

Combining Human and Digital in Online Customer Support: the Role of Regulatory Focus

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Abstract:

Research has acknowledged that digital technologies have significantly changed the way consumers interact with organisations. Yet, there has been little agreement on how to deliver valuable interactions using both digital technology and service employees. Question arises how organisations can positively influence online behaviours using both digital and human. Grounded in regulatory focus theory, this research aims to establish how chronic regulatory focus impact on consumers preferences interacting with digital and human in online customer support environment. Adopting a quasi-experiment research design, this study has found out that depending on chronic regulatory focus, consumers would express more positive online behaviour towards a firm when exposed to different levels of control during their interactions with live-chat agents.

Keywords: regulatory focus theory, digital and human interactions, online customer support

Track: Digital Marketing & Social Media

1. Introduction

The main goal of this study is to explore people's preferences on interacting with digital channels in online customer support context. Specifically, this research aims to understand how chronic regulatory focus influences consumers' preferences on interacting with live chat channel and how it affects future behaviour. Process of digitalisation has changed consumers' behaviours considerably through integration of digital technology in nearly every aspect of consumers' life (Zeithaml, Bitner, Gremler, & Pandit, 2006). Hence, organisations have recognised the importance of delivering high-quality and efficient interactions as a distinguishing factor to achieve competitive advantage (Lemon & Verhoef, 2016). Throughout the literature, there have been several conceptual papers debating the role of digital technologies and human employees (Bowen, 2016; De Keyser, Köcher, Alkire, Verbeeck, & Kandampully, 2019; Larivière et al., 2017; Robinson et al., 2019).

However, little is known on how to deliver valuable and efficient interactions through both human and digital entities (Bolton et al., 2018; Verhoef et al., 2019). Particularly, one stream of literature focuses on understanding how to improve digital interactions to ensure consumers acceptance (Araujo, 2018; Przegalinska, Ciechanowski, Stroz, Gloor, & Mazurek, 2019; Rese, Ganster, & Baier, 2020). On another hand, another stream aims to establish how to develop employees' soft skills to deliver more personalised and valuable interactions (Bowen, 2016; Wirtz & Jerger, 2016). Hence, this study joins an alternative research stream aiming to acknowledge how to balance and manage digital and human in online service encounters (Klaus & Zaichkowsky, 2020).

Hereafter, this research addresses the theoretical knowledge gap by investigating how interactions with digital technology, particularly virtual agent (artificial intelligence), and service employee impact consumer behaviour. By closing this gap, it will add to existing knowledge on consumer behaviour and will help to understand how organisations can achieve competitive advantage through balancing digital and human interactions within service encounters.

2. Theoretical Background

Technological advancement has created a necessary demand to deliver prompt communication through online customer support services (Chattaraman, Kwon, & Gilbert, 2012). Online customer support services help organisations to strengthen relationships with consumers,

enhance overall experience, build up trust and loyalty (Verhagen, Van Nes, Feldberg, & Van Dolen, 2014). Implementing digital agents in the online customer support channel as a communication tool can benefit organisations in various ways (Chi, Denton, & Gursoy, 2020). Firstly, they are available 24/7 and can process unlimited amount of interaction at the same time (Chi et al., 2020). Secondly, Robinson et al. (2019) identify that digital agents are less prone to mistakes or emotional unpredictability. However, there has been little agreement in the literature on how to deliver valuable interactions using both digital agents and service employees.

Indeed, in the research done by Larivière et al. (2017), authors conceptualise that in certain service environment, AI-powered technology will substitute the role of service employees as it will perform tasks more efficiently. On the contrary, Robinson et al. (2019) argue that digital assistants will not replace employees, but they will work together towards delivering fast and customer-oriented experience. Both Larivière et al. (2017) and Robinson et al. (2019) question how consumers' interaction with technology and human employee during service encounter will influence attitudes and behaviours. Therefore, this study aims to understand how consumers prefer to interact with human and digital during online customer support as part of service encounters. By examining consumers' preferences on human and digital interactions, it will help to close an existing knowledge gap and contribute to consumer behaviour research (Bolton et al., 2018). To further extend the knowledge on consumers' interactions and to understand how firms can increase intended behaviours, this study investigates how interplay of human and digital interactions influence behavioural responses towards a firm. To address the research aim, regulatory focus theory is suggested as a theoretical lens for this study.

