

## SWITCHING MARKETING CHANNEL IN THE PURCHASE PROCESS - WHAT PUSHES CONSUMERS TO CHANGE BEHAVIOR

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**Abstract:** *This paper investigates the factors affecting intention to switch the distribution channel during purchase process. The change in the sales channel has been defined as a change in the original plans for the place of purchase of the product under the influence of external factors. Author tests different factors that influence customer behavior: marketing activities of companies, different product price, positive WOM, personal factors - e.g. time pressure, company error - e.g. system failure. The conclusions from the quantitative research allow author to indicate some practical tips for companies that redirect consumers to remote purchase channels. In the article data from the questionnaire survey have been used (research sample 1103).*

**Keywords:** *marketing channel, purchase stage, switching channel, Omni channel distribution.*

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### 1. INTRODUCTION

Customer switching behavior may occur in different way. Customer may switch channel in one of the purchase stage (eg. information search), they may also switch channel during the purchase journey (eg. search for information via internet purchase offline) or switch service/product provider due to changing channel and provider during one or different stage of purchase process. All these phenomena can occur separately or together in a single purchase process.

Research in this field most often concern the channel change in the buying process or changing a supplier. The first one is connected with the “research shopper” [1]. Customer search product through one channel and purchase it in another one. According to Verhoef, Neslin and Vroomen [1] this behavior is determined by different channel attributes, no channel lock-in and cross channel synergy. Changing the channel sales can be linked to the simultaneous change of supplier. What note Chiu et al., changing the channel may be associated with the switching the provider (search online at company A, offline purchase in the company B) but the consumer may also switch the supplier without changing the channel (eg. when search product online in company A and buys it online in B company) [2]. Simultaneous switching channel and provider, these authors call cross-channel free-riding, which is prompted by the customers’ perceived self-efficacy to use multiple channels. Customer switching behavior is most often presented in relation to change the supplier, in particular services provider basis on customer subscription or membership [3]. Chuang and Tai conclude that in the research on switching suppliers, satisfaction, switching cost and attractiveness of alternatives appear most often as a predictor of switching intention.

The purpose of this article is to present the motives to change the sales channel during the purchase phase. Suppliers increasingly encourage consumers to change channels from

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traditional to newly launched remote distribution channels. As Trampe, Konus and Verhoef show, companies can use different strategies of consumer migration to e-channel [4]. They have proven that reward strategies in encouraging migration to the e-channel evoke a much smaller consumer reactance than punishment strategies for using traditional channels. In his study, the author tests various situational factors, elements of the impact on consumer's behaviour environmental influence, and depending on the company to check what may change the original plans for the use of a specific channel in order to purchase a service. The aim of the article is to answer the following research questions:

1. What are the most common reasons for changing the marketing channel at the purchase stage?
2. Who is more likely to change the distribution channel?
3. How can this knowledge be used to encourage consumers to use remote channels more often.

