The Effect of Click & Collect Service in the Context of Retail Atmospherics on Consumer Buying Behaviour in terms of Repurchase Intention: An Empirical Study of Tesco UK

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Abstract. Multichannel retailers are gradually dominating today’s retail landscape. Multichannel retailing encompasses a set of activities conducted through more than one channel to sell products and services to customers. However, despite the advantages of operating multiple channels, such retailers are confronting with numerous challenges in the delivery and maintenance of the integrated multichannel service quality. Undoubtedly, the effect of multichannel retail service, namely Click&Collect service on shopping behaviour is more complicated than a single channel service since multichannel consumer behaviours reduce natural boundaries of classical online and physical channels. This research examines the effect of Click&Collect service as an atmospheric element on consumer’s emotional states and behavioural response in terms of repurchase intention. Using survey methodology, data were collected through online self-completion questionnaire distributed to customers who experienced Click&Collect services at physical stores. Specifically, 241 responses were collected and data were then analysed using correlation and regression analysis methods. We utilised a wide range of environmental psychology paradigms and SERVQUAL model to analyse customers’ emotional states and behaviours in multichannel retail settings that helped formulate multichannel retailing strategies as well as opportunities for generating synergies across multiple channels. Additionally, current knowledge drawn from the academic literature and industry practice, exploratory research on consumer buying behaviour, managerial implications for retailers, and potential directions for future research will also be discussed in this paper.

Keywords: Click&Collect service, physical and virtual service, service quality, emotional states, pleasure-arousal-dominance, stimulus-organism-response, repurchase intention.

1. Introduction

In the current harsh economic climate, due to the reduction in consumer spending, changes in customers’ habits, and growing competition in the consumer market, supermarkets are facing with numerous challenges [1]. Obviously, a recent article on BBC named “The death of weekly supermarket shop” indicates that “shoppers now expect grocery retailing to organise itself around their lives rather than building their routines around store opening hours. They expect to buy whatever they want, any time, any place in the most convenient way to them” [2]. In the store atmosphere, customers are sensitive to even minute changes of these environmental cues [3]. Physical environmental cues significantly affect consumer buying behaviour during service encounters [4]. From the retailer perspective, the physical store itself becomes an opportunity for retailers to differentiate themselves from competitors [5]. Meanwhile, a shopping environment has become a criterion evaluated by customers who experience various types of subjective emotions, feelings and phantasms during service encounters such as pleasantness, enjoyment, avoidance, satisfaction, and loyalty [6]. Therefore, retail managers should clearly understand customers’ emotional states during their journeys as a compulsory initial stage to managing their shopping experience most properly [4], [7], [8], [9].

Indeed, physical and online channels are gradually becoming interrelated with customers, for instance, searching online and purchasing in store and vice versa [10], [11]. The concept of using multiple channels is called “Multichannel Retailing” referring to the way that retailers utilise two or more integrated channels to present and sell products or deliver services to the buyers. There are two primary motives behind retailers’

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using multichannel operations comprising the emergence of the Internet and innovative technologies, and changes in shopper behaviour [12]. Clearly, the growing number of shoppers who desires to shop via a combination of channels has also drawn a greater attention in academia.

As noted in the call for this trend, the application of digital technologies in retail stores has become extremely essential to combine online channels and physical channels in order to improve sales, customer relationship, and service experience [13], [14]. Pantano and Viassone (2014) observed “a huge deal of effort in the development of the best technology for improving the traditional points of sale” [19]. Thus, there is pressure on traditional retailers to increase efficiency, often by the use of multiple channels which has emerged as a key managerial practice [11], [16]. Click&Collect accounts for a third of all retail revenues from online in 2015 in the UK [18]. Revenues from Click&Collect more than doubled between 2012 and 2014, reaching £8.7 billion from 140 million orders. The research has shown about 95 percent of those online stated they planned to use Click&Collect for their holiday shopping.

It is clear that previous studies have tested the effect of multichannel service, namely in retailing domains [16] yet not in the atmospheric context [19]. In addition, the early literature on retail store atmospherics concentrates on how human-environment interactions take place. In recent years, researchers have used the stimulus-organism-response (S-O-R) paradigm from environmental psychology to test individual elements from the store environment on various behavioural outcomes.

