

THE IMPACT OF CONSUMER INTERNET EXPERIENCE ON CHANNEL PREFERENCE AND USAGE INTENTIONS ACROSS THE DIFFERENT STAGES OF THE BUYING PROCESS

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e investigate consumer preference for online versus offline purchasing of a complex service (home mortgage), across the three stages of purchasing, namely, pre-purchase, purchase, and post-purchase. Our analysis of data from 300 consumers shows that (1) the offline channel is generally preferred over the online channel across all the stages, and (2) the channel usage intention in a particular stage is moderated by the consumer's Internet experience. Specifically, in both the pre- and post-purchase stages, the usage intention for the online channel is higher when consumers have more favorable Internet experience. In the purchase stage, consumers prefer the offline channel over the online channel, regardless of their Internet experience. Furthermore, we find that the drivers of channel preference are substantially different across the three buying stages due to (in)congruities between channel benefits desired and channel capabilities offered.

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INTRODUCTION

The Internet provides firms with an important opportunity to enlarge their market base by marketing products online (Alba et al., 1997; Geyskens, Gielens, & Dekimpe, 2002). Many firms that have concentrated their efforts on traditional offline channels are now moving to include the online¹ channel in their marketing approach. What is interesting, however, is that such firms did not drop their traditional offline channel, making it even stronger in some cases (for example, Barnes and Noble, HP). What is also remarkable is that some of the firms that began as pure play online firms have started slowly moving into the offline channel (for example, Dell, Gateway, Amazon). Thus, while there are still some single channel (online or offline) firms, more firms are becoming multichannel firms. Multiple channels offer greater exposure and reach to the market. However, if the customer base does not increase through multiple channels, then firms should start questioning the wisdom of having both the online and offline channels. Firms need to better understand what each channel does uniquely in enhancing value in the consumer's purchasing process.

It has been found that, in general, a consumer goes through three stages in his/her buying process, namely, pre-purchase, purchase, and post-purchase. Further, extant research shows that consumers shift between the online and offline channels when they move through these three stages (Ahuja et al., 2003). Such inter-channel movements are more likely to happen in the case of a complex product or service. Apparently, the pre-purchase stage, in which consumers primarily seek information, imposes different requirements on the marketing channel compared to the purchasing stage, where the consumers do the actual buying (Neslin et al., 2006; Verhoef, Neslin, & Vroomen, 2005). It is, therefore, important that firms trying to reach the consumer through both the online and offline channels understand the consumer's (relative) preference for each channel in each stage of the buying process so that it could proactively determine when and what it should do in each channel to improve the consumer's overall purchase

¹ We use the words "Internet" and "online" interchangeably. To denote the traditional, that is, face-to-face personal channel, we use the term "offline."

probability. Further, research has shown that domain-specific experience has a strong impact on consumer evaluations and relative preferences (Alba & Hutchinsons, 1987; Landy & Becker, 1987; King & Balasubramanian, 1994). Therefore, a consumer who has a high level of online (Internet) experience is likely to have a different perception of the attributes of the online channel compared to a consumer who does not have such experience (Shankar, Rangaswamy, & Pusateri, 2001). Hence, while trying to find a synergy between the two channels, firms should take into account the moderating effect of a consumer's Internet experience (Bart, Shankar, Sultan, & Urban, 2005).

Previous research on channel usage intention and consumer preference in a multichannel context has predominantly focused either on the search (for example pre-purchase) stage or the purchase stage (Kushwaha & Shankar, 2007a, b; Neslin et al., 2006; Verhoef et al., 2005), but not in a dynamic way as a consumer moves across the three buying stages. In our research, we conduct an interview-based study that provides us further insights into how consumer preferences of online and offline channels change while he/she progresses across the three stages of the buying process, and into how this change depends on his/her experience with the Internet. The context of the data used in this study is home mortgage, which is a prototypical complex service (Vroomen et al., 2005). Although offline channels traditionally have dominated the mortgage market, firms are now providing this complex service online (for example, Quicken Loans), and are currently exploring ways to bring synergy between the two channels. Hence, we believe that our findings will be useful to such firms.

