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Customer Adaption and Decision-Making Mechanisms in Omnichannel Retail

SUMMARY

What is fundamentally different about seamless integration of consumers across multiple touch points and devices? Essentially, the difference is that a company needs to track the same consumer across multiple channels. However, if firms were to manage each consumer separately in a single channel, they would only need to track the consumer within that channel. In contrast, omnichannel marketing by its very nature requires firms to have unimaginable consumer tracking capabilities. Data integrity issues are at the frontier of challenges within omnichannel marketing. Though often omnichannel is viewed primarily in terms of the challenges of integrating channels and managing across channels rather than managing channels separately, to do this firms need to address questions of consumer data integrity across the variety of data touch-points and channels they manage. Current technological developments allow customers to buy products on a variety of online platforms. It is recognised that consumers have different shopping behaviours when searching for information, evaluating alternatives and deciding to buy products and services using different channels (online and offline) at the same time, which changes their shopping behaviour.

Keywords: Consumer Behaviour, Purchase Decision, Omnichannel Behaviour, Channel Preferences, Channel Marketing

JEL codes: M30, M31, M39

INTRODUCTION

Today, the internet and the development of new technologies are influencing consumer behaviour. Shoppers interact with many touch points while searching for products, making purchases on the channel of their choice. During the shopping process, shoppers move through different retail channels and modes at their convenience. This has led to the emergence of more and more channels, which is prompting consumers to change their shopping habits. Omnichannel refers to retailers that are present on both physical and digital platforms. It is a modern approach to commerce that focuses on providing a consistent customer experience at every touchpoint. It is an evolution that has occurred in the simultaneous use of multiple channels by consumers (i.e. websites, stores, catalogues, call centres and mobile). Shoppers now buy details, compare features, evaluate products in stores and online. They also tweet and share their experiences on social media. Therefore,

omnichannel behaviour is seen as an evolution of multichannel consumers who use all channels simultaneously (Ortis, 2010).

Today's consumers are highly dependent on digital and have become more sophisticated than before, making their shopping process more complex and challenging for retailers. Retailers and businesses are challenged by the proliferation of shopping channels. Today's consumers can buy any product, anytime, anywhere. Customers use multiple channels to buy a product at the same time. Customer choice behaviour also depends on their personality (Lee-Lee, 2019). Understanding the impact of demographic factors that influence channel preference is a stimulating area for researchers. It is also important to study customer brand preference, which provides a picture of the customer's consumption pattern by socioeconomic class, personality and brand (Govindarajan et al., 2018). It can help companies to plan their sales channels and design their strategies accordingly for market development, and contribute to a better understanding of sales channels and how strategies can be shaped as the business environment changes. Marketing has a more significant impact on consumers' perceptions and behaviours in the purchase process (Sangvikar et al., 2019).

This makes it essential to understand the psychology and behaviour of the customer in order to choose the preferred product purchasing channels. With the increase in the number of shopping channels, the challenges in the retail sector have also increased, hence the need to study omnichannel shopping behaviour of the shopper. Therefore, it is a challenge for organisations to recognise the behaviour of shoppers who can shop anywhere and anytime (Markowicz, 2017).

CONSUMER BEHAVIOUR

In order to make a company customer-oriented, it is necessary to know the market's absorption capacity of products and services, as well as the consumers' buying motives and the purchasing decision mechanism.

Consumers buy products and services to satisfy their needs, for individual consumption or for their families. The concepts of buyer and consumer may be distinct, given that the person making the purchase is not always the consumer of the product and may not be the only one making the purchase decision.

Consumer behaviour is the totality of the consumer's actions in obtaining, using, evaluating and dealing with goods and services after use, including the decision processes that precede and determine the action. It is a complex set of behaviours that includes individual needs, the determinants of the individual's environment, the information available to the buyer, the ability to evaluate alternatives and the decision-making mechanism

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with which the buyer will subsequently be satisfied or dissatisfied.

In addition, consumer behaviour examines how a consumer buys, chooses, selects and uses products or services to satisfy his or her needs. Consumer behaviour is a combination of pre-, intra- and post-purchase behaviours.

THE PURCHASE DECISION PROCESS

Since the 1960s, the vast majority of modern marketing theories have viewed purchasing decisions as a process of successive stages (Lemon-Verhoef, 2016). Nowadays, with multichannel shoppers simultaneously present in online and offline spaces, it is increasingly difficult to develop models as shopping has also become a much more complex activity than it was before the internet era.

Given the many changes in shopping habits over the past decades, the mechanisms that drive each decision stage are similar because people's instinctive motivations and needs have remained the same. Currently, the most common and widely accepted version of the decision process decomposition into stages in marketing theory models is the five-stage purchase decision process, which I will adopt in this summary.

