

## HOW WE BUY SERVICES? – PRELIMINARY OBSERVATION RESULTS

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### **Abstract:**

The aim of the publication is to present the preliminary results of research on consumer buying behaviour in relation to services. The final research will be conducted in the form of consumer behaviours real observation, for this purpose will be used the tracking form of consumer behaviour using observation forms. The author tried to characterize reasons for the choice of distribution channel at different stages of purchasing process: in the searching for information about services, service purchasing, post buying behaviour and service churn. As a result of the study determinants of channel choice for the specific purpose will be selected and the complementarity / substitutability distribution channels for selected services will be classified.

*Keywords: marketing channels, multi-channel distribution, service channel choice, customer behaviour*

# 1. INTRODUCTION

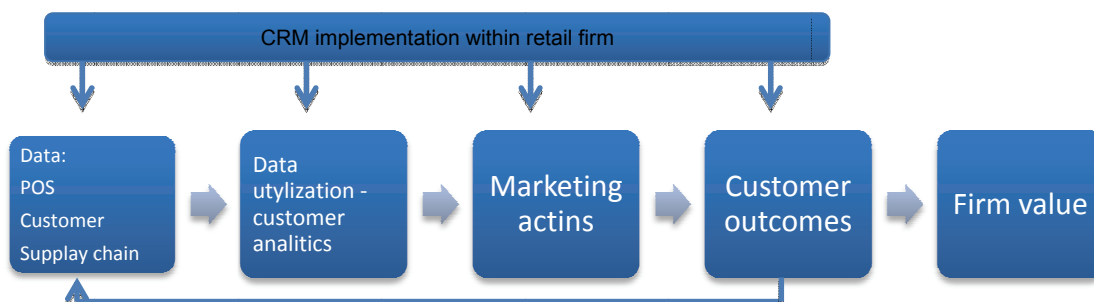
In recent years has changed media consumption in a very significant way by people that have an impact on the marketing tools - in particular the development of new products, marketing communications and marketing channels. Changes in media consumption concern in particular the increase the use of media via mobile devices, reduce the proportion of the newspapers. It must be remembered that besides global trends in many countries even one region – as e.g. the EU – there are vast differences in media consumption. Changes in this area affect communication in particular: a diverse media and channels, diversification of consumer preferences in this field, the diversification of services offered by companies as well as the emergence of new channels and reduce distribution costs. All of these factors affect the marketing communication, multichannel shopping and customer lifetime value (Kumar, 2010, p. 72).

IT plays a special role in the integration resources of multi-channel retailers. Both the front line staff in the physical stores and online sales services employees must be ready to provide services to the multi-channel consumer. The crucial role for multichannel retailers have a blend of “tech” and “touch” (Oh et al., 2012, p. 377). Retail channel integration has positive impact on firm competence and performance. The synergy between various communication channels allows to achieve many benefits mentioned below (Zhang et al., 2010, p. 173):

1. Cross channel communications and promotions – one channel promote another one and due to this increase the efficiency of advertising.
2. Leveraging cross-channel information and marketing research from one channel to improve decisions in other channels – information gathering from one channel (on consumer or purchase) may be used to improve sales in another one.
3. Cross channel price comparison – one channel may complement price strategy another channel e.g. established reference price.
4. Product digitalization – deliver product and accompanying services through online channels, more productive resource utilization, e.g. staff
5. Shared common physical assets and operations – spreading fixed cost across channel through cross-selling opportunities.

Data collected in the communication process and purchase process are used for customer relationship management. CRM through appropriate technologies, a large number of information about customer behaviour from various sources, allows to maximize the lifetime value of each consumer (Verhoef et. al., 2010, p. 122). The process of transforming data into in lifetime customer value and firm value can be seen in Figure 1. CRM management can improve customer satisfaction and cross-buying. Marketing communication is a key determinant of multichannel shopping, people with higher purchase frequency use a multiple channels. Customers who shop in multiple channels are more profitable than single channel customers (Venkatesan & Kumar & Ravishanker, 2007 p. 128).

**Figure 1:** CRM management model influences on firm value



Source: Verhoef et. al., 2010, p. 123.

The huge number of collected information in IT systems requires analysis in order to use them to plan appropriate action. Marketing actions increasingly overlap with other areas of business operations. Major challenge for enterprises in the era of the digital economy is the ability to use consumer insight to the data collected in order to successfully compete in the market (Leafang et. al, 2014, p. 9). The challenge is also omnipresence new digital metrics and the need for subsequent evaluation of marketing activities. Analysis of consumer behaviour requires marketing research or studies analysing

individual customers behaviour on the basis of available data from one of source in order to find consumer insights or analysis of information from multiple sources at different levels of aggregation (e.g. region).