2. Literature Review

2.1. Click&Collect service in the multichannel retailing context

Physical store is traditionally described as a single marketing channel in which firms interact directly with customers and vice versa [20]. However, this channel is now shifting into the multichannel phase when firms gradually provide more interactive touchpoints in store to accomplish the service called Click&Collect [16]. At a multichannel retailer offering Click&Collect service, a customer can start the purchase transaction in one channel and subsequently complete it in another channel [21], [22], [23].

Research on multichannel retailing can be distinguished into two main streams. The first stream refers to channel synergy which demonstrates that by offering shopping convenience to customers, the use of multiple channels brings various benefits such as exploitation of synergies across channels, decrease in transaction costs, and increase in consumer value and market coverage. The second stream encompasses studies on channel cannibalization which indicates that consumer's demand for a particular retailer's products is relatively rigid and does not depend on the number of the firm's channel [25]. Therefore, multichannel retailers would have more drawbacks than competitors which operate multiple independently managed channels or with fewer channels [22].

2.2. Service quality

The term ‘Perceived Service Quality’ is defined as a result of the comparison of customer expectations of service quality and their perceptions of its actual outcome of service delivery [26]. By analysing service quality in service encounter stage, Sweeney et al. noted that consumer’s perceived value and purchase intention are significantly affected by service quality [27]. They also pointed out that compared to product quality, perceived service quality has a greater influence on consumer buying behaviour. Due to the increasing competition in the markets, service quality is now viewed as a strategic tool which has been utilised to obtain competitive advantage, and customer satisfaction and loyalty.

SERVQUAL model has been applied to measure service quality [28]. There are five dimensions including reliability, tangibles, empathy, responsiveness and assurance which are then classified according to the three additional elements of services marketing mix (3Ps) - physical evidence, people, and process in order to consider Click&Collect service quality in the atmospheric context [29]. And above, based on SERVQUAL model and the classification of multichannel service, virtual service quality can be measured by tangibles and reliability (Physical evidence and Process) whereas physical service quality can be measured by assurance, empathy and responsiveness.

2.3. Store atmospherics
Atmospherics is defined as “the effort to design buying environments to produce specific emotional effects in the buyer that enhance his/her purchase probability.” Similarly, current studies also agree that store atmospherics is used as a marketing tool, allowing retail managers to design and control physical environmental factors aimed at approaching consumer behaviour and creating positive shopping experience [9], [24], [30]. In contrast, emotional effects of human beings are temporary and difficult to be recorded accurately and thus the influences of atmospheric cues on consumer’s shopping behaviours cannot be simply measured [31]. However, recent studies have proven the positive influence of atmospheric factors on consumer buying behaviours such as time spent in store, willingness to stay and spend, and repurchase intention [7], [10]. Atmospheric elements consist of social, design, and ambient elements [5]. However, this typology has been criticised for simply mentioning environmental influences on first-time buyers. Furthermore, ambient and design factors can be both internal and external and thus the typology is unclear in many circumstances. Since the store environment contains a wide range of variables and elements, it is exceedingly complex to distinguish. For this reason, the typology was developed with five atmospheric variables involving general interior, exterior, layout and design, points of purchase, and human variables [3]. This research combined these two typologies of atmospherics in order to analyse variables of multichannel retail service, namely Click&Collect service.

2.4. Environmental psychology

The most widely cited work is known as Stimulus-Organism-Response (S-O-R) model and Pleasure-Arousal-Dominance (P-A-D) emotional state model which have been used to explain customers’ emotion states and behaviours in an environment [32]. Subsequently, these models were also applied to retail environments and they quickly became the main research paradigms in the atmospherics literature and created a literature stream on the utilisation of atmospheric variables to influence consumer behaviour in the retail store settings [33].

