make purchases, one that saves time and effort because they can visit online stores from their homes.

“There are more products available because I can also visit foreign markets.”—Female, 21
Another key experience outcome from online stores was that comparing products is easier online. They see more alternatives in a shorter time. Customers are comparing products, prices, and assortment among different stores.

“I visit online stores because comparing products is easier. You can compare, for example, prices and assortments between stores. From one place you can see many different stores.”—Male, 22

Channel integration

The importance of seamless channel integration is undeniable. The experience narratives point out the relationship between the experienced problems and differences in prices and assortment. Respondents noted that sometimes prices are different between the physical store and online store. If a retailer is offering a certain price in its online store, the customer is expecting the same price if he walks into a physical store. Some retailers also have problems updating their product availability on their websites, and empty shelves disappoint customers. However, 40% of respondents did not face any problems at all if a retailer had both online and physical stores.

“It feels like they don’t update product availability in real time. You are expecting that there should be still some products left but go to the store and find empty shelves.”—Male, 27

“I’ve checked that there are products in the store, but when I went to the store, there weren’t. And then they told me that there wasn’t anything left in the warehouse.”—Female, 21

“There have been situations in which the price is lower online. But the price difference is usually so small that I’ve bought the product from the physical store anyway.”—Female, 29

Some of the study participants thought that online and offline stores should support each other by allowing consumers to search for or try products online and purchase them offline. If retailer only has a small amount of stock in its physical store, it might be acceptable to have lower prices in the online store.
“There should be more physical stores where you can try products before you order those products with short delivery times. There is only a small stock in the physical store, and the products will be shipped from a bigger central warehouse.”—Male, 29

Customers are often searching for arguments to confirm their purchase decisions. In some product categories, online information is not sufficient to allow them to make a decision, and customers are trying to find more information from physical products in physical stores.

“Sometimes I find products from web stores, but I’m not sure if the size is right. I would like to see how it would look if I wore it. I might go to the physical store if I wasn’t sure about the purchase and buy it there.”—Female, 25

Digital technologies

Digital technologies play a key role in customers’ shopping experiences today. The findings reveal several important factors related to the use of digital technologies in physical stores. The role of traditional channels is becoming more indistinct, as two-thirds of customers are using their mobile devices in traditional physical stores. When respondents were asked how they use their mobile phones when they are visiting physical stores, comparing products (33%) and searching for information (33%) were the main answers. Customers like comparing products and checking prices from different stores. They are also finding more information about products, especially if they are making an impulse purchase.

“Usually I’ve done comparing before I visit the store. But if I’m making an impulse purchase, I will do quick check to make sure the price is correct.”—Male, 27

“I’ve compared products. I’ve checked different options, for example colors, and done some price comparison.”—Male, 23

Retailers have many opportunities to improve the shopping experience with digital technologies in physical stores. Overall, respondents said that stores should offer more product information through digital technologies.

“Some extra product information. If you were buying sports equipment, for example, you would have more information about skis and waxes. You would be able to search for waxing reports.”—Male, 29

“If there is something that I don’t have enough knowledge about and no salesperson available. For example, if I’m buying Frisbee-golf discs and don’t have a clue about
them, I need some advice. Maybe I can get some information from digital solutions?”—Female, 24

In addition, respondents pointed out that retailers should offer digital solutions to facilitate product comparing. However, the ability to compare prices is a double-edged sword: If the retailer is not the price leader, consumers might choose other options.

“If the retailer is marketing its stores as a price leader, could there be an iPad where customers can check and compare prices?”—Male, 27

Respondents said that they would like to receive more personalized and targeted marketing. They noted that retailers today are able to personalize messages and content through technology.

“I get offers to my email. Maybe they could make more personal offers. Today, it is possible.”—Female, 25

Respondents also hoped for applications to help customers locate products in stores. Easier locating would save customers time and effort.

“For example, in big supermarkets there should be something that helps you to find products so you don’t have to walk through the whole store.”—Female, 29

Discussion

Theoretical contributions

We proposed that online and offline store images should be integrated smoothly to provide positive experiences. As theory (Piotrowicz and Cuthbertson, 2014) suggests, customers expect online and offline channels to support each other. As Blom et al. (2017) proposed, omnichannel retailing can have positive effects on the customer experience.

We proposed that firms use digital technologies to improve customer experiences in offline stores. Our results support Verhoef et al.’s (2015) findings that digital technologies offered by a retailer facilitate shopping and improve customer experiences. For example, retailers can use digital technologies to offer information, facilitate product comparison, or help customers locate products. Our results underscore the fact that retailers can reduce the negative effects of crowd in physical stores with digital self-service technologies, as Piotrowicz and Cuthbertson (2014) noted. Customers are expecting service, but that is not always possible because of the crowd. With digital technologies, retailers can offer some of the same benefits that salespeople do. If customers are able to find information in another
way, they will not have a critical need for service representatives. Lemon and Verhoef (2016) also stated that mobile channels are better for searching than for actually making purchases, and our results support their observations.

Our last proposition was that the good channel integration motivates consumers to use multiple channels. According to our results, the online channel is seen as an easy place to make purchases. Customers want to save time and effort. The study supports findings of Brynjofsson et al. (2013) that product comparison is easier and the assortment may be bigger online. With digital technologies, retailers may be able to offer some online benefits in physical stores as well. According to Verhoef et al. (2015), customers still want to see physical products, and this study strongly supports their findings.

**Managerial contributions**

According to the findings of this study, retailers can differentiate their brands from competitors by offering superior experiences. Positive customer experiences satisfy customers, which leads to loyalty. Thus, retailers should develop retail channels that improve customer experiences. Not only online and offline store images but also other channels, such as conversations on social media, newsletters, media, and product reviews, are important. Customers are seeking seamless omnichannel experiences. They want to browse and compare products with their mobile devices while they are in physical stores. With digital technologies and mobile applications, retailers can facilitate the information search process, thereby improving customers’ experiences.

According to this study, problems with customer service were the most important driver of negative customer experiences in physical retail stores. With digital solutions, retailers can offer some of the same benefits that service representatives provide. Customers are searching for support for their purchase decision from service representatives, and digital technologies can help customers to find information and compare products. If customers are able to find same information in another way, they will not have a critical need for service representatives.

In terms of managerial implications, our results indicate that with seamless omnichannel experiences, a retailer can make customers loyal to its whole brand, not only to its online store. The main challenge is how to integrate all the channels. This study shows clearly that channels should interact with each other and should not contain contradictory information.
Limitations and future research

It should be noted with regard to the validity of this study that the theoretical framework was tested with only 15 interviews. The interviewees were local citizens, and therefore it is not possible to confirm that the set of participants is a representative sample of all customers. Thus, future studies should collect more empirical data about the topic.

These limitations present opportunities for further research. The omnichannel perspective is quite a new topic in marketing research, so there is not much research about it. New technologies are developing all the time, and customer behavior changes with these new solutions. The omnichannel perspective should be further researched and the theory updated as technology develops.

References