This study contributes to the marketing literature by addressing how consumer choice of online versus offline channels differs across the successive stages of the buying process and how this is affected by the consumer's experience with the Internet. In doing so, we are responding to earlier calls for further research on marketing channels' capabilities of meeting changing consumer needs over stages of the buying process (for example, Balasubramanian, Raghunathan, & Mahajan, 2005; Rangaswamy & Van Bruggen, 2005). Building on Verhoef et al.'s (2005) research, our study explores the *dynamics* of channel preference across the three stages of the decision-making process. Managerially,

this study contributes to the issue of multichannel marketing by exploring why channels differ in their effectiveness at selling a complex service when consumers move from one stage of the buying stage to the next. Building on recent insights into the drivers of marketing channel choice (see Kushwaha & Shankar, 2007a; Neslin et al., 2006 for an extensive review) and allocation of marketing efforts across channels (Kushwaha & Shankar, 2007b), we also give a rationale for differences in channel preference by relating consumers' choice determinants (reflective of their goals) to the channels' capabilities of addressing them. This study can help managers target customers more effectively within their decision-making processes and design a more effective multichannel system. The insights into the dynamics of consumer channel usage intentions from this study contribute to previous research on drivers of consumer channel preference (for example, Bart et al., 2005; Neslin et al., 2006) and multichannel marketing (for example, Inman, Shankar, & Ferraro, 2004; Thomas & Sullivan, 2005).

The remainder of this paper is organized as follows. First, we formulate hypotheses about the conditions under which consumers will have different usage intentions and preference of one channel over the other, across the three stages of the buying process. We then discuss the methodology and present our findings. Subsequently, we discuss the drivers of channel preference across the buying stages. We conclude with implications for both marketing theory and business practice.

THEORY AND HYPOTHESES

Marketing channels are instrumental as means of communication, transaction, and/or distribution (Peterson, Balasubramanian, & Bronnenberg, 1997). Here, we focus on two channels: (a) the Internet as the dominant online channel and (b) the personal advisor either within a financial institution or intermediary as the most important and traditional representation of the offline channel.

Considering that a customer's perceived value of a marketing channel will depend upon his or her intent (Woodruff, 1997), channel preferences are likely to differ across alternative usage situations (Balasubramanian

et al., 2005). These situations most importantly relate to the different stages through which a consumer progresses when obtaining a product. The three main stages we study are: (i) the pre-purchase stage, an information gathering stage in which the consumer familiarizes him/herself with an offering, (ii) the purchase stage, in which a purchase decision is made and the transaction completed, and (iii) the post-purchase stage, when the decision on continued use of the offering is made and repeat purchases take place.

Research shows that consumers seek to satisfy specific consumption goals by choosing an offering that, given the configuration of attributes that it provides, is capable of doing so (Gutman, 1982; Zeithaml, 1988). Consumption goals, however, may be satisfied not just by the products and services that consumers buy, but also by the channels that consumers employ to obtain these products and services (Verhoef & Donkers, 2005). Therefore, in each of the three decisional stages, consumers will also evaluate each marketing channel on its ability to satisfy the benefits they seek and make their channel choice (Keeney, 1999) along with the product-related choice. As we know from previous research that benefits sought change across the buying stages (Mittal, Kumar, & Tsiros, 1999; Hogarth & Einhorn, 1992; Gardial, Clemons, Woodruff, Schumann, & Burns, 1994), it is important to ascertain how the two different channels (online and offline) perform in addressing the benefits sought at each stage.

Evidence suggests that consumers' evaluation of the benefits offered by a marketing channel, by the Internet in particular (Montoya-Weiss, Voss, & Grewal, 2003), is affected by their experience with the channel. Customers with sufficient Internet experience may feel more comfortable using the online channel while others may be reluctant to use the online channel because of perceived uncertainty and risk (Murray & Schlacter, 1990; Montoya-Weiss, Voss, & Grewal, 2003). Internet experience may, therefore, moderate the relationship between channel evaluation and choice. Next, we develop the appropriate hypotheses.

