Sequencing of Sales Channels in Customer Purchase Processes. How Different Interaction Modes affect Customer Perceptions.

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Cite as:
Haupt Martin, Bowen Melanie, Haas Alexander, Freidank Jan (2019), Sequencing of Sales Channels in Customer Purchase Processes. How Different Interaction Modes affect Customer Perceptions.. *Proceedings of the European Marketing Academy*, 48th, (9596)

Paper presented at the 48th Annual EMAC Conference, Hamburg, May 24-27, 2019.

Sequencing of Sales Channels in Customer Purchase Processes.

How Different Interaction Modes affect Customer Perceptions.

Multichannel purchasing seems to become standard for consumers and the influence of digital channels is steadily growing. Extant research shows, that multichannel purchasing yields positive sales outcomes for organizations. However, it remains unclear how the use of different channels in different purchase phases affects customer perceptions.

Based on Prospect theory, this study investigates if consumers evaluate different sequences of sales channels in the purchase process differently. Precisely, it shows that customers using a digital channel for the search phase and a personal channel for the purchase phase evaluate the selling organization more positively than customers using first a personal and then a digital sales channel.

This study contributes to a better understanding of the impact of multiple sales channels on trust. It shows the relevance of sales channel sequencing in customers' purchase processes and supports managerial decisions regarding multichannel structures.

Keywords: Multichannel, Purchase Process, Sequencing

Track: Retailing & Omni-Channel Management

1 Introduction

Digital technologies are increasingly affecting how customers purchase products. A recent study found, that between 30 to 50% of all in-store retail purchases are influenced by digital customer actions, such as social media, videos or customer review sites (Lobaugh and Ohri, 2016). This change in customer purchase behaviour sparks interest among practitioners and academics, alike. As such, the analysis of the integration of digital sales channels, such as self-service technologies and web applications into business processes, is gaining increasing importance (e.g. Scherer et al., 2015; van Doorn et al., 2016). The focus of such evaluations is mainly on general reasons for usage as well as strengths and benefits of digital channels in comparison of traditional offline sales channels. For example, extant research shows that in general digital channels exert lower effects on customer loyalty and perception of service quality than personal channels (e.g. Lee, 2015); that customers using multiple channels when purchasing products and services are more valuable for companies than single-channel customers (see for example, Kumar and Venkatesan, 2005; Neslin et al., 2006); and that in more consultative interactions, a mix of channels is recommended (see for example Selnes and Hansen, 2001; Scherer et al., 2015). Verhoef et al. (2007) go a step further and analyse why customers switch channels within the purchase processes (i.e., when searching for and purchasing products). They find attribute-based decision-making, channel lock-in and cross-channel synergies as causes for customers switching from online search to offline store purchase.

However, extant research does not examine how the switch of channels (i.e., from digital to personal channels or vice versa) during the purchase process (i.e. during search and purchase) affects consumers evaluations of the organization. The structure of an optimal multichannel purchase is relevant for both science and management, as different paths might strengthen or impede customer attitudes like satisfaction or trust and their behaviour, which in turn would affect business outcomes. For example, if one of the channel switches would cater for less trust compared to the other, some customers choosing this channel might refrain from buying from this seller. Furthermore, a superior rated channel structure could be promoted more actively from the vendor in order to achieve better outcomes.

As such, it remains unclear whether the sequencing of interaction modes (i.e., personal vs. digital channel) within the purchase process affects customer perceptions differently and which type of sequencing (i.e. personal channel for the search phase and digital channel for the purchase phase or vice versa) yields positive results for organizations.

Using a lab experiment, we show that sequencing of interaction channels affects customer perceptions. In the following, we will use the term sales process interaction mode to refer to the sequencing of different sales channels (i.e., personal and digital) within the purchase process (i.e., search phase and purchase phase).

Our research offers several contributions to marketing literature and management. First, it evaluates the effect of sales process interaction mode on customer perception. Being the first to analyse relational effects of sequencing of sales channels within the purchase process extents existing literature by showing that focusing solely on analysing the effect of multiple sales channels is too narrow. Rather it is important to consider how different channels contribute to the different phases of the sales process. For management, the results indicate, that it is not only relevant to offer several channels, but that these channels should be offered at the right time during the purchase process.