Originally developed by Higgins et al. (2001), regulatory focus theory posits that people can be divided based on two motivational orientations: promotion and prevention. Individuals with promotion-orientation focuses on reaching positive outcomes through achievement and growth, whereas individuals with prevention-orientation focuses on avoiding negative outcomes through minimising risks (Chernev, 2004). Chernev (2004) establishes that promotion-orientated people focus on successes, seizing opportunities and maximising gains, whilst prevention-orientated people focus on avoiding failures and minimising losses to ensure avoidance of negative outcomes. Furthermore, Higgins, Nakkawita, and Cornwell (2020) recognise that compared to prevention-focused individuals, promotion-orientation individuals prefer speed over accuracy, hedonic over utilitarian values, and feeling-based over analytical

thinking. Hence, researchers have concluded that in online interaction environment, promotion-focused consumers are more risk-seeking comparing to their contra parts, prevention-focused consumers (Chernev, 2004; Kim & Sung, 2013).

Hereafter, extensive research has been done in website content domain to understand how regulatory focus affect people's decision-making. For instance, Ashraf and Thongpapanl (2015) have conducted research on comparing hedonic and utilitarian features of the webpage and have concluded that prevention-orientation consumers have higher purchase intention when exposed to utilitarian website rather than hedonic and visa a verse . These are noteworthy findings as it would suggest that chronic regulatory focus affect consumers' future behaviours through delivering interactions in accordance with regulatory focus (Ashraf & Thongpapanl, 2015; Higgins et al., 2020).

Yet, it is unclear how regulatory focus can affect interactions with live chat representatives and as result behaviour. Specifically, as this research aims to explore how to deliver efficient interactions using both a chatbot and a human customer service adviser, there is a little knowledge about how to transfer consumers from a chatbot to a human customer service adviser and how it will affect future behaviour. Grounded in regulatory focus theory, this study argues that due to more risk-averse nature of prevention-focus individuals, they prefer to have more control over their online interactions rather than promotion-focus individuals (Avnet & Higgins, 2006; Dodoo & Wu, 2021). On contrary, it is implied that promotion-focus personas prefer interactions with less control due to their focus on efficiency and achieving positive outcomes (Avnet & Higgins, 2006; Higgins et al., 2001; Higgins et al., 2020). Therefore, this study suggests that when exposed to low control interaction, promotion-orientation individuals have higher intended behaviour, and when exposed to high control interaction, prevention-orientation individuals have higher intended behaviour (Avnet & Higgins, 2006; Fazeli, Shukla, & Perks, 2020; Freitas & Higgins, 2002). As presented on Table 1 below, two main hypotheses have been established.

Hypotheses

H1: Individuals who are promotion-orientated are more likely to express higher intended behaviour when exposed to low control interactions rather than high control interactions.

H2: Individuals who are prevention-orientated are more likely to express higher intended behaviour when exposed to high control interactions rather than low control interactions.

Table 1: Hypotheses

Testing hypotheses will help to extend the current knowledge on how to deliver digital and human interactions in online customer support. Extending regulatory focus theory will help to examine the role of digital and human interactions and influence of regulatory focus in shaping consumers' behavioural responses towards a firm. It is important to do so to broaden existing research on how to increase online behaviour towards a firm through interplay of digital and human interactions. Hence, this study's goal is to address the literature gaps and identify how regulatory focus influences online interaction experiences and as a result behavioural response towards a firm.

3. Methodology

The research purpose is to explore how chronic regulatory focus influences consumers' preferences on interacting with live chat channel and how it affects future behaviour. To achieve this aim, research adopts objectivist ontology and positivist epistemology. The research uses quantitative research method, specifically quasi-experiment is chosen as a research strategy for this study.

Total of 180 participants took part in the research (28% male and 68% female; 96% of participants have previously used live chat function). Quasi-experiment was conducted online, hosted through Qualtrics platform. Participants were exposed to two interventions and required to answer questionnaire before and after interventions. Hereafter, the study comprises a 2 (hypothetical company: positively reviewed vs negatively reviewed) x 2 (point of transfer: low control vs high control) between subject design. Prior to any interventions, participants are measured on regulatory focus scales developed Higgins et al. (2001) to assess their regulatory focus orientation. Next, participants have been randomly assigned to positive or negative conditions that aims to manipulate participants' feelings towards a fictional firm ("Mobileverse"). Accordingly, participants are exposed to positive or negative reviews of "Mobileverse". This has been done to explore how future behaviours differs under distinctive conditions (positively reviewed firm and negatively reviewed firm) for people with different regulatory focus orientation. After, participants are exposed to second intervention that manipulates point of transfer from a chatbot to a human customer service agent. Specifically,

in low control intervention, a chatbot had control over when to transfer to a human adviser, while in high control intervention, a customer asked a chatbot to get transferred to a human adviser. Low control refers to a condition, where participants have low control over their interaction as chatbot decides when to transfer to human adviser, and high control refers to a condition, where participants have high control over their interaction as they in control of the transfer. Following this intervention, participants have been asked range of questions to measure the intended behaviour.