## **2. CUSTOMER JOURNEY IN BUYING PROCESS**

“Customer journey” approach is seen by some authors as starting point for developing an effective multichannel strategy [5]. According to [6] multi-channel customer management refers to the design, deployment, coordination, and evaluation of channels to enhance customer value through effective customer acquisition, retention, and development. The goal of multiple channel provision is to enhance customer value proposition and reach more customers [7]. Neslin and Shankar [8], in reference to multichannel retailing, have formulated some important questions about customer’s right channeling. They ask two questions: Should customers be encouraged to use the “optimal” channel? Should customers be forced to use the “optimal” channel? There is a general consensus among researchers that the main differences between multichannel retailing and omnichannel refer to level of channel scope, its integration and objectives [9] [10] [11]. Saghiri [12] stated that the omni-channel framework includes virtually infinite sets of customer value-adding journeys via different channel stages, types and agents. As a result of omnichannel strategy, in each set, flows of goods, services, and information depend on the customer's choice(s) as well as dynamic arrangements among the channels. As is stated in [13], a crucial decision companies need to ask nowadays is which channels they should make available to customers for transactions. The challenge for retailers, however, is caused by the fact that nowadays consumers are faced with many opportunities through which they can search, compare, purchase and obtain products [11]. Berman and Theler [14] indicate three aspects of differences in consumer behaviour. Among these elements are the following: the consumer purchase journey design (uniform vs different and linear vs non-linear), the place of purchase vs the location of pickup and return and the degree of effort a consumer needs to undertake as he/she moves across channels and devices. What is more, these authors indicate that in contrast to multichanneling, omnichanneling assumes that consumers can have very different purchase journeys. While in multichannel shopping buyers have rather linear purchase journey, shoppers in omnichannel environment use multiple channels and touchpoints and they can employ a nonlinear purchase journey. Another important characteristic of omnichannel is connected with much higher easy of movement across channel and devices that in multi channel environment [14]. The goal is to minimize the effort of moving from one contact channel to another – to make these movements seamlessly [11]. Undoubtedly some customers may be reluctant to switch to a new channel when they are already familiar with an existing channel [14]. Some authors [15] note the importance of offline experience for the intention to use new channel – an online store. According to them, the offline environment is important when consumers start to shop in the new online channel, however becomes less important in favor of the online environment when consumers get familiar with online grocery shopping. Another

researchers claim that the offline beliefs, attitudes and behaviours make a strong impact on online loyalty [16]. However, the phenomenon of marketing channels proliferations as well as touchpoints [11] and the reality of shifting from multichannel retailing towards omnichannel retailing [17] create more and more opportunities for the buyer to change channels in the purchase process. It seems that the more possibility to change marketing channel the biggest influence of any potential factors on channel switching.

One of the main factors that can affect channel switching decision is price. As long as the price of the product/service is not unified across all available channels, the price difference may be a factor encouraging channel change decision. In case of every multichannel transaction the decision whether and how to implement channel-based price differentiation should be made. Due to self-selection into a preferred channel-price combination the channel-based price differences is a form of second degree of price differentiation [18]. As is stated by [19], the influence of price difference in multichannel retailing on consumers' fairness perceptions depends on the price frame and norm perceptions. According to research, consumers are characterized by different preferences towards the marketing channel. This may be due to both inherent channel attributes and the willingness to pay of particular buyer [20]. As is stated in [21], channel-based price differentiation is perceived in an ambivalent manner; interchannel price differences have positive impact on buyers perceptions of value, increase relationship quality and enhances repurchase intentions, but it also leads to perceptions of price unfairness and limits customer self-determination, which negatively affect retention outcomes.

Another factor that can affect decision on switching marketing channel in the purchase process is negative prior experience with particular marketing channel or system failure at a particular moment. Findings provided by [22] show substantial differences in the effectiveness of received WOM across countries. By analogy to the fact that word of mouth (WOM) is fundamental to the product discovery process of consumers [23], probably WOM can also influence decision on choosing another marketing channel. Based on Keaveney's [24] model of customers' service switching behavior one can identify some vital factors for switching marketing channel. In original model eight factors have been indicated:

- 1) pricing (prices are too high, deceptive, or unfair relative to the perceived value of the service offering),
- 2) inconvenience (location/hours, wait for appointment, wait for service),
- 3) core service failure (service mistakes, billing errors),
- 4) service encounter failure (uncaring, impolite, unresponsive, unknowledgeable),
- 5) response to service failure (negative response, no response, reluctant response),
- 6) competition (customer found a better service provider),
- 7) ethical problems (cheat, hard sell, unsafe, conflict of interest),
- 8) involuntary switching (customer moved, provider closed).

Taking into account the essence of factors mentioned above, almost every has something in common with the decision on switching marketing channel. As indicated by [25] cultural differences can play an important part in understanding service consumers' switching behaviors. The open question remains whether cultural differences are important in the decision to change the channel as part of cooperation with one service provider.

