Essentials of Omni Channel; a Tool for Customer Relationship Management: an Exploratory Study

P Divakar

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Divakar.P

Research Scholar

Vellore Institute of Technology, Chennai

ABSTRACT

The growth of omni-channel retailing is causing consumers to change their habits and shopping behaviour. It is essential to understand the factors on purchase intention within the consumer context. The purpose of this paper is to explore factors that are influencing consumers to use omni-channel in their shopping behaviour – specifically in the apparel sector in Turkey as an emerging country. There have been significant developments in the field of retailing with digitalization. One of these developments is the emergence of omni-channel retailing. Although this has affected both firms and consumers considerably, the literature is dominated by the studies dealing with omni-channel retailing from the firms' perspectives. The studies dealing with omni-channel retailing from the consumers' perspectives have recently begun to attract the attention of researchers. For this reason, this study conducted a literature review to examine various consumer behaviors mentioned in the studies aimed at explaining consumer behaviors in the omni-channel retailing context. The distribution of these studies according to years and journals, research methods used, theories adopted, and the related five-stage consumer decision-making stages are summarized. Additionally, this review addresses future research avenues. This research aims to enrich the literature related to the emerging topic of omni-channel. The purpose of this paper is to empirically investigate the relationship between omni-channel integration quality.

Keywords: Omni-channel, Customer Relationship Management, Buying Behaviour

INTRODUCTION

The alternative distribution channels that have spread along with technological developments have changed retailing perspectives. Today's retailers are aware that each channel (online, physical, mobile, etc.) has different advantages, so they try to reach their customers using various channels (Levy and Weitz, 2001). These developments in the retailing sector have changed customers' shopping habits and expectations (Juaneda-Ayensa et al., 2016), particularly from a multi-channel strategy to an omni-channel strategy with developments in consumer expectations and retailer approaches. An omni-channel strategy integrates all actions, including buying online

through various technological developments, such as mobile apps, and picking up in store; buying from an online store but exchanging at a physical store; and selecting from an online store while reserving or having delivery to a physical store (Verhoef et al., 2015). With this strategy, consumers can easily access products through various channels to enjoy a seamless shopping experience (Brynjolfsson et al., 2013). To meet consumer expectations and adapt to new technologies companies try to adapt the distribution channel technologies to their work process. Therefore, consumers' adoption and use of the omni-channel system have a critical importance. Customer behaviour has undergone considerable change with the evolving retailing context characterised by the proliferation of the online channel and the advent of digital technologies (Bhalla, 2014; Hagberg et al., 2016; Huré et al., 2017). Indeed, the customer is looking for new ways to search information, make purchase, connect with firms and to achieve this, he/she often tends to use simultaneously multiple channels and touch points (e.g. physical stores, website, mobile, social media, etc.) to complete even a single transaction (Verhoef et al., 2015; Hossain et al., 2017). It is a consumer 3.0 (Juaneda-Ayensa et al., 2016), who is now looking for a consistent and seamless experience among these channels that are henceforth called omni-channel (Huré et al., 2017). According to Ostrom et al. (2015), omni-channel management is among the top 3 of the most important topics in service research. Additionally, based on the retail Chief Information Officer agenda report, Melero et al. (2016) stated that omni-channel is considered as a priority activity in the company for 76 per cent of interviewed business managers.

REVIEW OF LITERATURE

Shopping through Omni-channel

The omni-channel marketing system or strategy is a type of marketing where all channels are integrated without any interruption (Lazaris and Vrechopoulos, 2014) and it aims to give consumers a "holistic" experience from shopping (Manser Payne et al., 2017). As a strategy, it is more advanced, hence a multi-channel strategy that aims to provide a complete seamless shopping experience with a marketing approach that focusses on customers (Juaneda-Ayensa et al., 2016). In the omni-channel environment, customers can move freely among channels within a single transaction process (Melero et al., 2016) while retailers try to increase customer purchasing by using various channels (Beck and Rygl, 2015). In this way, they present all distribution points as part of a single design instead of establishing a connection between brand and customer through separate channels. Verhoef et al. (2015) pointed out that the consumer experiences across multiple channels in omni-channel context are significant for retailers. In literature review, few studies focussed on retailer's perspective (Hansen and Sia, 2015; Hübner,

Holzapfel and Kuhn, 2016; Hübner, Wollenburg and Holzapfel, 2016; Hübner, Wollenburg and Kuhn, 2016; Yumurtaci Huseyinoglu, 2017; Yumurtaci Huseyinoglu et al., 2017; Monique Murfield et al., 2017; Galipoglu et al., 2018; Melacini et al., 2018). The number of consumer-centric studies about omni-channel strategies has increased recently (Lazaris and Vrechopoulos, 2014; Bhalla, 2014; Verhoef et al., 2015; Mirsch et al., 2016; Berg and Tornblad, 2017; Yurova et al., 2017; Park and Lee, 2017; Shen et al., 2018).

