

# Exploring service quality perception in omnichannel retailing in the case of German fashion industry

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# **Exploring service quality perception in omnichannel retailing in the case of German fashion industry**

## **Abstract**

In omnichannel retailing, a combination of different retail channels along the various customer touchpoints has become the predominant purchasing pattern for customers. In order to address changing consumer behaviour, omnichannel fashion retailing companies must continue to learn how to provide excellent service to such customers. This paper approaches the topic of omnichannel service quality by utilising a constructivist epistemology and an embedded case study research strategy. The paper seeks information-rich cases and therefore views service quality through the eyes of experienced German omnichannel customers. The sample size for this research consisted of 34 in-depth interviews and two focus groups including ten focus group participants. As such, a process of methodological triangulation was followed. This paper identifies 6 key drivers of perceived omnichannel service quality. Furthermore, it presents an omnichannel customer typology of four different types of fashion customers.

## **Keywords**

*Omnichannel retailing, service quality, customer typology*

## **Track**

*Digital Marketing & Social Media*

## **1. Introduction**

The increasing possibilities opened up by digitalization led to a fundamental change in consumer behaviour (Alexander & Cano, 2020; Huan, Lobschat, & Verhoef, 2019). In omnichannel retailing, the combination of different retail channels during the customer journey has become the predominant purchasing pattern for customers (Heinemann, 2019; Lee, Chan, Chong, & Thadani, 2019a; Verhoef, Kannan, & Inman, 2015). Customers constantly switch channels; borders between channels are blurred (Lorenzo-Romero, Andrés-Martínez, & Mondéjar-Jiménez, 2020).

Therefore, retailers nowadays need to find answers to this changing behaviour (Verhoef et al., 2015). With respect to service quality as an antecedent to customer satisfaction and loyalty, there is a gap in the literature when it comes to understanding service quality in omnichannel settings (Huan et al., 2019; G. Hult, Tomas, & Zhang, 2019). This is surprising since omnichannel service systems have become increasingly important with the rise of e-commerce. Retailers now consider that their ability to offer their products through multiple channels is becoming indispensable (Rezaei & Valaei, 2017).

This paper focuses on omnichannel retailing and the service quality perception of omnichannel customers. It, therefore, elaborates the key drivers of perceived omnichannel service quality. This paper elaborates that omnichannel customers' service perception consists of six major themes: (1) physical stimulation, (2) affiliation, (3) value for physical service quality, (4) electronic stimulation, (5) utility for electronic service quality, and (6) choice optimization for the integration of service quality. Finally, this paper presents a customer typology of omnichannel fashion customers.

## **2. Theoretical Context**

In the context of omnichannel retailing, the evaluation and understanding of service quality has become a topic of major interest both for academics and practitioners (Herhausen, Kleinlercher, Verhoef, Emrich, & Rudolph, 2019; Huan et al., 2019; Hult, Sharma, Morgeson, & Zhang, 2019). "Owing to the intangible, heterogeneous and inseparable nature of services" (Martínez & Martínez, 2010, p. 30), several concepts of service quality have been developed over the years (Cronin & Taylor, 1992; Loiacono, Watson, & Goodhue, 2002; Parasuraman, Zeithaml, & Berry, 1988). In essence, the service quality literature can be divided into two streams. The majority of researchers evaluate service quality based on the disconfirmation paradigm as a gap between expected service and perceived service (Martínez & Martínez, 2010; Zhang, He, Qin, Fu, & He, 2019). The SERVQUAL model can

still be considered the most important gap-based service quality conceptualisation (Martinez & Martinez, 2010; Parasuraman et al., 1988). Other researchers use a performance-only approach to evaluate service quality based on an ideal standard (Cronin & Taylor, 1992; Martinez & Martinez, 2010; Teas, 1993). As the literature suggests, omnichannel service quality is a multidimensional construct, which consists of primary dimensions (physical, electronic and integration quality) and corresponding sub-dimensions (Sousa & Voss, 2006). The key distinction between omnichannel and single-channel service systems is the integration quality dimension (Zhang et al., 2019). Integration quality has the purpose of providing a seamless service experience across channels (Herhausen et al., 2019; Sousa & Voss, 2006; Verhoef et al., 2015). Service integration can be seen as an integral part and has a positive impact on customer behavioural response, customer experience and customer loyalty (Lee, Chan, Chong, & Thadani, 2019b; Quach, Barari, Moudry, & Quach, 2018; Shi, Wang, Chen, & Zhang, 2020). Therefore, omnichannel service quality should be viewed from multiple perspectives, including traditional and electronic service settings, because perceived service quality results from all moments of contact between a retailer and its customers (Sousa, Amorim, Rabinovich, & Sodero, 2015). However, with very few exceptions (Zhang et al., 2019), most service quality models still tend to take a single channel perspective and do not consider omnichannel settings (Liu, Lobschat, & Verhoef, 2018; Verhoef et al., 2015).