The S-O-R model aims to interpret the conceptualisation and relationship of store atmosphere, consumer’s emotions and buying behaviours through three stages with social and environmental stimuli acting as external antecedents to the organism [3]. The model shows that environmental stimuli (S) lead to human affective reactions such as emotional states, satisfaction, attitude, and the perceived retail quality (O) which in turn influence behavioural responses (R) such as willingness to stay and spend, consumer loyalty and retention [20], [34]. The P-A-D model posits emotional states by three basic dimensions comprising pleasure, arousal and dominance that customers have in response to environmental stimuli. Pleasure is the first emotion state related to the degree to which an individual feels happy, pleased, and satisfied in an environment [34]. Arousal is the second emotion state indicating the degree to which an individual feels aroused, stimulated, and excited in an environment. Lastly, dominance is concerned with the degree to which an individual feels in control of the situation. While pleasure and arousal have a direct impact on the behaviour responses, dominance has a non-significant impact on behaviour [3], [33]. In this paper, environmental psychology paradigms together with service quality model will be adopted to analyse the effect of Click&Collect service in the new retail setting.

2.5. Repurchase intention

Repurchase intention refers to the consumer’s judgement about re-buy or re-patronise a designated product/service more often in the future from the same firm [35]. Repurchase intention stems from loyalty which is deeply held commitment to purchase again the same product/service although switching behaviour might be caused by other situational influences and marketing efforts. From the atmospherics perspective, repurchase behaviours can be explained by pleasant ambient conditions which stimulate consumers to spend more, stay longer, and explore the product exhibited in the store [3], [36], [37]. These stimulations contribute to enhancing repurchase intentions. Subsequently, store atmosphere has an influence on the time spent in store and consumers’ moods [38]. Such emotional states like enjoyment lead to the willingness to return to a store. Particularly, pleasure and arousal have a positive impact on money spent in a store. Hence, emotional states stimulate purchasing as well as repurchasing intentions [36]. Based on the S-O-R model, repurchase intention is considered as response.

2.6. Multichannel retail service and store atmospherics

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Apart from physical service, virtual service consists of technology-based interface which changes the traditional store environment by providing integrated service experience based on the interaction with an automated system [16], [39]. Virtual service is seen as a way to build an image of futuristic and innovative retail stores which inspire customers having attention in technological innovation [15]. Furthermore, retailers are able to enhance provided information, information access points, and product displaying that can engage more customers [16], [17]. From the consumer perspective, virtual service enables them to select, compare, purchase products, and interact with the retailer in the way they desire.

Whilst recent research has considered each channel as a stand-alone unit [16], [39], this paper puts an emphasis on the integrated service quality of Click&Collect operated by one retailer within the same retail setting in an effort to improve the service quality of each channel. Undoubtedly, the integrated service provided would have an impact on both channel design (atmospherics) and the quality of service output (SERVQUAL) [31]. As a result, in reference to Turley and Milliman’s classification of store atmospherics, virtual service is considered as a point-of-purchase and decoration variable while physical service involves human variable (employee-customer) [3].

2.7. Hypothesis development – conceptual framework

The authors hypothesise:

H1: The perceived virtual service quality has a significant positive influence on (a) Pleasure, (b) Arousal, (c) Dominance, (d) Repurchase Intention.

H2: The perceived physical service quality has a significant positive influence on (a) Pleasure, (b) Arousal, (c) Dominance, (d) Repurchase Intention.

H3: Emotional states have significant positive influences on repurchase intention:

(a) Pleasure has a positive influence on repurchase intention (b) Arousal has a positive influence on repurchase intention (c) Dominance has a positive influence on repurchase intention

3. Research Method

This research employs a questionnaire survey to collect data from viewpoint of consumers, self-completion questionnaire survey was applied to obtain primary data. The questionnaire encompasses 19 questions. The questions distributed to individuals who used Click&Collect service at offline stores. Respondents were asked to how often they shop at supermarkets using Click&Collect service, how they agree with the service quality, what emotional states they have after using the service provided, and what extent they think they are willing to repurchase. The online self-completion questionnaire was distributed to customers at supermarkets that provide Click&Collect services within 2 weeks from August 9th 2016 to August 23rd 2016. By spreading the survey to respondents who have used Click&Collect service at offline stores. Respondents were expected to have minimum one Click&Collect service experience at offline stores in order to be a participant of this survey. There are 71 out of 241 incomplete responses have been eliminated and thus 170 samples were usable for analysis.