To understand the mechanisms of consumer decisions, it is worth starting from the basic model of consumer behaviour, which outlines the factors that influence the decision-making process. Philip Kotler (1999) created the best known stimulus-organism-response model of consumer behaviour, which is still the most important black box model in marketing (Figure 1).

The model takes into account, on the input side, the stimuli generated by the marketing activities of firms and, on the other side, the influencing factors that determine the socio-economic systems as a whole. In addition, individual characteristics which are invisible to marketing people and can therefore only be inferred, are also determined by the buyer's decision according to the model. Even the five-step decision process that facilitates the processing of stimuli and the development of responses cannot be fully understood because it takes place in the minds of the buyers. The purchase decision made is the output factor in the scheme. As a result, only by examining input and output factors together is it possible for professionals to understand the customer's buying behaviour on the basis of theory.

This theory considers each stage of the purchase decision as a linear process, whereas in the case of multichannel purchases

this assumption is no longer valid in most cases. Each decision stage can be restarted, interrupted or even skipped altogether at any time. The rapid development of mobile technologies combined with the widespread spread of social media has now led to a situation where the decision process can be best understood as an experiential journey (Wolny-Charoensuksai, 2014).

Miklosik (2015) highlights the shortening of the decision-making process and the increase in the speed of information diffusion. Furthermore, he emphasises the increasing complexity of the decision-making process, which is realised in the intertwining of the use of marketing and information channels, their complementary role and their parallel use. In their study, Ashman et al. (2015) conclude in relation to the EKB decision theory model that, with some necessary modifications, it can still be a suitable tool for modelling the purchase process.

The main components of the EKB model are: input, information processing, decision process, individual variables influencing the decision and external influencing factors. Buyer behaviour is strongly influenced by personal characteristics and external influences at all stages of the decision process. The decision process starts with the recognition of the need. This is followed by the collection of information, while various marketing stimuli are sent to the buyers. The marketing cues are constantly stored in the memory of the buyer while the information is being processed. In the process, new needs may be created in the customer. The process then begins with the evaluation of options to satisfy the need, which continues with selection, and concludes with the purchase of the chosen product, for which the response is satisfaction if satisfied, or dissatisfaction if not. All this may lead the customer to decide to consume the product or even to return it to the shop. The positive outcome of the purchase is particularly important as it is a key factor in building customer loyalty.

Since the majority of customers today use both online and offline sales channels for their purchases, it may be a reasonable choice to present the EKB (1978) and EBM (1986) models (Figure 2).

Darley et al. (2010) emphasise the importance of focusing on human needs in building online shopping models, although they also consider technological factors to be relevant. Among the factors they outline as influencing decisions, they add another category to the modified schema. The variables related to the online environment include the quality of the website, the web

interface and the satisfaction and experience of the online shopper. This can be considered a difference compared to the original models.

The individual decision stages and decision processes are not linear, but rather a circular system. This may be explained by the fact that the experience of each brand does not only cover the goods to be purchased, but the purchase decision process itself is part of the retail service, which has a significant value-adding role. Brand loyalty offers the potential to shorten the decision process and even to eliminate the information gathering and orientation phases from the decision process for new purchases (Edelman-Singer, 2015). On the other hand, modern digital solutions enable companies to interact with potential customers at all stages of the decision