Pre-Purchase Stage

At this stage, consumers seek information on the attributes of the product that they consider purchasing (Payne, Bettman, & Johnson, 1993). Therefore, at

this stage, a channel's ability to enable the consumers to identify product information and obtain access to this information becomes a critical channel driver. The Internet is capable of efficiently and effectively finding, organizing, and evaluating product information (for example, Cook & Coupey, 1998; Kiang et al., 2000; Peterson & Merino, 2003), and is also capable of providing the customized information in an interactive way, to some extent (for example, Peterson et al., 1997). Thus, it enables quick and convenient comparison of information (Keeney, 1999) and thereby facilitates evaluation of the various alternatives. "Many intelligent agents create matrices that organize product and service attribute information in a format that engenders rapid and accurate comparisons of alternatives" (Peterson & Merino, 2003; see www.lendingtree.com). As obtaining information for complex services with a large number of salient attributes seems easier online than offline (Shankar, Smith, & Rangaswamy, 2003), the online channel is expected to be a preferred choice for information-seeking purposes in the pre-purchase stage. This will be especially true for those with online experience because they are more familiar with the salient channel attributes and have experienced the benefits related to information search attributes previously (Montoya-Weiss, Voss, & Grewal, 2003). Further, for those with Internet experience, the cost of collecting the information in this stage will be less with online mode than with offline mode (Cook & Coupey, 1998). Hence, these consumers are more likely to use the online than the offline channel.

For those without sufficient Internet experience, going online may evoke perceptions of uncertainty and complexity with respect to its usage. As consumers tend to minimize their potential losses when considering a change to a new behavior (Gourville, 2006), such as using a new marketing channel, Internet novices are more likely to prefer the traditional offline channel for information seeking.

Purchase Stage

According to Payne et al.'s (1993) concept of adaptive decision making, a consumer shifts from attribute-based search to alternatives-based search as he/she progresses in the decision making process (see also Huneke, Cole, & Levin, 2004). Thus, as consumers move on to the actual purchase stage, they will be less

focused on information gathering with respect to the attributes of the product and more focused on comparing the alternatives they have decided to consider. In the case of complex services such as mortgages, these alternatives are complex bundles of product attributes and consumer benefits that need to be processed (Gensh & Javagi, 1987). Xia and Sudharshan (2002) suggest that individuals are not comfortable in making decisions by themselves in cases where many relevant aspects of the decision cannot be controlled. Thus, the complexity of the decision process makes a consumer seek for some kind of "help" in his/her decision making, and hence he/she is more likely to use this desired benefit as the base to evaluate the attributes of the online channel versus the offline channel.

The channel-product congruency (Morrison & Roberts, 1998) becomes critical at this stage, especially because the impact of potential negative consequences of a choice is felt most in this stage (Tversky & Kahneman, 1981). While personal advisors are in the best position to help first-time buyers identify and explain the aspects to be considered in the purchase stage, the Internet is seriously handicapped on this dimension. Salesperson interaction can also help consumers to correct incomplete or incorrect knowledge in order to prevent them from making inferior decisions (Cook & Coupey, 1998). Therefore, the offline (that is, personal) channel is expected to be superior in terms of supporting consumers' acquisition of a mortgage in the purchase stage (Thomas, 2002; Wooten & Reed II, 1998). Perceived negative benefits (that is, costs) of using the Internet for important purchases such as transaction-based security and privacy concerns (Korgaonkar & Wolin, 1999) are likely to reinforce the preference of a personal channel at this stage. This might explain why Vroomen et al. (2005) found that for the purchase of a mortgage, first-time buyers are less likely to use the online channel.

In accordance with the loss aversion theory (Tversky & Kahnemann, 1981) we expect that superiority of the offline channel over the online channel will hold true for both consumers with Internet experience and those without such experience, as all individuals will feel a strong need to avoid making a flawed decision at this stage. In other words, the product *per se* takes a more dominant role than the channel benefits at this stage.