## 2. FACTORS AFFECTING CONSUMER CHANNEL SELECTION

The multi-channel feature is a method of service distribution widely accepted by the customers. Surveys show that various forms of multi-channel use is declared by 97% of bank customers (Cortinas, Chocarro, Villanueva 2010, p. 1219). In the environment of developing multi-channel distribution, the consumer has the freedom to move from one selling channel to another, and frequently to switch to alternative vendors (Chiu et. al., 2011, p. 268).

A wide variety of factors determining the consumer's use of the distribution channels is described in the literature. However most of the studies focused on e-commerce, financial services, using on-line channels. Researchers tend to concentrate on the benefits of multi-channel sales, purchase decision-making process and switching new channels by consumer. Analysis of the phenomenon are made either from the point of view characteristics of the channel or the possibilities and/or limitations of the consumer.

Studies show that some channels are better suited to search for information other to purchase the product. Each channel selected by the consumer whether to seek information or to purchase implies a certain costs and benefits of its use. It depends on the channel attributes which include: information availability, search/purchase convenience, search/purchase effort, service quality and after sells services, perceived risk, assortment, price level, enjoyment, promotions and clientele (Verhoef et. al., 2007, 134-135). According to study, the largest service quality and after-sales service were given by the store and the largest convenience was offered by internet but at the same time internet generated the greatest risk. The differences in the attributes of the channel cause the phenomenon of "research shopping" which means that the consumer research the product in one channel and purchase through another channel (Verhoef et. al., 2007, 129). Such behaviors are also determined by lack of channel lock-in and cross-channel synergy.

With regard to the multi-service sales situation seems to be, however, more complex. For services provided permanently (e.g. bank account, mobile phone, cable TV) it can be separated such steps as: search for information, purchase, maintenance (after sells services) and resignation. What are the attributes of the services channel distribution for the consumer? Part of the attributes specific to retailing channels will have similar importance in the distribution of services, while some will not have. The importance of individual factors on the subsequent stages purchasing process for services can be different. It seems that in the case of services, less important will be a "research shopping", and thus the ability to lock-in customer in sales channel. Probably due to a greater variety of services in relation to tangible goods purchased. But more important is the quality of services provided in the channel due to the often diverse target its use.

A very important issue is also a media richness theory (MTR) emphasized by more and more researchers in the context of multi channel distribution (Chen et al. 2008, Racherla et. al. 2012, Scherer et. al. 2015). According to the MRT, the richest communication ensure "face to face" contact because it allows for an immediate feedback, provides additional cues (e.g. sight, sound), allows the language variety, and personal focus (e.g. feelings) (Lee et. al., 2007 p. 2069). In respect, however, to the less rich communication media service provider tries to extend their richness e.g. it gives the possibility to chat or talk with an employee while shopping online.

Perceived service quality provided by the supplier in the largest extent determines the quality of services provided in the physical channels in comparison to virtual. Physical services have also stronger impact on customer satisfaction. The stationary channels are provided non-routine services, "face to face" interaction in branch have greater impact on customer satisfaction (Seck & Philipe, 2011, p. 576). In the case of routine services consumers prefer self-service channels e.g. phone or internet. About intension of usage particular channel by customer is his or her perceptions of this how service task fits technology (Birgelan et. al., 2006, p. 375). Customer are more likely to finisz relationship with supplier when using only one channel, self service or personal channel (Scherer et. al. 2015, p 192).

Perceived characteristics of the different sales channels affect each other - consumers who perceive a service quality dimension from e-service channel as high are more likely to believe that m-service channel can also provide high service quality (Lin 2012, p.1875). Although consumers perceive e-services and m-services channel of one retailer as an integrated system, but they perceive the usage of services through mobile phones as more risky (Lipowski, 2013, p. 177). Privacy and security have a special impact on to the perceived risk of the consumer in the online environment (Nepomuceno et al., 2014 p. 628). An important factor - associated with the risk - influencing consumer behaviour is also the trust. Studies have shown that it affects not only the intention to buy but also loyalty in relation to on-line channels (Flavian & Guinaliu, 2006, p. 611-612).