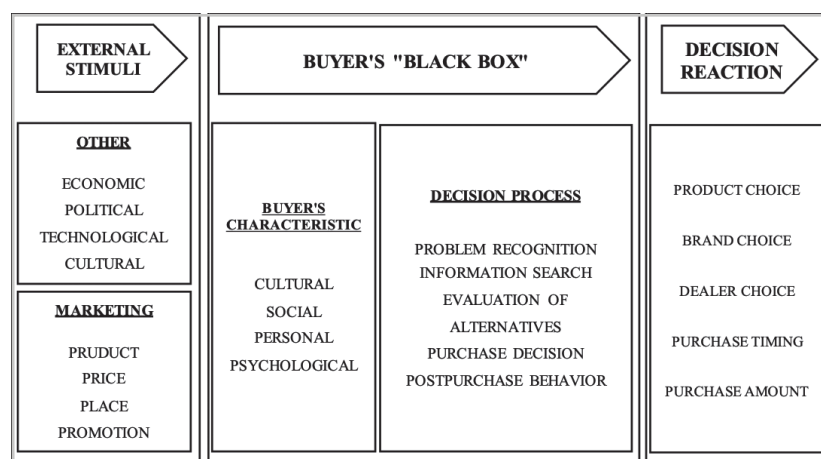


Figure 1. The basic model of consumer behavior

Source: based on Kotler (1999) own editing

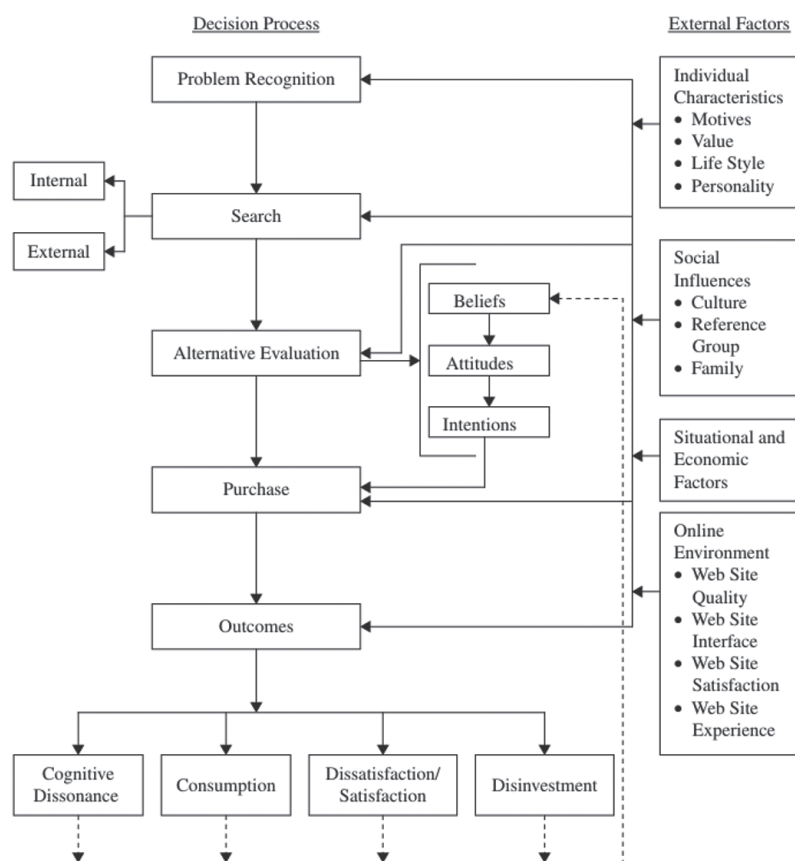


Figure 2. A model of the purchasing decision process extended to online purchasing decisions

Source: Darley et al., (2010, p. 96.)

via a mobile device. In reverse showrooming, retailers place kiosks in stores or develop mobile phone apps for shoppers. On these platforms, customers are less likely to switch during the purchase decision process than in traditional showrooming. It has also become common practice for customers to pick up products in-store after a traditional online sale. This sales method can be advantageous for the customer because of the flexibility of the pick-up time, while for retailers it opens up the possibility of encouraging repeat purchases. Customers can also buy the product of their choice in a physical shop after searching for information online. This shopping strategy is known as webrooming or instant webrooming. The latter differs from the former mainly in that the information search takes place on the premises of the shop rather than at a different location.

THE IMPACT OF CONSUMER BEHAVIOUR ON OMNICHANNEL COMMERCE

The best explanation of omnichannel marketing is that an organisation needs to look at all existing channels, look ahead and sense what the customer needs or wants. Thus, it must be ready to meet the customer's needs and desires at all levels, including marketing, buying, customer service and after-sales service (Zaware et al. 2020). omnichannel identifies everything in advance, giving the customer the security of knowing

that any future experience with a particular company will be flawless. It's all about the customer experience (Juaneda-Ayensa et al., 2016) and how the company looks online, how people answer the phone, how the organization responds to customer issues, how staff behave, what is said to the customer at every touch point, etc. Omnichannel marketing is a consistent level of service and interaction that not only keeps customers coming back, but also keeps them recommending the organization to others (Palmatier et al., 2016). This includes various modalities

process. Thus, they can interrupt an ongoing purchase at any time, completely restart each stage or even switch to another product offer (Yurdagül, 2018). On the one hand, the purchase decision stages can remain in the online or offline space from start to finish. These are the familiar traditional buying strategies. On the other hand, the decision process can also mix the use of physical locations and virtual spaces during the shopping occasions. There are two main categories of such shopping paths. The ROPR strategy, where the information gathering can be done in the online space by the customers and then they subsequently purchase the product from the stores. In contrast, in the reverse case, the purchase process starts at physical locations, followed by online ordering (Hu et al., 2020).

The possible ways of purchasing strategies are discussed in detail in Marmol and Fernandez (2019). In total, they distinguish 9 different purchase paths, all of which can be linked to the marketing methods used by retail stores (Table 1).