Post-Purchase Stage

In the post-purchase stage, consumers may maintain their relationship with a mortgage provider (that is, continued use) or may engage in a repeat purchase. In the event of continued use of the product, the relationship with the service provider will be dominated by communication at specific moments in time, for example, when the interest rate needs to be renewed. Due to the consumer's experience with the service, such communication can be administered in an efficient way and is not likely to be characterized by high complexity and/or uncertainty anymore. Therefore, the channel that will be preferred at this stage is most likely the one that the consumer is most comfortable with. For those with Internet experience, this may be the online channel, whereas for others this may be the offline channel. Also, in the event of a repeat purchase of a mortgage, the consumer can profit from his/her earlier experiences with the purchase decision. Therefore, the consumer may not be subject to the same level of anxiety felt in the initial purchase decision. In particular, for those with Internet experience, the prospect of positive use experience may motivate them towards using a computer-mediated environment (Hoffman & Novak, 1995). Positive experiences may include time or monetary savings, increased knowledge, and enhanced confidence or satisfaction with a choice (Cook & Coupey, 1998), all of which will stimulate the consumer to use the online channel in the post-purchase stage. For others, these benefits do not apply and therefore we expect the consumers with less Internet experience to rate low on online usage intention and high on offline channel preference at this stage.

Summing up our discussion concerning channel preference across the three stages of the buying process, we suggest the following: (a) in the pre-purchase and the post-purchase stages of the buying process, consumers with Internet experience are more inclined (than those without Internet experience) to use the online channel; (b) in these two stages, consumers with Internet experience will likely prefer the online channel over the offline channel; whereas (c) in the purchase stage, regardless of their Internet experience, all consumers are more likely to prefer the offline channel over the online channel. We, therefore, propose the following two sets of hypotheses, where the first set refers to the preference for online (that is, in an absolute sense) and

the second set refers to the preference for online over offline (that is, in a relative sense).²

Hypothesis 1: Consumer's Internet experience moderates his/her channel usage intentions in such a way that the greater his/her Internet experience,

H1a: the more likely he/she will use the online channel during the pre-purchase stage in the acquisition of a complex service;

H1b: the more likely he/she will use the online channel during the post-purchase stage in the acquisition of a complex service;

H1c: the less likely he/she will use the online channel during the purchase stage in the acquisition of a complex service.

Hypothesis 2: Consumers with high Internet experience are more likely to prefer

H2a: the online channel over the offline channel during the pre-purchase stage in the acquisition of a complex service;

H2b: the online channel over the offline channel during the post-purchase stage in the acquisition of a complex service.

H2c: the offline channel over the online channel during the purchase stage in the acquisition of a complex service.

METHODOLOGY

Procedure. We conducted a survey by means of personal interviews. Specifically, we obtained measures on consumer channel usage intentions in the three stages of the mortgage buying process, as well as measures on channel benefits sought and the capabilities of the online and offline channels to address them. Our decision to focus on home mortgage was based on professionally-administered focus group discussions and in-depth interviews among 24 consumers in the

² We need to differentiate between the absolute and relative measures because, as we will see later, these take different forms across the three stages of the buying process.

United States and Europe (the UK, the Netherlands, and Sweden), in which respondents generally indicated high involvement in the decision making process of these services. The focus group discussions also pointed out that the personal advisor was considered to be the conventional offline marketing channel for acquiring mortgages and the Internet as the leading electronic online marketing channel for obtaining financial services.

Sample. Data were collected by means of face-to-face interviews with individuals who could be categorized in one of three decision stages:

- (1) Individuals who had never acquired a mortgage before and now were engaged in the process of gathering information on mortgages, but had not decided on a specific mortgage or supplier yet (=“pre-purchase stage”);
- (2) Individuals who had never acquired a mortgage before, but who had already gathered information on mortgages and were on the point of deciding for a specific mortgage from a specific supplier (=“purchase stage”); and
- (3) Individuals who had already acquired a mortgage in the past and are continued users of the product, or may be eligible for a repeat purchase due to refinancing or purchase of a new house (=“post-purchase stage”).