### **3. Methodology and Method**

In contrast with dualist and objectivist studies this paper uses a constructivist epistemology and ethnographic methodology. Such an approach is associated with an interpretivist ontological worldview, which postulates the existence of ‘multiple realities’. For this paper, an explanatory case study design was chosen to refine the existing theory and to extend knowledge about service quality in an omnichannel retail setting (Roworth-Stokes, 2006). The technique applied to the sample selection was purposeful sampling (Patton, 1990), as participants were selected on the basis of their experience of purchasing fashion products by accessing the various channels of one retailer. For this paper, interview participants were chosen based on predetermined criteria (‘criterion sampling’). First, only people older than 18 years, who had obtained full capacity to make contracts, were included in this research. Secondly, the customers who were included were specifically those who were experienced in searching for, and purchasing, clothing through different channels during a single purchase. This is in keeping with Verhoef’s (2015) definition of multichannel customers as those who

use different channels for searching and purchasing. The inclusion of ‘experienced’ multichannel customers who had made at least three purchases in the last 12 months enhances the information-richness of the sample of customers. Thirdly, it was crucial for the outcome of this research that the participating customers had had multichannel experiences with at least two multichannel retailers.

The sample size for this research consisted of 34 in-depth interviews and two focus groups including ten focus group participants. As such, a process of methodological triangulation was followed. As Morse (2015) articulated, the size of the sample depends on the nature of the phenomenon, its concrete versus subjective nature, the amount of complexity and scope of the phenomenon (p. 1214).

The interviews and focus groups were semi-structured in nature, comprising a number of predetermined questions (Robson, 2007). The interviews lasted between 30 and 60 minutes each.

Data were analysed using thematic analysis (Braun & Clarke, 2006).

#### **4. Major Results**

The major outcome from the in-depth interviews was the six themes representing the vivid perceptions of the empirical reality of German omnichannel fashion customers:

(1) physical stimulation, (2) affiliation, (3) value for physical service quality, (4) electronic stimulation, (5) utility for electronic service quality, and (6) choice optimization for the integration service quality.

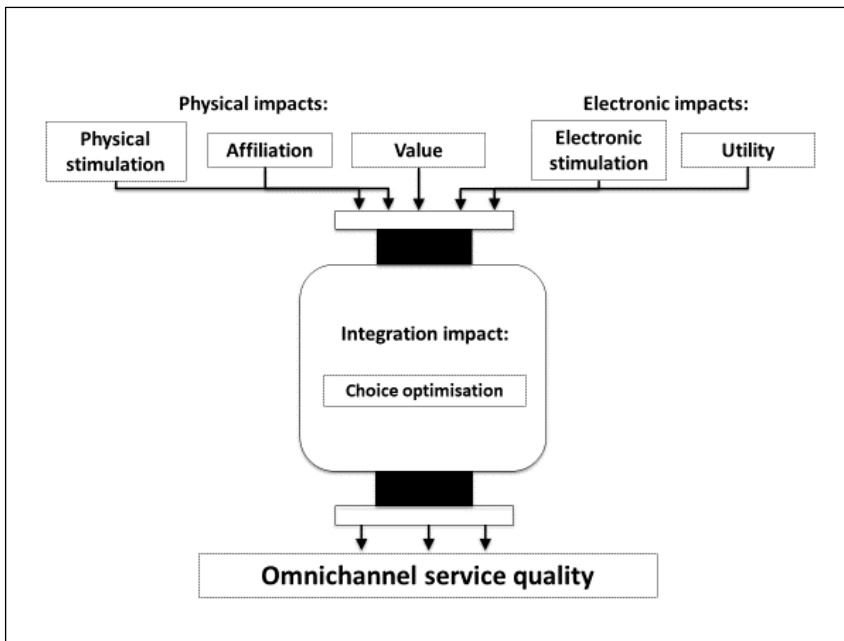
The major themes that relate to the physical channel imply some emotional involvement on the part of omnichannel customers. Therefore, omnichannel customers seek physical stimulation from offline-mediated environments and, in particular, from store design, visual merchandising, and haptics.