Conversion of multi-channel into omni-channel

Multi-channel refers to the use and coordination between offline channels (e.g. physical stores), online channels (e.g.web store) and traditional direct marketing channels (e.g. catalogs) (Verhoef et al., 2015) by retailers in order to enhance customer value (Neslin et al., 2006) through an easier and faster access to information, more diverse purchasing options and a greater quality of customer service. However, despite the coexistence of these channels, they allow neither customers to trigger interaction between them nor retailers to control their integration (Beck and Rygl, 2015). In addition, the data are channel specific and they are not integrated or shared across channels (Mirsch et al., 2016). Hence, a separate management and channel-specific objectives (e.g. sales per channel and experience per channel) are adopted by retailers to operate the existing and the added channels as independent entities (Verhoef et al., 2015). This system finally revealed several shortcomings, notably a confusing brand building and a blurred price, and communication policies with not only a lack of fluid experience for the customers but also a direct competition between the channels of the same retailer (Melaciniet al., 2018). Consequently, because of these fragmentations, retailers have found it extremely difficult to provide a consumer experience that is likely to enhance the customer satisfaction (Wilding, 2013).

Role of Omni-channel in retail banking

Bank retailing is one of the earliest sectors to adopt the omni-channel through the reinforcement of their physical and electronic channels by switching to digital channels (Liu et al., 2017). Besides, omni-channel potential is among the top 3 pillars to better attract new bank customers and retain the existing ones, thereby achieving sustainable competitive advantage by the year 2020, according to a study conducted by Helin and Sadowski (2017) on the future prospects of retail banking. The omni-channel is then an emerging strategy in the banking industry that banks need to adopt in order to remain competitive in the market (Bhalla, 2014). Whether from a PC, through a mobile device, by ATM or in branch, the omni-channel banking enables the customers to seamlessly access the different banking services (Liu et al., 2017). Indeed, omni-channel focuses on a seamless and consistent interaction between the bank and its customers across multiple channels (Tang and Ofori-Boateng, 2014), which allows, for example, a customer to start the interaction with one channel, such as in a bank branch, and finish with another, like

mobile banking, through his/ her smartphone or tablet. Based on some previous studies (Ericsson et al., 2012; Suvarna and Banerjee, 2014; Cuesta et al., 2015; Liu et al., 2017.

Integration quality of Omni-channel

Channel integration refers to the coordination between the multiple forms of interaction used by a firm, such as websites, physical stores and eventually other channels (Seck and Philippe, 2013) in order to offer a seamless experience, characterised by an easy moving from one channel to another, to a customer during his interaction with the firm (Goersch, 2002). Saghiri et al. (2017) defined omni-channel integration from three perspectives: integration among channel stages, as customers can move easily between all the stages of the channel during their interaction process without any confusion, loss of control, or inconsistency in information relating to the product or service received; integration among channel types to ensure a close collaboration between the different types of channels used by the firm such as online, offline and mobile channels to result in synchronised operations and decisions; and integration among channel agents, which means that the information sent and the products and/or services offered by the different agents of a channel are the same. Moreover, users of the multiple channels tend to perceive the quality of all the channels used and integrate them into an overall perception of service quality (Hossain et al., 2017). So, when the channel integration is "able to provide customers with a seamless service experience across multiple channels", Sousa and Voss (2006) call the phenomenon "channel integration quality". Channel integration is one of the main characteristics that distinguish the omni-channel from the cross- or the multi-channel (Lazaris and Vrechopoulos, 2014). In this sense, Saghiri et al. (2017) stated that without complete integration of the independent channels, multi-channel activity would never evolve to omni-channel. Thus, the quality of channel integration is of a particular importance for the establishment and success of the omni-channel system (Hossain et al., 2017; Shen et al., 2018).