Second, we show the mechanism that links sales process interaction mode to relational outcomes and show that the sequencing of sales channels affect customer's perception of social presence and in turn trust in the organization differently. We thus extent existing literature by showing that the perception of social presence and trust in the organization is not only formed through the general personal interaction between sales person and customer, but that the timing, in terms of at which point in the purchase process, the salesperson interacts with the customer is of major importance. From managerial perception, this supports managerial decisions in terms of how to structure multichannel sales systems in order to best support customers during their purchase process by focusing on the most relevant sales channels in the different phases of their purchase process.

2 Theoretical Background and Hypothesis Development.

Sales process interaction mode refers to the use and sequencing of different channels within the purchase process. Following the notion of Verhoef et al. (2007), the purchase process can be divided into a search phase (i.e. need recognition, information gathering, and comparison of alternatives), a purchase phase (i.e. negotiating, deciding for one alternative, purchase, and evaluation of the process). We consider the use of personal interaction [P] and digital resp. electronic sales channels [E] as relevant for each of the two phases.

Within our conceptual framework (see Figure 1), we link sales process interaction mode to customer's perception of social presence, which in turn affects trust in the organization. Building on prospect theory (Kahneman and Tversky, 1979), we propose, that the type of

interaction mode (i.e. personal interaction within search phase & digital interaction within purchase phase [PE] vs. digital Interaction within search phase & personal interaction within purchase phase [EP]) affects the perception of social presence differently.

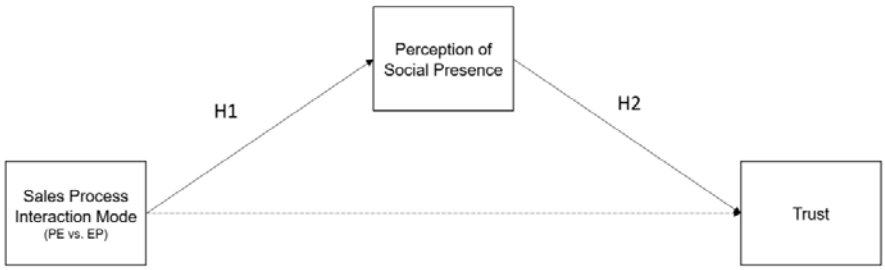

Figure 1: Conceptual Model
Interaction Mode PE: *Personal Interaction within Search Phase, Digital Interaction within Purchase Phase;*
Interaction Mode EP: *Digital Interaction within Search Phase, Personal Interaction within Purchase Phase*

According to prospect theory, individuals evaluate alternatives relative to their perceived losses or gains compared to a specific reference point (Kahneman and Tversky, 1979). The level of the reference point, used to interpret losses or gains, is formed by individual experiences (see for example Gijsenberg et al., 2015). Within this research setting, the first mode of interaction will be the reference point on which consumers evaluate their losses and gains. We consider a loss resp. gain to be manifested within the possibility to establish a personal connection within the sales process. Extant research shows, that a personal connection enhances the perception of social presence (e.g. Cyr *et al.*, 2007; Gefen and Straub, 2003)). Perception of social presence relates to the extent to which the sales process is perceived as personable, sociable, sensitive, and warm (Short et al., 1976). In general, personal interactions can convey more nonverbal cues than current digital communication forms (e.g. Self-Service Terminals, E-Mails, Websites) – and can thus offer a higher level of social presence (Weinel et al., 2011; van Doorn et al., 2016). Despite the trend towards digital interaction and numerous possibilities offered online, many customers still request personal attention from a salesperson (Lee, 2015; Scherer et al., 2015). According to a prospect theoretical perspective we thus expect, that a switch from a digital interaction to a personal interaction constitutes a gain for the customer, as the customer receives the possibility to establish a personal connection with the sales person. In contrast, a switch from personal interaction to a digital interaction constitutes a loss for the customers, as the possibility to

establish a personal connection with the sales person is withdrawn. Thus, the type of interaction mode [PE vs. EP] should have varying effects on customer's perception of social presence. Formally stated:

H1: The Sales Process Interaction Modes PE and EP will have differential effects on customer's perception of social presence.