Respondents were approached randomly among shoppers in two major shopping malls entirely devoted to home-related products in different parts of the Netherlands (the capital and a major city in the southern part). Trained interviewers randomly approached shoppers and invited them to participate in an academic study (only one individual per household was allowed to participate; interviewers always ensured that individuals who were most knowledgeable on the subject of the study were interviewed). Screening questions were administered before the respondent was invited for an interview. An invitation only followed if the respondent proved to be eligible for the study (that is, a mortgage buyer in one of the three stages of the buying process). Upon agreeing, respondents were seated in a local coffee bar, where the face-to-face interview was conducted. Interviews typically lasted 45 minutes. Quota sampling was applied to obtain evenly distributed numbers of respondents in the three buying stages. In total, 303 individuals participated in the

study, evenly divided across the three stages. Respondent characteristics are shown in Table 1.

Measures. The questionnaire was tailored to the stage of the decision process of the respondent. Respondents were asked to rate the importance of benefits typical of marketing channels (=benefit importance) as well as their assessment to which extent each of the two channels was capable of satisfying these benefits (=channel performance). For each subset of respondents, we measured these benefits using 7-point, Likert-type, multiple-item scales; see Appendix for measurement items and scale properties. We classified these channel

TABLE 1

Sample Characteristics

CHARACTERISTIC	NUMBER OF RESPONDENTS (n=303)	PERCENTAGE
Sex		
Male	156	52%
Female	146	48%
Year of birth		
1929–1939	13	4%
1940–1949	30	10%
1950–1959	32	11%
1960–1969	40	13%
1970–1979	150	49%
1980 or later	38	13%
Annual household income before taxes		
Under €10,000	45	15%
€10,000 to €20,000	26	9%
€20,000 to €30,000	55	19%
€30,000 to €40,000	70	24%
€40,000 to €50,000	42	14%
€50,000 to €75,000	40	13%
€75,000 or more	19	6%
Education		
Lower	3	1%
High School	53	17%
Professional (lower and medium level)	68	23%
Professional (higher)	106	35%
University	73	24%
Internet access		
At home	241	80%
At work	202	67%

TABLE 2

Descriptive Statistics and Correlation Matrix*

	CHANNEL USAGE INTENTION		FUNCTIONAL BENEFITS (Importance *performance)				PSYCHOSOCIAL BENEFITS (Importance *performance)				CHANNEL EXPERIENCE					
	Online	Offline	A-On	A-Off	E-On	E-Off	U-On	U-Off	S-On	S-Off	P-On	P-Off	N-On	N-Off	Online	Offline
Min	1	1	5	2.22	4.67	5	4.80	10.08	1	1	2.90	4	1.10	1.70	1	1
Max	7	7	49	49	49	49	47.60	49	42.25	49	38.22	49	40.96	49	7	7
Mean	3.51	6.27	26.65	20.46	25.77	29.69	25.88	32.11	9.75	20.05	19.93	27.60	17.26	27.21	4.38	4.02
Standard deviation	2.25	1.15	9.32	9.76	8.71	8.62	7.30	6.63	8.13	11.84	7.86	8.65	7.79	9.46	1.76	1.65
Online usage intention	1															
Offline usage intention	-.349	1														
Accessibility online	.076	-.064	1													
Accessibility offline	-.147	.134	.680	1												
Ease of use online	.229	-.066	.505	.280	1											
Ease of use offline	-.118	.204	.313	.491	.514	1										
Usefulness online	.255	-.069	.476	.255	.608	.240	1									
Usefulness offline	-.117	.281	.302	.477	.213	.564	.375	1								
Social presence online	-.133	.101	.449	.519	.351	.342	.399	.345	1							
Social presence offline	-.205	.252	.330	.475	.182	.361	.195	.493	.712	1						
Positive psy/soc online	.232	.000	.422	.307	.473	.216	.486	.137	.432	.266	1					
Positive psy/soc offline	-.059	.247	.341	.488	.286	.399	.138	.363	.433	.488	.628	1				
Negative psy/soc online	.177	-.047	.371	.246	.371	.208	.459	.158	.448	.250	.660	.358	1			
Negative psy/soc offline	-.075	.244	.331	.412	.255	.384	.206	.454	.407	.436	.392	.664	.533	1		
Internet experience	.419	-.172	.077	-.249	.129	-.187	.144	-.108	-.231	-.318	.083	-.152	.000	-.080	1	
Offline experience	-.193	.224	-.003	.098	-.162	.010	-.127	.066	.044	.124	-.056	.127	-.045	.134	.019	1
Channel usage intention (dependent variables) - correlations																
Importance*performance functional benefits (independent variables) - correlations																
Importance*performance psychosocial benefits (independent variables) - correlations																
Channel Experience (independent variables) - correlations																