A factor analysis across all scales shows that all items load onto their respective constructs. All factors loading are above 0.7 and there are no cross-loadings. Additionally, all measures have Cronbach's alpha above 0.7. Average variance extracted and construct reliability has been calculated and both are above 0.6. Hence, it is concluded that scales are valid and reliable resulting in progressing to the next steps of data analysis.

4. Preliminary Findings

To begin with, manipulation checks have been conducted. As expected, in positive condition, participants perceived company as a positively reviewed ($M = 4.67$, $SD = 0.7$; $F(2, 96) = 257.621$, $p < .001$); and in negative condition, as a negatively reviewed ($M = 1.27$, $SD = 0.7$; $F(2, 98) = 144.465$, $p < .001$). Additionally, the further manipulation check has been performed to ensure the second intervention (point of transfer: low control vs high control) has worked as expected. As predicted, in low control condition, participants indicated that chatbot was in control of interaction ($M = 4.23$, $SD = 0.82$; $t(134) = 12.143$, $p < .001$); whereas in high control condition, participants anticipated that a customer was in control and could ask for a transfer to a human at any time ($M = 3.93$, $SD = 1.15$; $t(153) = 10.239$, $p < .001$). Hereafter, it is concluded that both interventions has worked as expected.

As the main aim of this paper is to identify the influence of chronic regulatory focus on people's preferences interacting with live chat and intended behaviours, three-way ANOVA was conducted. A 2 (regulatory focus: promotion vs preventions) x 2 (point of transfer: high control vs low control) x 2 (company perception: positive vs negative) ANOVA on the intended behaviour showed that the main effects of pre-existing company perception ($F(2, 143) = 15.09$, $p < .001$) was significant, whilst the main effects of high or low control manipulation or regulatory focus ($F < 1$) were not significant. Nonetheless, central to main hypotheses, the

results showed a three-way interaction between regulatory focus, company perception and high/low control interactions ($F(2, 143) = 3.30, p = .039$).

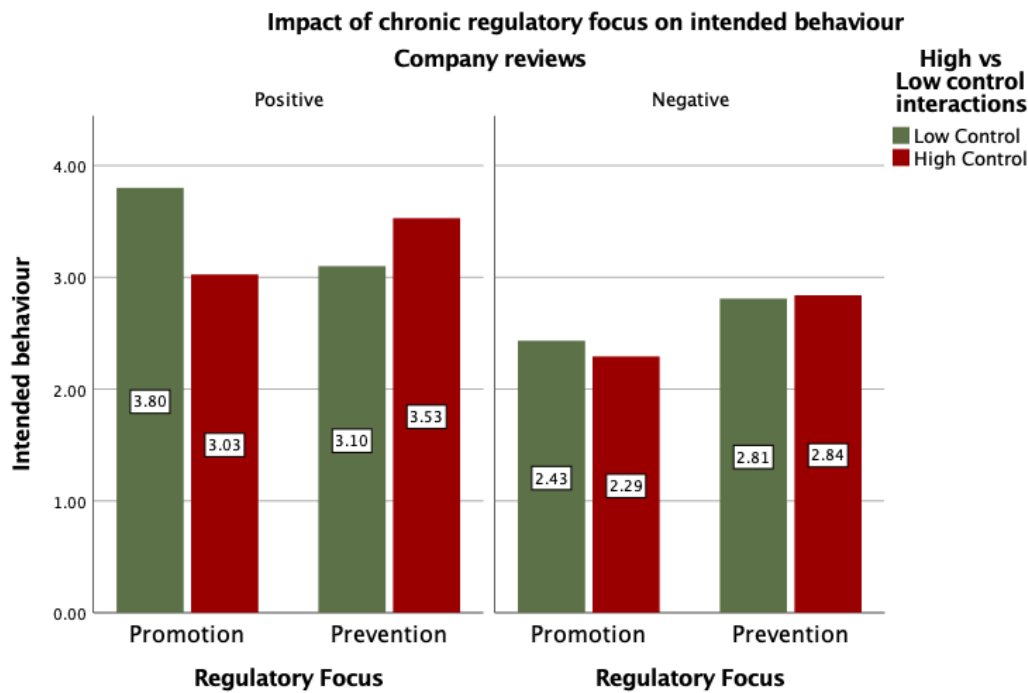


Figure 1: Effect of Regulatory Focus on Intended Behaviour under Different Manipulation Conditions