As stated by extant literature, many consumers perceive a high level of social presence positive in sales interactions (Gefen and Straub, 2003; Weinel et al., 2011). More specifically, Selnes and Hansen (2001) stated that social bonds between sales representatives and customers are offering both social and utilitarian value for the customer. Hence, a higher perception of the Social Presence should lead relationship outcomes. Trust is defined as the willingness to rely on an exchange partner (Walsh and Beatty, 2007). Trust is created in social interactions. Extant research shows, that personal interactions can increase trust by overcoming consumers anxiety and fear of a mispurchase (Dabholkar, 1996; Scherer et al., 2015). Situations with high levels of social presence, thus allow the customer to assess the trustworthiness of the salesperson and the organization via social, often nonverbal cues such as body language and mimics (Gefen and Straub, 2003). Specifically, social presence supports the sense of human contact and sociability (Short et al., 1976) which have been found to be linked to trust (Weinel et al., 2011). In an online context, two studies (Hassanein and Head, 2006; Gefen and Straub, 2003) proved that higher user perceptions of social presence on websites lead to higher trust in the online vendor. We thus expect, that customer's perception of social presence influences trust in the organization. Formally:

H2: Customer's perception of social presence will have a positive effect on trust in the organization.

3 Research design and methodology

3.1 Method and Sample

To test the proposed relationships, we conducted an experimental scenario study with two different scenarios. Scenario methods, which ask participants of experiments to imagine themselves in hypothetical constellation and roles, are designed to provide insight into social psychological responses to hypothetical situations and have proved ideal for such constellations (Kwon and Weingart, 2004). In this specific case, each of our scenarios asks participants to imagine themselves as intending to purchase a smartwatch in a fictions electronics store. The two scenarios varied in terms of displaying different sequences of

interaction mode: 1) Scenario PE: the search phase was conducted using a personal sales channel within the search phase and a digital sales channel within the purchase phase. 2) Scenario EP: the search phase was conducted using a digital sales channel within the search phase and a personal sales channel within the purchase phase. We also included a control scenario (PP) on which the whole purchase process (i.e. search and purchase phase) was conducted using a personal sales channel. The personal sales channel (P) was described as a sales talk with a representative of an electronics specialty retailer. The digital sales channel (E) was described as retrieving information from the website of the same retailer. In the search phase, the customer received general product information, and in the purchase phase detailed information of a particular smartwatch according to the needs. The text for both sales channels in the different purchase phases was identical except for necessary small wording adaptations (e.g. “been told” – on the P condition instead of “read” in the E condition). In line with (Dreze and Nunes, 2007) recommendation, we assigned respondents randomly to one of the three scenarios.

We chose the product category smartwatch as an example of a medium or high involvement product. In low involvement and convenience goods, the relevance of personal interaction is rather limited (Hassanein and Head, 2006; Burke, 2002). In some retail settings like supermarkets, personal interaction exists mostly at the cashpoint and an influence on purchase decisions is almost not present.

We recruited participant from a major German public university to respond in a web-based survey. We randomly assigned participants to one of the three scenarios. The final sample consisted of 113 participants with an average age of 26 years and a share of 56% women.

3.2 Measures

After presenting the manipulation, we asked participants to rate their perception of social presence and trust in the organization. We adopt reflective multi-item measures for all latent variables from the extant literature Participants assessed their perception of social presence on a 5 Item, 7-point scale adapted from Short et al. (1976). Trust in the organization was measured using a 6 item, 7-point scale as used by Walsh and Beatty (2007). Participants also reported their gender and age. The confirmatory factor analysis results provided strong evidence of the reliability and validity of the used measures. Psychometric properties were all well above the recommended levels.

