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Keywords

Consumer, Preferences, for, Online, Offline, Resources, Process, Buying, High, Involvement, Service, Bundle, qualitative, exploration

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Consumer Preferences For Online And Offline Resources In The Process Of Buying A High Involvement Service Bundle: A Qualitative Exploration

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Abstract

Adding online resources to a promotional mix adds a new level of complexity to marketing communications. The challenge for marketers is to retain a focus on value delivery which requires understanding both main effects and interactions between communication and promotional methods. This paper reports a qualitative study preceding a non-discrete choice experiment simulation to research information source effects at different stages of the buying process for different service types.

Introduction

Wind and Mahajan (2002) offer useful insights into the limitations of thinking about consumers in either online or offline environments as discrete entities. They use the analogy of consumers being like a centaur with the “rapid feet of new technology but carrying the same ancient and unpredictable human heart.” Consumers span online and offline environments and value delivery requires appreciation of situational factors as well as preferences for source types online and offline. In a rapidly changing technological environment the key to value remains customer needs, which may evolve and change rapidly, rather than the technology itself (Urban 2003 p5 and Porter 2001) as the organisation’s focus. Organisations that do this benefit from the synergies of multiple interactions as shown by Rifkin’s (2001) study of Staples.com. Rifkin’s study showed revenue doubling with the addition of catalogue shopping by a customer to in store shopping, and an almost 4 fold increase when the internet was added as a 3rd mode of shopping.

Grant (2005) proposed a research study to investigate factors in consumer choices of media at the stages of information search, information processing and purchase transaction for a high involvement consumer product bundle. Identifying variables and factors for testing in a non-discrete choice modelling experiment requires qualitative research of choice preferences and attribute values for source options (Louviere Hensher and Swait 2000 p 86). These qualitative insights are particularly important given the paradigm shift proposed by Urban (2004 p 9) to deal with this new complexity similar to the change in views proposed by McGregor (1960) for employee motivation from theory X to theory Y. Urban proposes changing from theory P (push) to theory T (trust) in using technology for customer interactions, requiring fundamental changes in thinking and understanding.

Consumer purchasing of travel services online

Reports from clickz.com (Burns 2005 a and b) suggest that patterns of information search and purchase behaviour differ between types of travel product in line with Rossiter and Bellman’s (2005 p 153) distinction of products as informational or transformational. Although clickz.com’s focus is on purchase interaction choices, there are clear indicators of differences in search behaviour.

This paper uses Ratchford, Lee and Talukdar’s (2003) typology of public, private and commercial sources as options online and offline for information search and decision making.

Public sources were taken as media, travel guides and tourist office publications or websites; private sources as personal acquaintances direct and online as well as chatrooms and bulletin boards online and commercial sources as agents or principals either online and/or offline.

Informational services

Airlines are typical of an informational service purchased as a means to an end or a solution to a problem rather than an end in itself (Grant 2004 a). Burns (2005 a) reports airlines achieving double the conversion rate from enquiry to purchase online compared with online intermediaries such as Expedia. Online intermediaries attract greater audiences, possibly suggesting a role as infomediaries helping consumers find information before transacting direct with a principal supplier. Interestingly the budget airline, Southwest Airlines, achieves a seemingly significantly higher conversion rate on the highest audience base of the airlines quoted. This supports the view that informational services, with objective interactions (Rossiter and Bellman 2005 p 168), may better achieve transactions online given the limitations on qualitative or trust based interactions online (Peterson and Merino 2003).

Transformational services

Transformational services are more qualitative in nature, typically the experience fulfillment of the motivation to travel. This could be a special indulgence or a cultural, adventure or learning experience that led to the travel decision and will require value laden information (Grant 2004 a) and complex processing. Murray (1991) clearly showed the different needs for information in purchasing such products, notably the need for source credibility and independence as well as interaction to clarify points of understanding. Vacation accommodation could be an example of this and the seasonal holiday peak for accommodation booking by intermediaries (Burns 2005 b) suggests infrequent travellers are more likely to use intermediaries than purchase direct from principals. While holiday accommodation is more likely to be indulgent than utilitarian in nature, conclusive research is required to establish a relationship between this and choice of source for booking. The need for this validation is critical given Peterson and Merino's (2003) insightful reality check on qualitative and trust factors relating to online interactions.