### 3. RESEARCH METEDODOLOGY

The study was conducted at the end of the year 2015 on a group of 1103 respondents. The research sample was collecting using a quota-random method (the quotas referred to age and gender and the nature of the place of residence). The random route method was used to selected household. Starting points were drawn from the address database. Within the drawn household, a person who has most recently celebrated a birthday was invited to participate in an interview. Information was collected through interviews with mobile devices (CAPI method). A standardized questionnaire was used to collect data, and questions about switching behavior were coded in a 5-level Likert's scale (1 – strongly disagree, 5 – strongly agree). The questions concerned consumer behavior with regard to financial services, telecommunications services and personal transport, not a single services provider. The characteristics of the study sample are presented in Table 1.

Table 1: The study sample characteristics

|                                   | Characteristics          | Number of respondents | Percentage of sample |
|-----------------------------------|--------------------------|-----------------------|----------------------|
| Gender                            | Female                   | 565                   | 51.2                 |
|                                   | Male                     | 538                   | 48.8                 |
| Generation                        | Baby boomers (1946-1964) | 357                   | 32.4                 |
|                                   | X (1965-1980)            | 390                   | 35.4                 |
|                                   | Y (1981-1996)            | 356                   | 32.3                 |
| Employment status                 | Full-time employed       | 608                   | 55.1                 |
|                                   | Part-time employed       | 82                    | 7.4                  |
|                                   | Self-employed            | 74                    | 6.7                  |
|                                   | Unemployed               | 123                   | 11.2                 |
|                                   | Retired                  | 185                   | 16.8                 |
|                                   | Other                    | 51                    | 2.8                  |
| Number of people in the household | 1                        | 108                   | 9.8                  |
|                                   | 2                        | 329                   | 29.8                 |
|                                   | 3                        | 323                   | 29.3                 |
|                                   | 4                        | 245                   | 22.2                 |
|                                   | 5 or more                | 98                    | 8.8                  |

Source: own research

The change in the sales channel has been defined as a change in the original plans for the place of service purchase under the influence of different factors. Several factors influencing the change marketing channels at the purchase stage were identified:

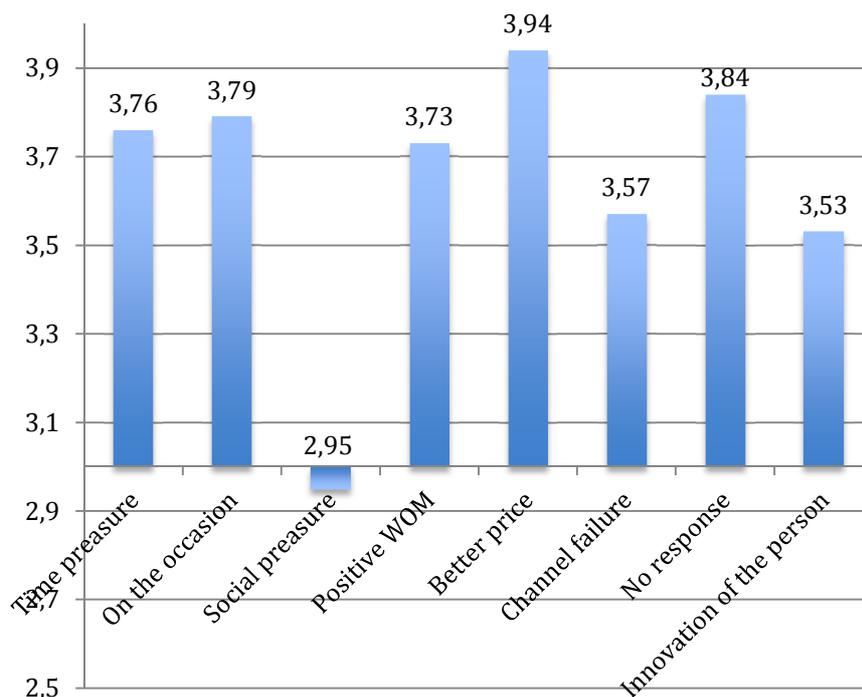
- Time pressure - the need to quickly use the service;
- On the occasion - something is on the way, for example, a bank branch;
- Social pressure - none of my friends use this marketing channel anymore;
- Positive WOM (recommendation) - someone made me realize how it can be done more efficiently;
- Better price - cheaper service is available only in a specific sales channel;
- Channel failure - you can not use the preferred channel temporarily;
- No response - the service provider does not resolve the issue in the preferred sales channel;
- Consumer innovation - the tendency to try a new marketing channel.