Moreover, omnichannel customers tend to use offline-mediated environments to affiliate with others. This includes human relations, status, and advice. The first term expresses that omnichannel customers value meeting like-minded people in pleasant shopping environments. Such people can be familiar (e.g., friends, family, or familiar salespeople) or unfamiliar (other customers or unknown salespeople). Westbrook and Black (1985) defined affiliation as a dimension of shopping motivation that includes: shopping alongside other

customers who have similar tastes, talking with salespeople and other shoppers who share interests, and shopping with friends as a social occasion.(Westbrook & Black, 1985, p. 90) The third sub-dimension of physical service quality in an omnichannel retailing context is value. Omnichannel customers tend to be value-oriented when purchasing in offline-mediated environments. Value orientation includes appreciation, honesty, trust, friendliness, and empathy. Salespeople have the most significant impact on these customers' value perceptions. In this context, certain characteristics of omnichannel customers can be identified: those who seek an individualistic and situation-related approach, those who are enlightened by prior knowledge about a product before entering the retail store, and those who retain a level of scepticism regarding advice received from sales employees.

The major themes that relate to the electronic channel context imply a mix of rational and emotional involvement on the part of omnichannel customers. The first theme, electronic stimulation, refers to web design, content, and convenience. In terms of web design, omnichannel customers seek practicability, a clear structure, and filter options. These findings resonate with the "ease of use" service quality dimension that represents "the degree to which the functionality of the user interface facilitates the customer's retrieval of the electronic service" (Zeithaml, Parasuraman, & Malhotra, 2002, p. 363). However, the findings of this paper go beyond this definition. Omnichannel customers also value the emotional aspects of web design. Accordingly, they cite attractive web design and video footage as strong product features. The second major theme of electronic service quality, utility, has been described as the 'outcome resulting from some type of conscious pursuit of an intended consequence' (Babin, Darden, & Griffin, p. 645). Based on the interviews, a key issue to emerge from utility was convenience.

The concept of integration is the main difference between a single-channel and an omnichannel service quality system. According to the literature, all physical and electronic elements enriched with integration mechanisms lead to overall perceptions of omnichannel service quality (Sousa & Voss, 2006). "Connection" and "linkage" are the terms that explain how customers express what is known in the literature as "integration quality". The emergent theme for integration quality is choice optimization. Omnichannel customers tend to optimize their choices during the purchasing process. Hence, integration quality has the function of a catalyst. It reinforces the reactions of the two ingredients of physical and electronic service quality in order to provide an optimised service quality experience.



*Figure 1: Integration quality as a catalyst of omnichannel service quality*

As Figure 1 illustrates, each retail channel provides different characteristics. In a well-integrated omnichannel system, customers are able to optimize their choice options. Hence, integration quality reinforces the characteristics of physical and electronic service quality in order to provide an optimized service quality experience. Therefore, integration can be considered as the competitive advantage enjoyed by an omnichannel retailer. Customers can exploit the full advantages of each channel, which has a positive impact on their overall service quality perception.

The findings further suggest that four different types of German multichannel fashion customers exist within the sample. Based on these findings, the current paper was able to develop a customer typology. “Each type of customer is distinguished by a specific pattern of social characteristics reflecting his position in the social structure” (Stone, 1954, p. 36). The generators of heterogeneity among omnichannel customers can be considered to be available income level and (rather rational or emotional) involvement with fashion products.

The first segment is called “hedonists”. They have low or medium available incomes and they show high emotional involvement. Their principal drivers are shopping experiences and amusement. For these customers, it is important to remain well informed about the latest fashion trends. They are price-sensitive due to their low available income, which is why they prefer to purchase from fast fashion discounters. A strong reference to affiliation and emotive stimulation are both indicators of high emotional involvement among this customer

segment. Hedonists value omnichannel retailing for efficiency reasons. Since fashion trends are very short lived nowadays, they mainly use channel integration for availability checks across channels and they value fast delivery and an effortless purchasing process.