3.3 Results

We record the effectiveness of our manipulation by directly asking the participants which of the following description best described the scenario they just read, and excluded participants that did not reply correctly to the manipulation check from the final sample. To investigate the realism of our experimental design, we also include two "realism check" items (Wagner *et al.*, 2009) in the questionnaire ("I could imagine an actual retail shop doing the things described in the situation earlier"; "I believe that the described situation could happen in real life""; $\alpha = .81$). The responses to these items reflect a sufficient level of realism of the employed manipulations ($M_{\text{composite score}} = 5.51$, SD = 1,32).

We used SPSS 25 to assess the proposed relationships. With gender and age as covariates, an ANOVA on perception of social presence showed that participants in the PP (M = 4.47) and PE (M = 4.38) condition showed a lower perception of social presence compared to the EP (M = 5.16) condition, with the difference between the PP and EP as well as the PE and EP condition being significant (all $p<.05$). Thus, we found support for H1.

We further used regression analysis to assess the impact of perception of social presence on trust in the company. Using age and gender as control variables, the results show, that perception of social presence has a positive effect on trust in the company ($\beta=.31$, $p<.01$), thus supporting H2.

To get further insights into the mediating role perceived social presence, we tested the significance of the indirect effects of sales-process interaction mode on trust in the organization. We employed PROCESS (Hayes, 2013) and used 5.000 bootstrapping samples to determine the significance levels of the effects. Using age and gender as covariates, the indirect path from sales process interaction mode to trust through perception of social presence (indirect effect = .20, SE = .10, $CI_{.95}$ = {.024, .443}) . The direct effect of sales process interaction mode on trust in the organization was not significant (direct effect = -.29, SE = .26, $CI_{.95}$ = {-.815, .226}). Conclusively, perception of social presence mediates the effect of sales process interaction mode on trust in the organization.

4 Implications

Our contributions are threefold. First, the study revealed as first of that kind that different sequencing of personal and electronic interaction indeed influences the Perception of Social Presence. In a multichannel setting with Personal interaction closer towards the sale [EP], the Personal Social Presence is perceived higher than in the reverted case [PE] with Personal

interaction in the search phase. Hence, besides general focusing on the offer of a high social presence in sales interactions, the right timing of interaction modes is relevant for consumers' perceptions.

Second, this research described the mechanism how multichannel sequencing is linked to relational outcomes (trust). Based on the first purchase phase as reference, consumers evaluate a switch to personal interaction as a gain, and a switch to digital interaction as a loss. This evaluation is expressed in their trust rating, as the multichannel mode EP influences trust more positively than the mode PE. This extents literature, as not only the buyer-seller interaction itself but also the effect of timing affects trust levels. As Verhoef *et al.* (2007) stated, the majorly used multichannel behaviour is a process with digital Search phase and Personal Purchase phase [EP]. The higher perception of trust could be used as a first indicator why this process sequence might be so popular, compared to the other sequence direction.

Third, we combined Prospect theory with the social construct of Social Presence and enlarge the field of application for this theory (adding e.g. to Wagner et al., 2009).

Managerially, the results support the decisions of structuring multichannel sales processes to achieve higher consumer perceptions of social presence and trust. The outcomes support earlier study results (Lee, 2015; Scherer et al., 2015) and indicate that consumers retrieve a higher social and relational value from Personal interaction, compared to Digital interaction. As many companies have the issue of how to combine digital and personal interaction parts in a multichannel sales process (Gallino and Moreno, 2014), this study proposes that a sequencing from Electronic to Personal interaction should be promoted actively to achieve higher trust; as precondition for business activities and to prevent abandoned purchases.

Comparing the results of the control group (personal interaction in both phases [PP]) with the sequencing groups, we could find a significant difference to the EP interaction, but not to the PE interaction (M values in 3.3., $p<.05$). Contradicting to Prospect theory, the expected loss of Personal interaction was not effecting relational outcomes here. We propose that our rather young participant sample might be more multichannel-experienced and is thus not perceiving a switch to any Multichannel process as a loss.

Future research could relate the findings to other products or services, integrate more steps of the purchase process or further relationship or business outcomes. According to Hassanein and Head (2006), measuring factors like purchase intention in lab settings as applied in this

study is difficult. Changing the research type (e.g. to field experiment) might help to find further insights in this relevant multichannel research field.

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