Research methodology

The goal of this research is to uncover issues relating to the choices that people make in resources for information gathering, decision making and purchase of both informational and transformational travel services. To enable design of the non-discrete choice modelling experiment following this study, discovery of attribute preferences and bases of value for people engaged in this process is necessary. This paper reports only on main effects that are expected to yield meaningful experimental data and does not detail path patterns or isolated and unusual responses, interesting though they are in many cases.

Interview schedule

A loosely structured interview schedule was used to get respondents talking about choices and attitudes to different sources of information both online and offline for stages of information search, decision making and choice of booking contact. Respondents were asked to nominate their preferred primary source at each stage and whether it was online or offline followed by limited prompting to talk about attributes of value for each source selected. They were then asked which other or secondary resources they may call on to achieve satisfaction of their needs with prompting to uncover the roles of primary and secondary resources. No prompts

were given for choice of resource beyond being invited to recall recent behaviour in a similar buying process to get as accurate a reflection as possible of actual behaviour.

Sampling procedure

Respondents (n=20) were selected from a convenience sample of colleagues, acquaintances and friends who were known to be users of both the internet and recreational travel to minimise null or speculative responses. They included members of faculty, other educators, business people, office workers and students.

Research findings

Data gathered was reviewed based on primary and secondary sources cited for the buying process for each of the two different product types purchased for fulfilment of respondent needs. Words used to describe roles or attributes of different sources online and offline were also reviewed to gain understanding of the attributes of value in each source type. Analysis was done at the level of issues raised at primary and secondary levels of respondent choice.

Informational services

Information sourcing: The primary or first resource selected for information gathering by most respondents were commercial sources based on the simplicity and factual nature of the information sought. Brand values of airlines relating to safety and reliability for consumers reduced the consideration sets of respondents and hence the need for full discovery of all possible options. There was a strong preference for interaction with principals online although the incidence of online agents suggested they should also be included in the eventual experiment. Established brand values and ease of finding relevant websites are important in selecting principal or intermediary websites so only well known brands should be used in the experimental simulation. Given the importance of factual information (Rossiter and Bellman 2005 p 168) for informational products, experimental treatments should vary levels of completeness of information to identify the relative utility of this attribute. If pretesting information formats for use in simulations shows consistent differences in perceptions of treatments, levels of formats could be another variable included for testing. For online agents, an ability to present options sorted in different ways is the main factor that requires testing.

Secondary sources selected by most respondents were typically complementary commercial resources, i.e. if the principal was the primary source then the agent would be the secondary source and vice versa. Many respondents found online resources deficient in explaining details of airfare terms and conditions preferred human interaction for “comfort” or risk reduction. This suggests the experimental simulation should test for utility of offline interactions as a secondary resource by offering treatments where the complementary resource is available to respondents as well as unavailable.

Information processing: As with information sourcing, preferences were directed to online principal information although offline agents were preferred where special needs arose. The internet’s interactive capability seems to lack utility for many of the respondents who preferred direct interaction with a person for problem resolution. Perceptions of retail agent expertise seem clearly superior to automated customer service functions and more immediate than a query lodged on a website. A majority of respondents chose both principal and agent resources and consistency of information between sources seemed to facilitate transactions without further consultation. Offline agents were preferred by a number of respondents with expectations of access to promotional offers not publicised elsewhere. The perceived

independence of agents from principals was mixed with some seeing them as honest brokers and others regarding them as having commercial interests that drive their recommendations. For the experimental design, order effects on the utility of information from principals online and agents offline and vice versa is required at a primary level. Beyond this the effects of levels of consistency between resources with and without special offers requires testing.

Purchase: Surprisingly for some of the respondents this was not a discrete choice as expected with both online principal resources as well as offline agents used in effecting a transaction. Attributes which emerged for testing in the proposed choice modelling simulation of purchase from an online principal and offline agent were as follows: Levels of discounts and loyalty point benefits from principals for direct online bookings should be tested as well as an offline agent's ability to match a principal's online offer to determine relative utilities. Concerns about online transaction security are also an issue that will be dealt with in a questionnaire as it seems impractical to simulate what is an internal variable.