Omni-channel Integration quality and Perceived value (PV)

PV has been generally defined as "the customers' overall assessment of a product or a service utility based on their perception of what is received and what is given" (Zeithaml, 1988). In a multi-channel context, PV refers to the "customers' overall assessment of the benefits that they receive from using multi-channels to fulfil their needs considering the various costs and sacrifices associated with using such channel systems" (Kabadayi et al., 2017). The PV by customers in multi-channel systems has gained special attention from both academics and

businesses, with the prominent shift from a firm-centric view to a more customer-centric view of the value creation process (Banerjee, 2014). Indeed, it seems that the value created, including saving money, time and effort, is the main reason that leads customers to use multiple channels (Hsiao et al., 2012). Based on perceived quality–PV paradigm, which posits that perceived quality is positively related to PV (Zeithaml, 1988), many research studies argued that multi-channel IQ has an influence on PV of the multi-channel system (Yu et al., 2011; Wu and Chang, 2016). More precisely, a high quality of multi-channel integration, which presents a great synergy between the channels and a seamless customer experience, would increase the PV of customer multi-channel system (Gentile et al., 2007). This result has been well highlighted in the context of multi-channel banking (Kabadayi et al., 2017). So, we propose to test this relationship in case of omni-channel banking, especially that with the omni-channel system, firms tend to enhance the quality of integration of their channels through more personalisation of the shopping experience and a large offer of mobile value-added services (Hossain et al., 2017).

Customer satisfaction on omni-channel shopping

Customer satisfaction is a key concept in consumer research (Oliver, 1980; Rust and Oliver, 1994). According to the expectancy–disconfirmation paradigm (Oliver, 1980), customer satisfaction expresses "the individual's perception of the performance of the product or service compared to the expectations" (Torres and Kline, 2006). In the literature, two main conceptualisations of customer satisfaction are distinguished (Montoya-Weiss et al., 2003). The first conceptualisation is transaction-specific satisfaction, which is associated with evaluative judgment of a particular "transactional experience with the firm" (Garbarino and Johnson, 1999). The second conceptualisation is the cumulative satisfaction, which is allied to the "overall evaluation of purchase and consumption experience with a product or service provider over time" (Garbarino and Johnson, 1999). The cumulative satisfaction is retained in this study instead of transaction-specific satisfaction for several reasons. First, cumulative satisfaction seems to be more stable than transaction-specific conceptualisation (Parasuraman et al., 1994). Then, this study focuses on retail banking, which represents a service with a high level of involvement and characterised mostly by interactions realised frequently and over the long term (Narteh, 2018).

Customer loyalty on Omni-channel shopping

Customer loyalty is considered among one of the key elements to a firm's success (Senić and Marinković, 2014). Loyalty can be defined as an attitude that refers to the individual's overall attachment to the brand or the company (Hallowell, 1996). Additionally, loyalty can also be defined as a behaviour that reflects customers repeatedly buying the same product or service from the same company, even if other alternatives in the market are available (Lenka et al., 2009). For a long time, the behaviour component was considered to be the most important for

understanding consumer loyalty; however, taking into account only this component subsequently proved to be insufficient to capture the essence of the customer loyalty (Han and Back, 2008). Therefore, loyalty is often considered to be a combination of both attitudinal and behavioural components (Rauyruen and Miller, 2007). This conceptualisation is also adopted in the case of the study of customer loyalty in the retail banking context (Kaura et al., 2015). Moreover, several studies have demonstrated that bank customer loyalty is positively related to customer perception of service quality (Kumar et al., 2013; Kaura et al., 2015; Narteh, 2018).