4. Results and Discussion

4.1. Descriptive analysis

The questionnaire asked respondents how often they shop at offline supermarkets. Interestingly, while 27.6% of the respondents go shopping once a week, 25.9% of them even go shopping more frequently. Also, 23.5% of the respondents’ shop once or even none per month at physical stores. Obviously, there are 53.5% of the respondents who maintain their shopping frequency at physical stores. Meanwhile, 47.5% of them depended on their changing needs. Means of all variables range from 4.09 to 5.78 suggesting that customers perceived all dimensions of both physical and virtual service quality as positive. Furthermore, customers’ emotional states towards Click&Collect service quality were considered favourable. It is clear that there exists a tendency towards customers who intend to use Click&Collect service for their future purchases at offline stores.
4.2. Reliability and validity of measures

All Cronbach’s Alpha values of the items range from 0.710 to 0.804. Obviously, the alphas about four categories and 11 subcategories are all above the standard value and thus all scales of these items are reliable. Based on the results of factor analysis, all items of measurement scales strongly load as they are greater than 0.5 [40]. In other words, it means each item has high correlation with the scale that it is supposed to measure. Additionally, the percentage of variance explained for each scale has the acceptable value which is above 50%, and hence all measures in this research are considered valid [41].

4.3. Hypothesis testing

4.3.1. Virtual service quality as predictor

H1 proposed that perceived virtual service quality has a positive effect on emotional states (pleasure, arousal, and dominance) and repurchase intention. The results obtained from H1a, H1b, H1c, and H1d also indicate significant positive relationships between perceived virtual service quality and dependent variables. ANOVA indicates that regression result is significantly different from zero (F = 72.442, p < 0.001), together with coefficient β = 0.549 (t-value = 8.511), tangibles and reliability are concluded to make significant contributions in predicting customers’ pleasure towards the virtual service quality. Hence, the regression line proves the positive high correlation between the two variables (perceived virtual service and pleasure), namely the linear regression equation is Pleasure = 1.940 + 0.549*. Hence, H1a is supported.

Similarly, in H1b and H1c model, VS coefficients are 0.471 (t-value = 6.923, p < 0.001) and 0.498 (t-value = 7.443, p < 0.001) respectively which indicate that perceived virtual service quality also has significant positive effects on AR (arousal) and DO (dominance). In general, H1b (F = 47.925, p < 0.001) and H1c (F = 55.400, p < 0.001) also predict arousal and dominance fairly well, namely the linear regression equations are Arousal = 2.444 + 0.471* and Dominance = 2.135 + 0.498*. Hence, H1b and H1c are supported.

Ultimately, in H1d model, the coefficient of correlation r-square is 0.276 and it means 27.6% variation in RI value can be explained by VS. H1d also has coefficient of 0.526 (t-value = 8.011) and observed significance (p < 0.001) which show the significant positive effect of perceived virtual service quality on repurchase intention. In other words, the regression line proves that tangible and reliability H1d (F = 64.174, p < 0.001) contribute to stimulate the repurchase intention, namely the linear regression equation is RI = 2.506 + 0.526*. Hence, H1d is supported.

By comparing the coefficient of correlation (r-square) of H1a, b, c and d, it is found that perceived virtual service quality affects pleasure more than arousal and dominance, however, repurchase intention is affected significantly by virtual service provided in offline stores.