Transformational services

Information sourcing: In clear contrast to preferences expressed for informational services, primary preferences in transformational services were for non-commercial sources. This fits very well with Rossiter and Bellman's (2005 p 175) need for authenticity in information and the credibility requirement identified by Murray (1991) inferred from an independent source. Tourist offices at national, regional and local levels (primarily online) featured strongly in public sources with value derived from photo illustrations combined with the range of accommodation and attraction or activity options for discovery purposes. Travel guides complemented tourist offices with their more subjective evaluations and personal insights apart from their non commercial character. The choice modelling simulation for tourist offices should use levels of photo material and pricing information for non-partisan tourist office resource utility evaluation. For travel guides, selective representation with qualitative and opinionated information should be tested against comprehensive guide materials with objective information. Both of these public sources arose in both primary and secondary roles order effects would also be worth testing between the two options.

As a secondary preference, private sources were used in a confirmatory or advisory role where available and helped deal with potential pitfalls that traveller might expect. These did not seem to be actively sought but were highly valued where available with perceived similar values and tastes to respondents. This fits with Murray's (1991) identification of preferences for face to face interaction to clarify qualitative and taste based aspects of the intended purchase. This would clearly be very hard to deal with in a simulation and may have to be discounted for purpose of the experimental design.

Information processing: As with information sourcing, greatest weight was given to public and private sources in the area of information processing. The variables for measurement in an experiment would be largely the same with a change in the utility function to the relative weight given to each source in making a decision. A further variable for testing would be added in the form of bulletin boards or chat rooms which sits in a grey area between public and private resources although to stick with Ratchford, Lee and Talukdar's (2003) typology we will take them as a private rather than a public source. The value for these online interaction stems from the opinions of "real people" about specific services in a consideration set. Taste fitting was dealt with by semantic analysis of language which is a useful source of variance for the experimental simulation given the standardised sampling proposed by Grant (2005) to minimise stochastic utility. Private sources offline were also of importance here but

with the difficulties of including this in an experimental simulation, would have to be excluded. This is in any event an area that commercial operators have little ability to influence beyond the excellence of the service that they provide.

At a secondary preference level, the interesting addition was use of offline retail agents to achieve co-ordination for multiple components and a check function from a person with extensive travel experience. This fits very well with Howard and Sheth's (1969 p 217) requirement for risk reduction by using an external check function to minimise possibilities of errors. These are contributions that will be problematic to model at different levels but can be taken as implicit in the choice or selection of the option in an experimental setting.

Purchase: Primary choices for purchase showed a clear split between effecting reservations and payment direct with principals online or through offline agents. Value derived from direct contact with principals seemed to lie in possibilities of special offers and ability to deal with special needs and preferences as part of the reservation process. A number of seemingly experienced internet users found this an area of frustration because of a lack of functionality from poor interface design such as that alluded to by Peterson and Merino (2003) although they nonetheless chose to use it. Factors for experimental simulation could test the utility of a principal's site with levels of special offers and levels of functions to deal with special needs and preferences. Value from working with offline agents to effect reservations and payment was based on a degree of comfort as a transaction method for a potentially large transaction as well as the ability to negotiate lower prices with a person rather than a machine. Comfort could be tested as an implicit factor in the choice between the two options, while the simulation could provide for different levels of negotiation on the final price to be paid.

Conclusions

The clear difference in behaviour between informational and transformational services strongly supports the relevant theory on which the proposed choice experiment is based. The experimental design resulting from this qualitative research will be complex, most likely requiring the use of information acceleration as proposed by Urban et al (1997) and refined by Rungie et al (2004). The difference will be in monitoring the effects of marketing variables as the primary objective of utility establishment rather than the more common use of these methods to establish probability of purchase of an innovative new product. The large amount and different levels of variables involved will require the use of a multinomial nested logit model as proposed by Louviere, Hensher and Swait (2000 p 180) to achieve an orthogonal main effects plan (p334) to achieve a meaningful result. Note however that the data is not discrete in nature and the analysis used will have to be that proposed by Bhat (2005) to achieve analysis of non discrete choices by consumers.

The qualitative research certainly showed that Wind and Mahajan's (2002) centaur has the unpredictable human heart reflecting the infinite variety of human nature. There were a number of isolated and very "interesting" views expressed that unfortunately had to be discounted in the interests of achieving a meaningful result from this research. The research has enabled the minimisation of the number of variables required for testing by limiting variables to the most common options chosen which brings the data required within the reach of a choice experiment.

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