When comparing the list of factors with Keaveney's study, it can be noticed that the author has excluded factors based on competition or switching off channels, but the recommendation or pressure of other people has been added.

#### 4. DETERMINANTS OF CHANGING CHANNEL AT THE PURCHASE STAGE

In the first step the mean score answers regarding to reasons for all respondents were calculated. The most common reason for changing channel is the cheaper offer available only in a specific sales channel. The next one is lack of response - the service provider does not resolve the issue in the preferred sales channel. The t-test for dependent sample shows that the mean differences between these two reasons are statistically significant. All answers are presented in Figure 1.

Figure 1: Reason for changing distribution channel at the purchase stage



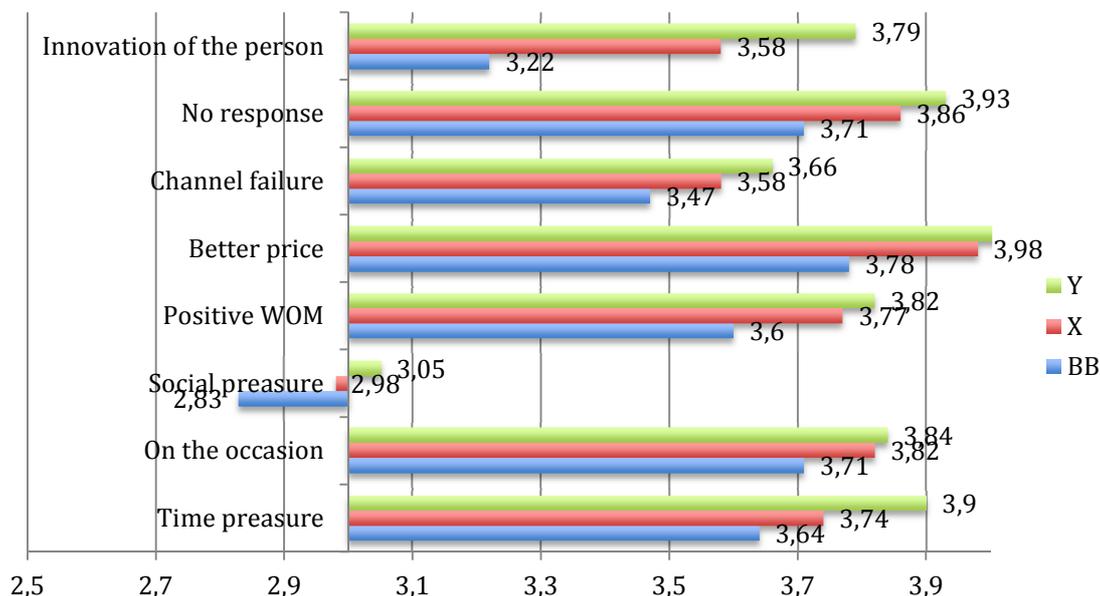
Source: own research

The least common reason for changing the sales channel is the “social pressure” and “personal innovation”. The influence of the other people behaviour through their choices of places of purchase has no impact on changes in consumer decisions in contrast to the positive WOM, which is much more important for consumers decision making process.