*The hyphenated abbreviations in the 2nd title row stand respectively for variables **A**ccessibility-**O**nline, **A**ccessibility-**O**ffline, **E**ase of Use-**O**nline, **E**ase of Use-**O**ffline, **U**sefulness-**O**nline, **U**sefulness-**O**ffline, **S**ocial Presence-**O**nline, **S**ocial Presence-**O**ffline, **P**ositive Psychosocial-**O**nline, **P**ositive Psychosocial-**O**ffline, **N**egative Psychosocial-**O**nline, and **N**egative Psychosocial-**O**ffline. The first four rows of numbers are univariate statistics on the variables measured, and the other numbers are correlations of each variable with other members. For example, the bold-faced number (**.375**) says that correlation between Usefulness-Offline and Usefulness-Online variables is .375.

benefits in two groups: functional and psychosocial benefits (Gutman, 1982). The *functional benefits* include channel characteristics that affect its functional use, and include a channel's "accessibility," "ease of use," "usefulness," and "social presence" (Kettinger & Grover, 1997), all of which have been identified as important drivers of consumers' channel selection in previous studies (for example, Neslin et al., 2006; Cheung et al., 2003; Keeney, 1999). Scale reliabilities appear all satisfactory, ranging from .61 to .74 (Cronbach's alpha). The *psychosocial benefits* involve consumer feelings related to using a particular marketing channel. Within this context, both psychosocial states (e.g., "Does it make me feel enthusiastic?"; Carnevale & Isen, 1986) and anticipated psychosocial benefits (e.g., "Do I expect to feel regret after using it?"; Zeelenberg & Beattie, 1997) may influence channel choice. The psychosocial benefits selected for the study were obtained from typologies proposed in the literature (Richins, 1997; Bagozzi, Gopinath, & Nyer, 1999) and categorized as either *positive* (for example, confidence) or *negative* (for example, frustration) (Folkman & Lazarus, 1985). Appendix shows the scales used. The reliabilities are satisfactory with Cronbach's alpha ranging from .70 to .86.

Channel experience was measured using multi-item scales adapted from Murray and Schlacter (1990). Both scales for *offline channel experience* (alpha = .89) and *Internet channel experience* (alpha = .93) showed high reliability. *Channel usage intention* was operationalized by means of a degree of intentional use upon a 7-point scale. Table 2 shows the descriptive statistics of the scales used and their correlations.

RESULTS

First, we present the results of the empirical tests of the research hypotheses. Next, we further explore the underlying drivers affecting channel preference across the buying stages.

Changes in Channel Usage Intentions and Preference across the Three Purchasing Stages

Our research hypotheses imply that changes in channel usage intentions and preference across the buying stages of a complex service are affected by a consumer's

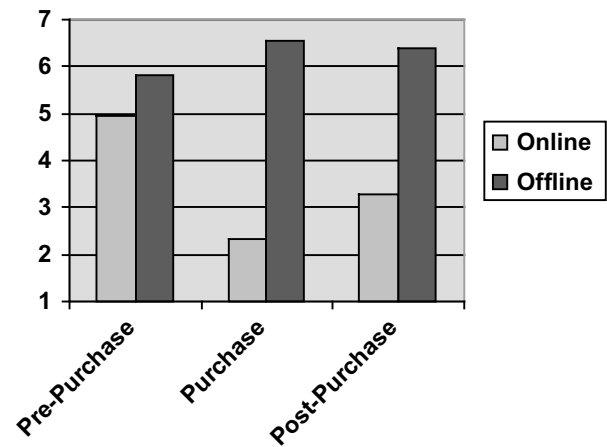


FIGURE 1

Channel Usage Intention across Decision Stages (7-point intentional scale)