### 3. THE AIM OF THE PAPER – RESEARCH DESIGN

Research on consumer behaviour in relation to the distribution channels in recent years were carried out very often. In most cases, however, it is related to Internet commerce and online banking. Findings are based on information from quantitative studies, and their purpose was mostly analysis of consumer behaviour in the context of multi-channel selling, searching for information and purchase, online channels switching and selection stationary or online sales channels.

The aim of the paper is to present the preliminary results of research on the determinants of the use of selected categories of services using qualitative research methods – observation of consumer behaviour recorded daily through web forms<sup>1</sup>. Study was designed to make possible the verification of the research method and formulated hypotheses about the determinants of the choice of certain forms of consumer contact with service provider. The data collected will allow checking real reasons for contact with the service provider in a certain way in order to search for information, purchasing services, after-purchase services or services churn. Qualitative research allow to check if determinants described in the literature are confirmed in the purchase of a single consumer.

Observation was conducted during two weeks. Twenty five people were invited to participate in a study, of which twenty one people filled the forms. The observation concerned the behaviour of consumers in terms of communication with the services provider information and communication services (telephone, Internet, television), financial services (banking, insurance, investments) and personal transport (rail, intercity and urban transport). In total, respondents filled out 73 contacts forms with the service provider. Of which 23 related to contact the supplier with the customer and the remaining 55 consumer with the supplier. In view of the frequency of contact most often it concerned banking, pay television and insurance services. Number of observations is shown in Table 1.

**Table 1:** The number of contacts observed with the service provider

Description	Telecommunication services	Personal transportation	Financial services	Totality
Search for information	18	3	6	27
Purchase	6	4	15	25
After sells services	9	0	11	20
Resignation	0	0	1	1
Totality	33	7	33	73

Source: own calculation.

There were placed the number of additional questions in the observation form concerning contact the supplier: about the number of contacts with the supplier of given matter, whether the purpose of the contact has been achieved, experiences associated with the channel of contact with the provider and the level of satisfaction with the chosen form of communication.

### 4. PRELIMINARY RESULTS OF QUALITATIVE RESEARCH

The most commonly used channel of communication turned out to be contact by phone. The second in order - personal contact “face to face”, third websites. The most frequent used communication

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channels are presented in Table 2. Others not listed in the table communication channels with the service provider were used very rarely - once or twice in each case (mail or e-mail, chat, social network, mobile applications, SMS, self-service devices ATM). It is worth noting that the most common form of contact initiated by the supplier to the customer was the phone. This form of contact very often was not the first but another contact in the same matter. This concerns the extension of the contract for a fixed term or purchase additional offer. If such cases would be omitted in the table (a total of 20 relations) it turns out that consumers most often communicated with suppliers personally.

**Table 2:** The most frequent form of contacts with the service provider

Description	Face to face	By phone	Company websites
Search for information	4	6	4
Purchase	9	15	2
After sells services	8	8	2
Resignation	0	1	0
Totality	21	30	8

Source: own calculation.

The dominant form of communication initiated by providers with consumers shows the need of suppliers to contact with a particular person in the shortest and cheapest way. Consumer behaviour indicates that they prefer a rich personal communication and probably expect a higher quality of service rather than convenience. The results of the observation may be affected by the fact that the majority of respondents (67%) was in aged 31-54 years. In three cases, the respondents used contact to find information and the purchase. This took place when the web services were used.

#### 4.1. Factors influencing the choice of services channel distribution

The most common way of communicating customer with the provider appeared "face to face" contact. A large percentage of this form of communication was due to the lack of consumer confidence to communicate by telephone and offers received this way. In their statements, respondents emphasized distrust to the telephone consultants. A typical statement on this point are as follows:

*"I do not trust to information which give me a call center employees - say one thing and then is a second in the contract [something different]. I know this from experience, unfortunately."*

*"I don't like when they call me but I try to politely explain to them that through the phone I won't fix any important matters (e.g. signing of contracts)."*

In the statements of the respondents appear aversion to this form of communication resulting from frequent phone calls from suppliers. Phone offer visible do not arouse consumer trust because of belief that offers received in this way often abuse consumer confidence. The positive statements of respondents in respect contact by phone initiated by the client indicates that this is the quickest way to contact, the most comfortable, suitable in an emergency situation and allows to obtain information and make a purchase. Telephone contact consumer with the service provider is often associated with the after purchase services (e.g. complaint in relation to the services) or search for information about the offer. A typical statement were as follows:

*"I reported failure in order to restore the service".*

On the other hand as determinants of using the services personally "face to face", respondents indicated: the possibility of obtaining reliable, accurate information from a trusted salesman, the need for personal contact forced by the supplier (e.g. return of the TV decoder) or branch located near or on the way. A typical statements are as follows:

*"Confidence in the salesman, whom I know and I know that he or she has the competence, in contrast to some of the employees of the service provider's call center".*

*"Conversation with a consultant [personally] is more reliable for me"*

Customer personal contact “face to face” with the employee often refers to matters that can be done at a distance – e.g. information of the offer or purchase a service. This is probably due to the belief of the respondents that this form of contact will allow to take a more rational purchasing decisions. Probably an impact on this has richer personal communication and diversify the offer at different canals sales. Alternatively are often used telephone and personal channel. Proposals of purchasing consumer receives from a vendor call, but purchase in a physical branch. Consumers resign from the convenience to make better choice.

On the other hand contacts via the website pages are chosen because of the speed, convenience, a better offer as in other channels, or easy comparison of offers from different companies. They are chosen mostly because of the need to search for information. The most common statement to this form of contact are as follows:

*"I planned to buy a mobile internet, I searched for information about price offer on suppliers web pages".*

A summary of the most common communication channels for services, aims for their use and the reasons for choosing is presented in Table 3.

**Table 2:** The most frequent form of contacts with the service provider

Description	Face to face	By phone		Company websites
Who initiates contact?	customer	service provider	customer	customer
What is the purpose of the contact?	search for information and purchase	sale	search for information and purchase, after purchase services	search for information
Why this communication channel is selected?	trust, required personal contact by supplier	extension of the time of the agreement or to extend its scope, contact with the right person	quickly, comfortably, at case of urgent need	quickly, comfortably, the ability to compare the offers of different suppliers

Source: own calculation.

**4.2. Problems in communicating through specific marketing channels**

Nearly 40% of respondents contact on the same matter with the supplier again, 18 percent of respondents at least the third time. This indicates that the contact with the supplier often do not effectively solve customer problems and that contact requires further communication with the services provider. Every fourth respondent argued that the aim of contacting the vendor has not been achieved. As reasons for this were indicated:

- difficulties to get the information (too general nature of information on the website, different information in various distribution channels, the inability to verify the personalized offer online);
- no possibility of contact through the sales channel (inability to get connected to the call center, no response to e-mail, congestion in the point of sale);
- lack of response to the customer's problem;
- problem with confirmation of identity, customer unwillingness to disclose personal information by phone.

Problems in dealing with the matter using the channel of distribution generally concern the distance channels. It concerns companies web sites and telephone channel and doesn't occur during a personal contact. Personal channel, visiting service company branch is treated as a way to contact in case of inability to cope with the problem in a different way, often as next after previous channel.

Among the three most frequently used distribution channels face to face contact is rated as one that gives the best information, is the most trustworthy and provides high quality service. Telephone distribution channel is rated as the least trustworthy and the most risky. With regard to the use of

services through web services companies, consumers declare the lowest experience. Evaluation of the quality of services received by phone and internet is similar.

Among the reasons for the lack of satisfaction with the forms of contact with the service provider appeared: takes time or lack of time, unresolved problem or concern that the problem is still not resolved, compulsory channel of communication, lack of information, misinformation, or too much information, disliked form of contact. Approximately 45% of the respondents were dissatisfied with the form of contact with the supplier, the most people using telecommunications services (telephone, Internet, cable TV).

## 5. SUMMARY AND CONCLUSIONS

Preliminary studies of selected services marketing channels revealed some patterns in consumer behaviour. The dominant form of contact with the service provider was a face-to-face contact due to customers' confidence to this form of communication, because of being treated as terminating unresolved problems or required by the supplier.

Telephone contact is very often used by the service provider in order to sell services but it does not cause a client trust. It is often seen as intrusive, unwanted and rarely leads to a purchase. If the consumer already uses this form of contact it is because a fast and convenient form of communications especially in case of urgent need to after sells services.

Company websites are preferred because of the convenience and speed, in particular when the customer is looking for information and compare the offers of different suppliers.

The study confirms the importance of trust in customer choosing a distribution channel and problems information manage in multi-channel distribution by services provider. In many cases, there is a problem with the abuse of consumer trust in the not rich media communication. Supplier runs the risk of customer dissatisfaction communicating with him in an unwanted way. Customer dissatisfaction also causes enforcing one particular, inconvenient form of contact by the provider of services.

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