4.3.2. Physical service quality as predictor

In H2a, H2b and H2c, the effects of perceived physical service quality on emotional states (pleasure, arousal, and dominance) and repurchase intention are tested using the linear regression analysis. H2a (F = 95.747, t-value = 9.785, p < 0.001) has coefficient β = 0.603; H2b (F = 46.259, t-value = 6.801, p < 0.001) has coefficient β = 0.465; and H2c (F = 51.607, t-value = 7.184, p < 0.001) has coefficient β = 0.485. These results show that there exist significant positive relationships between PS and emotional states including PL, AR, and DO. In other words, the regression lines H2a, H2b and H2c predict PL, AR, and DO significantly well, namely the linear regression equations are PL = 1.216 + 0.603*; AR = 2.220 + 0.465*; and DO = 1.940 + 0.485*. Moreover, the differences in the coefficient of correlation (r-square) of H2a, H2b, and H2c also point out that perceived physical service quality also affects pleasure more than arousal and dominance. Hence, H2a, H2b, and H2c are all supported. In addition, in H2d model, the coefficient of correlation r-square is 0.409 that means PS accounts for 40.9% variation in RI value. H2d has coefficient β = 0.639 that is greater than zero, with t-value = 10.775 and observed significance p < 0.001. This shows the significant positive relationship between perceived physical service quality and repurchase intention. Besides, the F-value = 116.100 indicates that H2d predicts RI very well since the F-value is large with significance less than 0.001. Hence, H2d is also supported.

4.3.3. Emotional states as predictors

Hypothesis 3 is designed to examine the effect of emotional states on repurchase intention. While the
sub-category H3a tests the effect of PL on RI, H3b and H3c test the effects of AR and DO on RI. The results of the linear regression analysis indicate significant positive relationships between emotional states and repurchase intention. Clearly, the coefficients of correlation r-square of H3a, H3b, and H3c are 0.431, 0.388, and 0.289 respectively and the coefficients β are all positive. In other words, whereas DO only accounts for 28.9% variation in RI value, PL and AR accounts for 43.1% and 38.8% variation in RI values. Furthermore, H3a (F = 127.071, t-value = 11.273, p < 0.001), H3b (F = 106.656, t-value = 10.327, p < 0.001), and H3c (F = 68.395, t-value = 8.270, p < 0.001) point out that H3 contains good models that predict RI very well, especially H3a and H3b since the F-values are very large with significance less than 0.001.

This research first proves that the use of technology has empowered retailers to exploit synergies of multiple channels to operate cross-channel services such as order through technology-based channel and collect at physical channel. Obviously, multichannel retail service offers a menu of channel choices which provide more convenient ways to implement product and information displays, and transactions. Click&Collect service thus adapts to consumer goals and constraints at each purchase occasion [42]. More importantly, this research indicates that the integrated physical and virtual service quality has a significant positive impact on consumer’s emotional states such as pleasure, arousal and dominance. Additionally, this paper also tests the effects of emotional states as independent variables on repurchase intention in order to re-examine the results of early research. It is clear that all variables of perceived physical service quality (assurance, responsiveness, and empathy) and perceived virtual service quality (tangibles and reliability) contributed to increasing positive emotional states including pleasure (β = 0.656, p < 0.001), arousal (β = 0.623, p < 0.001), and dominance (β = 0.538, p < 0.001) which are then proved to have positive impacts on consumer’s willingness to repurchase at least in the UK where the data set was collected.

4.4. Stimuli, organism and response

In addition, both stimuli were analysed using five service quality dimensions (tangibles, reliability, assurance, responsiveness, and empathy) that forms the service quality perception influenced by the interaction between buyers and physical seller and/or the technology during Click&Collect service encounter. By integrating the benefits of physical stores with the technology in store, Click&Collect service contributes to enriching the pleasant shopping environment. The results also indicate the degree to which the store environment is based on traditional elements (product display, employees etc.) and technological elements (points of purchase and design factors) for supporting shopping at physical stores [19].

By considering the P.A.D scale, the research extends the relationship of perceived service quality with various emotional reactions such as pleasure (satisfaction), arousal (excitement), and dominance (control), compared to prior studies [20], [18]. Moreover, the evaluation of each service encounter (physical and virtual service) enables the research to be consistent with multichannel retail literature. Ultimately, in the context of store atmospherics, elements of multichannel service quality were studied by the S-O-R paradigm and thus behavioural response in terms of repurchase intention is also considered in details. As a result, by offering Click&Collect service, retailers are pushed to tailor appropriate strategies to improve the integrated service quality in an attempt to enhance shopping experience in the retail service settings.