In single-channel purchases, potential buyers use a single sales channel all the time. Purchases can be made in-store, on desktops and laptops, or via portable devices. In the case of showrooming, the customer can view the product live in a showroom or in-store during the information gathering phase, but the purchase transaction takes place online. A special case is instant showrooming, where the purchase is made on the spot

Table 1. Classification of purchase paths

Marketing strategy	Name of purchase method	Location of decision stages	
		Information search	Purchase
Single Channel	Brick-and-mortar only	Brick-and-mortar only	Brick-and-mortar only
	Desktop only	Desktop	Desktop
	Mobile only	Mobile device	Mobile device
Multichannel	Showrooming	Brick-and-mortar	Desktop (home)
	Webrooming	Desktop (home)	Brick-and-mortar
Omnichannel	Instant showrooming	Brick-and-mortar	Showrooming
	Instant webrooming	Mobile device	Brick-and-mortar
	Reverse showrooming	Brick-and-mortar	Retailer's desktop
	Ckclick and collect	Desktop	Desktop (pick up brick-and-mortar)

Source: based on Marmol-Fernandez (2019, p. 61.) own editing

such as messaging, mobile apps, online websites, social media, events (Yohem, 2012).

The concept of omnichannel does not favour a single retail channel, but focuses on the channels of commerce to customers, and reinforces where or when customers want a product. The ongoing transformation of technologies holds the promise for omnichannel to deliver the same customer experience and service to all shoppers. Today, consumers are increasingly dynamic in their choice of shopping medium. The boundaries between online and offline retail spaces are blurring. Customers expect a consistent experience that makes it easier for them to switch between digital and physical channels (Groover, 2012).

In today's emerging multichannel, omnichannel environment, customers are engaging in complex shopping behaviour that includes retail stores and websites (Peterson, 1997). The existence of multiple channels helps customers to effectively outline their product preferences in the initial search process of a purchase. However, omnichannel as a corporate commitment is not new to technical marketing. Mobile technologies have transformed the business world and brought greater engagement for organisations and customers. Mobile apps and commercial website platforms offer huge opportunities for marketers to build customer engagement on a wider scale. It is vital to leverage tools that are all about effective communication and a customer-centric approach. It indicates that organisations need to know the customer, their needs, problems and solutions that empower them through the right channels (Ailawadi-Farris, 2017).

Research has shown that sales in the clothing segment are growing rapidly both online and offline, thanks to the success of omnichannel. Many shoppers expect an omnichannel presence, as 70% of shoppers expect to see the store's stock online and 50% expect to shop online. Therefore, it is a challenge for omnichannel marketing to maintain positive interactions across multiple channels and provide a consistent experience for customers, which depends on the company's approach to digital integrations (Huré et al., 2017). The omnichannel strategy puts the consumer at the heart of the organization and recognizes the simultaneous consumer use of channels and channel changes.

The greater growth in omnichannel sales indicates that marketers need to better understand customer omnichannel behaviour. It can also be seen that, regardless of product category, omnichannel consumers are the total valuable segment for marketers. It has been found that consumers who use more than one channel spend four times as much as those who purchase through only one channel (Clifford, 2010). Channel consumer preferences may differ across alternative use cases, which is related to the different stages through which a consumer progresses towards purchasing a product (Balasubramanian, 2005). In addition, consumer satisfaction depends not only on the purchase of products or services, but also on the channels used to obtain them (Verhoef, 2005). Consequently, at the purchase decision stage, consumers will evaluate the benefits of each marketing channel and the channel's ability to meet their needs (Keeney, 1999).

Over the last decade, the number of different channels on offer has changed significantly, offering consumers a real choice in terms of channel choice. To actively manage consumers' channel choice, firms need to understand the factors that influence consumers' channel choice at different stages of the

purchase process (Neslin, 2006). Furthermore, if an organisation wants to be omnichannel, it must be open and engaged to ensure that the customer experience is constant, insightful and extensive. Brands that understand their customers best are the "champions". This goes beyond the 4 P's, it's about experience, engagement and how the customer feels about the purchase and how they feel about the purchase. Any offline or online experience should allow the individual customer to identify with the brand. A great omnichannel strategy starts with collaboration and the creation of fully aligned goals (Garberson, 2015).

CONCLUSIONS

The majority of consumers use multiple channels to buy products and services. Current technological advances allow customers to buy products on different online platforms. It is recognised that consumers have different purchasing behaviours when searching for information, evaluating alternatives and deciding to buy products and services using different channels (online and offline) simultaneously. It is observed that channel choice varies according to customer demographics, and socio-economic class exhibits different behaviour and different channel preferences. Therefore, firms should strive hard to effectively redesign their strategies to attract customers in an omnichannel environment.

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