CONCEPTUAL FRAMEWORK

The development of customer relationship with omni-channel shopping can be represented through the conceptual framework shown below,
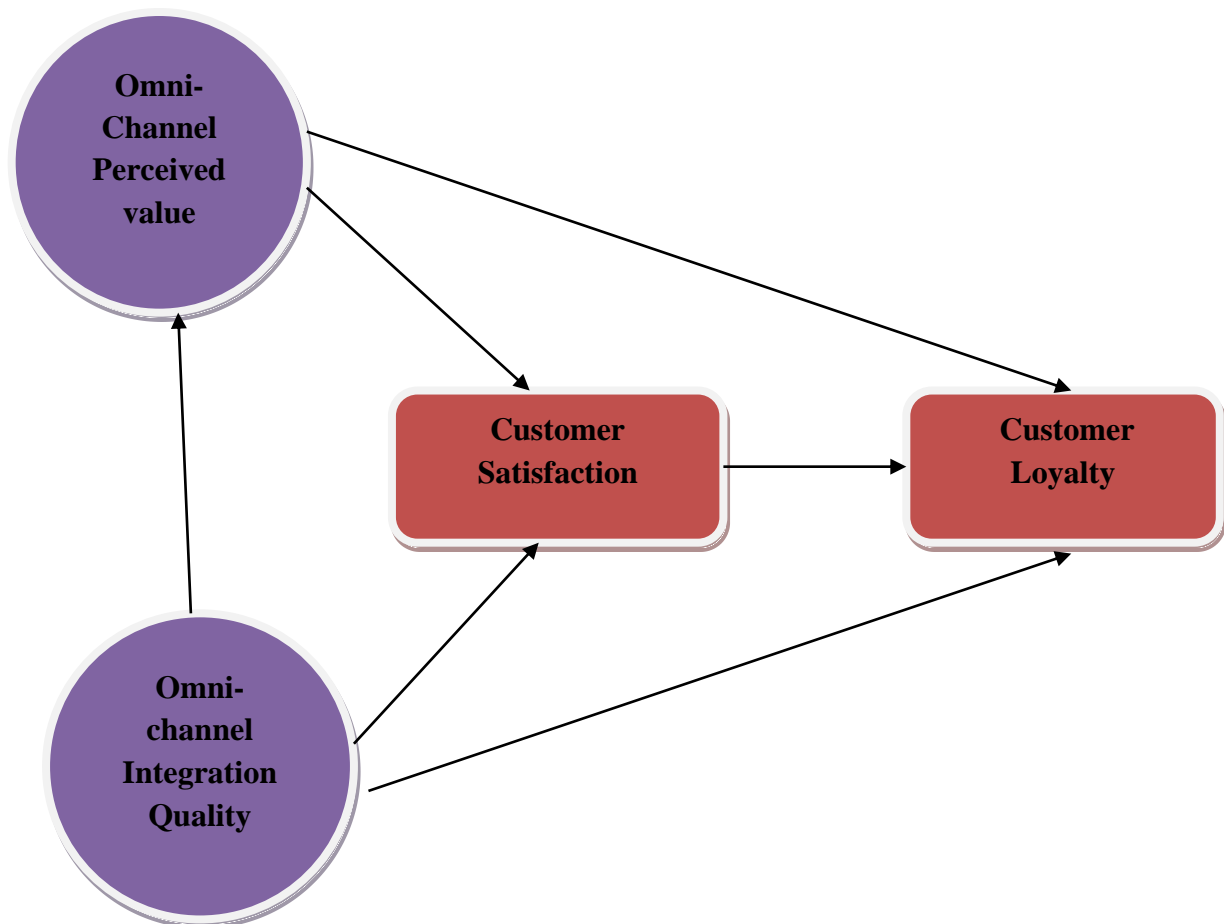
From a theoretical side, this research contributes to enrich the emerging literature related to the omni-channel and to the best of author's knowledge, this research is among the first studies that empirically test nearly all the relationships of the research model in an omni-channel context. Particularly, this research offers a comprehension of the omni-channel system from the customer's point of view, which is an insufficiently explored topic in the field of omni-channel research.

CONCLUSION

Moreover, the findings of this study suggest that the PV of the omni-channel provided by a bank could deepen the relationship with the customers, as a positive perception of omnichannel value increases their satisfaction and loyalty towards the banks. Hence, bank managers can rely on omni-channel banking to promote customers' long-term relationships at lower expenses, owing mainly to the relative cost reduction advantage offered by digital channels (Vater et al., 2012). Finally, it has been argued that enhancing customer satisfaction is a key factor to increase customer loyalty. This research consolidates this fact in an omni-channel banking context, which prompts managers to focus on the needs and the expectations of omni-channel consumers, especially in terms of channel integration. Indeed, the level of customer satisfaction would be greater when his/her expectations are met, which, in turn, improves the level of this customer loyalty, especially since this study provides a preliminary indication that the relationship between customer satisfaction and loyalty in an omni-channel banking context is more important than that found in a multi-channel banking (Bapat, 2017).

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