Further analysis shows that promotion-focused participants had higher intended behaviour towards a firm when exposed to a low control interaction ($F(2, 143) = 15.16, p < 0.01$), whilst prevention-focused participants had higher intended behaviour when exposed to a high control interaction ($F(2, 143) = 6.21, p < 0.01$). Moreover, differences in the intended behaviour between promotion and prevention participants is at the highest when exposed to positive condition. Hence, when exposed to positively reviewed firm and low control interaction, promotion-focused participants ($M = 3.8, SE = 0.18$) had higher intended behaviour rather than prevention-focused participants ($M = 3.1, SE = 0.23$). Similarly, in high control interaction, prevention-focused ($M = 3.5, SE = 0.18$) participants had higher intended behaviour towards a firm rather than promotion-focused participants ($M = 3.0, SE = 0.26$), a statistically significant difference $p < 0.01$.

To conclude, as predicted promotion-focused individuals show higher intended behaviour when exposed to low control interaction. Contrary to prevention-focused individuals who show higher intended behaviour when exposed to high control interaction. Particularly, prevention-oriented personas express higher intended behaviour when they are in control of interaction.

This goes in-line with Chernev (2004) and the nature of prevention-focused people who aims to avoid negative outcomes in their lives. Hereafter, by making their own decision of when to transfer to a human customer service adviser, prevention-orientation individuals feel in more control of their interaction and as a result it goes in-line with their regulatory focus to minimise risks (Avnet & Higgins, 2006).

Alternatively, promotion-focused personas tend to be more relaxed when it comes to interaction with live chat channel. Findings show that promotion-orientation individuals prefer to have low control over their interaction and show higher intended behaviour when chatbot automatically transfer them to human customer service agent. This goes in-line with the regulatory focus theory and supports the findings as promotion-orientated people are more focused on achieving positive outcomes (Avnet & Higgins, 2006). Therefore, by giving control to a technology to make an automatic transfer, promotion-focused individuals perceive that it will facilitate faster and more efficient interactions. This study makes an important finding for online retailers as it establishes how to deliver efficient and valuable live chat interactions to different types of consumers. Grounded in regulatory focus theory, this research suggests that online retailers that would like to increase their conversion and satisfaction rates through live chat interactions should ensure a match between regulatory focus and interactions with live chat. Hence, the next section draws this paper to a conclusion by discussing research implications.

5. Conclusions and Implications

Throughout literature, it can be seen that the research in a field of technology, chatbot, service employees, and consumer behaviour is fragmented. Specifically, scholars have acknowledged that technology has significantly changed consumer behaviour. However, most of the studies tend to focus on technology or service employees alone. So far, there is little empirical evidence on how successfully implement both technology and human employee interactions in the service encounters that would lead to positive behavioural outcomes and stronger relationships. Therefore, this research aims to close this gap by examining both human and technology interactions in the context of customer support. Addressing this gap is essential because it helps to understand how to efficiently distribute digital and human interactions throughout online service encounters to diverse types of consumers.

By embracing a regulatory focus perspective and theorising an importance of transfer from chatbot to human customer service adviser, this study bridges extant literature on regulatory focus orientation and online interaction and offers further insights into online consumer behaviour. Research findings offer noteworthy theoretical and practical insights for theory and practice. From theoretical perspective, it extends regulatory focus theory by acknowledging that chronic regulatory focus impacts people's preferences on interaction with digital channels. Specifically, it adds to existing knowledge on theory of regulatory focus through recognising that chronic regulatory focus orientation has influence on individuals' preference for level of control during online interactions with live chat. Alternatively, this study has a novel practical contribution as it draws to the online retailers' attention on how to distribute and manage human and digital capital in online customer support. Particularly, this research suggests that for promotion-focused consumers, firms should create smooth and efficient interaction with live chat agents where a chatbot automatically transfers to a human customer service adviser. On contrary, for prevention-focused consumers, firms should let consumers oversee the transfer and let them connect from a chatbot to a human customer service adviser when they want. Hence, theoretical, and practical contributions are important as it supports consumer research by expanding a current knowledge on how firms can strengthen relationships with customers through interaction with digital and human entities during online service delivery.

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