Findings reveal that customers consider repurchase intentions based on the physical service quality rather than the virtual service quality although both are proven to have significant positive impacts on repurchase intention. Additionally, the research also reveals that when evaluating the offline store, they take into consideration dimensions of physical service quality (assurance, responsiveness, and empathy) which in turn affect their willingness to come back for future purchases.

5. Conclusion

5.1. Managerial implications

The findings provide key implications for offline retailers. Delivering multichannel retail service requires more efforts since customers want to shop in a seamless and integrated way across multiple channels. This research offer retailers insights into how an integrated physical and virtual service quality is perceived by customers using five dimensions of service quality. Moreover, through considering Click&Collect service as an atmospheric element, atmospheric issues largely ignored by prior research were
discovered such as the interaction of customers with human-based interface and technology-based interface in the same retail settings [23]. This research also contributes to addressing questions about the future design of physical stores. Obviously, Click&Collect now acts as an additional service of the traditional store and thus retailers are required to have designated new points of sale and collection and improved the physical service that comprises the interaction between employees and customers during the service encounter hence, retailers should have quickly embraced these trends in order to remain competitive [17].

Additionally, retailers should tailor their retail strategies to gain intelligence about customer preferences and habits, and understand how the customer interacts with each channel independently so as to better provide the integrated multichannel retail service. Particularly, retailers should be able to manage virtual service quality that is evaluated by consumers for repurchase intention using Click&Collect service. The use of innovative technology also allows retailers to gain customer insights into other multichannel shopping behaviours which are then utilised to design customer loyalty and communication programs. However, this requires an understanding of the differing needs across age ranges, genders, and education [22].

In order to improve virtual service quality, tangibles and reliability should be taken into account by ensuring physical facilities, equipment, and communication materials such as new touchpoints, mash-ups, social networking sites and consumer reviews to perform the promised service dependably and accurately. This should be considered as part and parcel of an integrated multichannel retail strategy in the early market growth, current maturity and decline stages since retailers need to adapt to dynamic changes in technological innovation and evolution [8], [43]. On the other hand, the results of this research indicate that perceived physical service quality has a significant positive impact on repurchase intention. Hence, the interaction between employees and customers should be taken into consideration. Employees first need to be trained to be able to deliver the promises that the retailer has made to its customers. Besides, caring and individualised attention are also crucial elements that a retailer should provide its customers.

5.2. Limitations and further research

This research was set in a UK retail context, and hence in a non-UK setting, the findings may be different. However, UK retail landscape is now at a more advanced stage of multichannel retailing which could be easier to explore the Click&Collect service in details from both retailer and consumer perspective. Additionally, although some findings may be specific to UK retailers in certain sectors, the research put Click&Collect service in the atmospheric context that may help the findings contribute to current literature since no study has empirically explored multichannel service quality in the UK and in the big picture of the entire store atmosphere. Yet, factors influencing customers’ channel selection differ across product categories. Therefore, focusing on offline supermarkets might restrict the research’s generalisation. Further research should consider retailers in other sectors and other countries. Also, there exists an opportunity for the same research to be conducted to further investigate the effects of perceived Click&Collect service quality on customers in various age ranges, genders, and education owing to the difference in technology diffusion on the individual customer level. Moreover, Click&Collect allows retailers to deliver a seamless and integrated multichannel service to the customers. Yet lack of significant financial investment and highly-skilled staff could be obstacles to applying Click&Collect. Consequently, further research should explore the future design of retail stores and the role of store staff during and after service encounters. On the firm level, further research may shed additional light on measures to balance channels and business units so as to generate a competitive advantage and maintain a superior competitive positioning. Ultimately, the omni-channel retail service will provide even more fascinating research opportunities since the mobile retailing is now emerging as a powerful new channel format that will have a profound impact on the entire retail landscape [23]. Latter research may explore how mobile retail platforms operate as an independent channel and/or part of an integrated channel, how mobile marketing brings back the importance of physical stores, how the mobile technology is utilised to improve retailers’ efforts of customizing retail mix offerings.

6. References


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