The next step in the analysis of the collected data was to analyze the reasons for changing channels through different consumers’ generations. Comparison of the answers of representatives of the Baby Boomers generation, X Gen and the Y Gen indicates that the youngest generation is much more likely to change the decision regarding to the originally chosen purchase channel. Games-Howell test showed that, in the case of better price, there are statistically significant differences between the assessment of the impact of price advantage on intention to change original channel between the generations Y, X and BB (no significant differences between Y-Gen and X-Gen). The order of the factors in case of Y-Gen also changes – “better price”, “no response” and “time pressure” most often influence the channel preferences (Figure 2). In case of the older generations, "by the occasion" is the third reason for changing the purchase channel. The greatest absolute differences in the assessments of the

factors concern personal innovation. In this case, the younger generation is, the more innovative consumers are.

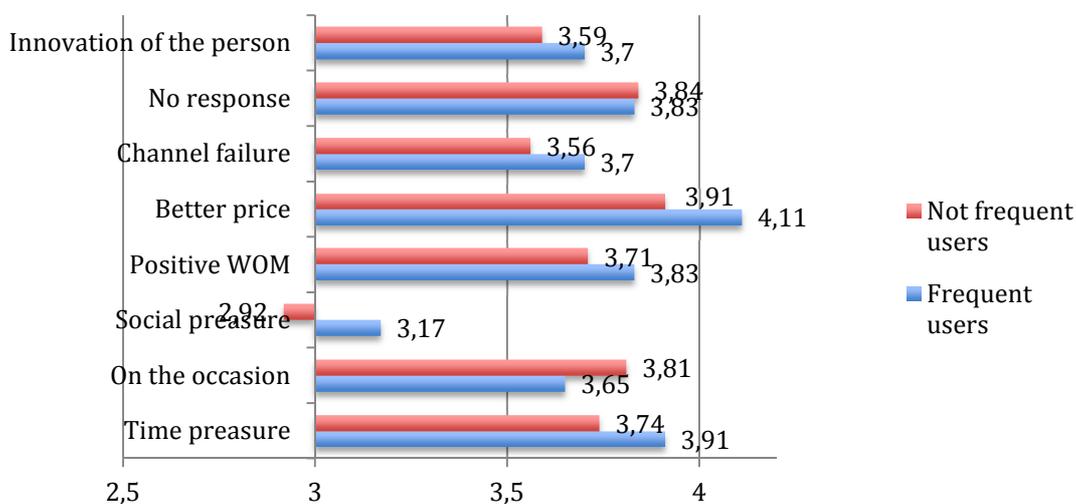
Figure 2: Reason for changing distribution channel at the purchase stage – consumer generation comparison



Source: own research

The last of the comparison concerns consumers who are the frequent buyers of services on the Internet (at least once a month) and those who are not buying on the internet very often (once a quarter or less frequently). In the case of frequent users, the most important reason for changing the channel are “better prices”, “time pressure” and equally “no response” and “positive WOM”. Not frequent users online channel switch their behaviour due to better price, no response and on the occasion (Figure 3).

Figure 3: Reason for changing distribution channels, different intensity of online channel usage



Source: own research

The results confirm that Internet users are more likely to look for better product prices, have more freedom to choose a marketing channel, and more often use the advice of other people, often available online.

## 5. CONCLUSIONS

Research results on switching marketing channel in the purchase process are as follows:

1. The biggest influence on the change of marketing channel at the purchase stage has better price in specific channel, the lack of response and the possibility to use a different channel on the occasion.
2. More prone to change the channel displays Y gen, the smallest the Baby Boomer gen.
3. For young generation the reason to change channel are better price, lack of response and time pressure.
4. More frequent users on-line channel are more likely to change channel due to better price, time pressure, no response and positive recommendation from people who use the on-line channel occasionally.

In order to influence the customer marketing channel choice, the easiest way is channel-based price differentiation, in particular in relation to younger buyers, who are more familiar with the internet technology. If not the price, positive WOM may be a reason for choosing a new, innovative channel for purchase services. Negative factors affecting the place of services purchase include, in particular, the lack of response to consumer needs (visible particular in remote channels) and channel failure which factors should be avoided so as not to hinder access to services in channels preferred by consumers.

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