The connoisseur customer segment also demonstrates high emotional involvement in fashion purchases, but has a medium-high or high income. The connoisseur looks for indulgence when purchasing a fashion product. Connoisseurs can be considered the most demanding customer segment. They tend to have a clear idea of what they want. They are not dependent on the lower-priced retailing segment and they have high expectations concerning service quality. Generally, connoisseurs can be considered loyal customers, but if they migrate due to unsatisfying experiences it is hard for retailers to win them back. This customer segment seeks inspiration online and offline. They are receptive to aesthetic store design and visual merchandising. Furthermore, they tend to follow lifestyle bloggers. However, in contrast to hedonists, who are influenced by bloggers and their fashion styles, connoisseurs look for bloggers who share a similar attitude and lifestyle. This segment appreciates competent personal advice and they avoid visiting stores that offer poor personal advice. When purchasing online, they value visual stories and editorials as well as aesthetic web design and sophisticated packaging. Connoisseurs have limited time and so they carry out omnichannel shopping to be efficient. They seek availability checks across channels and prefer the option to reserve items online and try them on in-store.

In contrast, smart shoppers have a low or medium available income and demonstrate higher rational involvement. They are principally driven by savings. Smart shoppers can be considered the least loyal segment because they show opportunistic buying behaviour at the retailer that offers them the cheapest price. Smart shoppers show a preference towards online shopping, since price comparisons are easier to complete online than offline. Furthermore, smart shoppers generally perceive prices to be lower online. They value integration quality for a more efficient comparison of prices across channels.

Phlegmatic shoppers are the second segment of higher rationally involved omnichannel customers. These shoppers have a medium to high income level. They are mainly driven by convenience. They can be considered loyal customers, except when they experience service failure at a retailer. Once they migrate, recovery is challenging for the retailer. Phlegmatic shoppers tend to have high expectations regarding the services they are offered. They value efficiency, convenience, practicability, and competence above all. Switching barriers can be



a helpful tool for omnichannel retailers to dissuade phlegmatic shoppers from cross-channel free-riding. Phlegmatic shoppers have a positive perception of channel integration because they value choice optimization for effort, availability, price, and support.

## **5. Managerial Implications and Recommendations**

This paper sets out a number of managerial implications. First, since omnichannel customers tend to constantly adjust their choices regarding retailer and retail channel during purchase, it is important for omnichannel retailers to set up coherent and integrated sales and communication strategies across channels. Retailers should cease working in silo organizations where one stream is in charge of online activities and another is in charge of offline activities. The different departments need to work in a cross-disciplinary manner, since omnichannel customers expect a seamless shopping experience.

Second, as this paper suggests, salespeople still play an important role in the offline channel as a source of affiliation and furthermore to provide value. The more accessible a product is online and in-store, the more likely customers are to migrate to other retailers and/or retail channels when dissatisfied with the sales experience. Retailers need to train their sales teams to address the aforementioned attributes. Salespeople need to be better adjusted to the needs of “enlightened” omnichannel customers who already possess knowledge when entering a store.

Third, the changed behaviour of omnichannel customers makes it necessary to identify a new approach towards service quality. At present, omnichannel retailers still tend to take a single-channel approach, and do not consider the distinctive requirements of multiple channel systems. So, managers of omnichannel retailers should not only place emphasis on enhancing and improving physical and/or electronic service quality, but also shift towards the integration of the service offers of both channels. The overall purchasing experience needs to be consistent for the customer at all moments of contact between the retailer and the customer in order for the customer to perceive a seamless service quality.

Fourth, this paper suggests that omnichannel retailers should analyse their customer base by means of the four customer types proposed in this paper, namely: (1) phlegmatic, (2) smart, (3) hedonist, and (4) connoisseur shoppers. There is no “one-size-fits-all” solution, since each customer group has distinctive drivers, behavioural characteristics, and perceptions regarding physical, electronic, and integration quality. Thus, to be able to set up an effective and successful strategy the fundamental question omnichannel retailers should be able to answer is, which specific customer type do we want to target?

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