channel experience. Figure 1 provides the first insight into channel preference across stages, but it does not reflect the effect of channel experience. It shows that, although the online channel seems to be more congruent with consumer preference in the pre-purchase stage relative to the other stages, the offline channel is preferred in all stages of the buying process of a mortgage. This is an interesting finding in itself because despite all the advances in technology and the Internet, people involved with a complex service product still tend to prefer the offline channel (that is, communicating with a financial adviser face-to-face) over the online channel in all the three stages of the buying process.

To test our research hypotheses, we estimated a MANOVA full factorial model on consumer usage intention of the two marketing channels, the three buying stages and consumer channel experience. The results are presented in Table 3.

Table 3 reports the p-values or significance levels. The results indicate that buying stage is significant for both marketing channels (online channel $p < .000$; offline channel $p < .019$), which implies that channel usage intention significantly differs across the three stages of the purchase process. Although experience with the Internet significantly affects online channel usage intentions ($p < .000$) and experience with offline channel significantly affects offline channel usage intentions ($p < .040$), experience with the Internet

TABLE 3 Channel Usage Intention: Mean Differences and Interaction Effects for Stages and Channel Experience (MANOVA Full Factorial Model)

Test of between-subjects effects	ONLINE CHANNEL	OFFLINE CHANNEL
Buying stage ¹	.000**	.019**
Internet experience ²	.000**	.085
Offline channel experience ²	.267	.040**
Stage * Internet experience	.000**	.698
Stage * offline channel experience	.933	.428
Internet experience * offline channel exp.	.938	.858
Stage * Internet experience * offline exp.	.219	.694

$R^2_{Adj.} = .397$

.....

** $p < .05$

¹ Three stages are distinguished, that is, pre-purchase, purchase, and post-purchase.

² Respondents are divided into a low and high experience group, based on a median-split of the scores on the 7-point Likert-type scale.

significantly affects the online channel usage intention *across* the three buying stages ($p < .000$), but does not have a cross effect on the consumer’s offline channel usage intentions ($p < .698$).

As shown in Figure 2a, we find that consumers with Internet experience (marked “Hi exp” in the figure) demonstrate a significant higher usage intention for the online channel in both the pre-purchase and post-purchase stages (marked “Pre-P” and “Post-P”) than do the consumers without Internet experience (marked “Lo exp”). In the purchase stage (marked “Purchase”), however, the difference is not significant. We, therefore, cannot reject hypotheses H1a, H1b, and H1c.

Comparing Figures 2a and 2c, we see that in the purchase stage, the offline channel is the dominant preference of consumers regardless of their experience with the Internet, as we suggested in hypothesis H2c. However, we must conclude (from Figures 2a and 2c) that even for the consumers with Internet experience, the online channel is not significantly preferred *over* the offline channel in both the pre-purchase and post-purchase stages, contrary to H2a and H2b. We had argued that those with Internet experience would prefer the online channel over the offline channel in both

the pre-purchase and post-purchase stages because the online channel is not only quick and informative, but also cost effective. Our contrary finding suggests that the Internet has still a long way to go to totally replace the offline channel. Figures 2b and 2d illustrate that offline experience has no moderating effect.

We now focus on the drivers of the channel choice.

Drivers of Channel Choice

The previous results show that the buying stage has an important influence on channel usage intention and that this influence is moderated by the consumer’s experience with the Internet. The next step is to understand how consumer evaluations of channel benefits drive these dynamic preferences.

We have modeled channel usage intention within each buying stage as a function of a consumer’s perceived importance of channel benefits and the consumer’s perceived performance of both the channels on these benefits. The dependent variable was construed from the difference score between online usage intention (7-point scale) and offline channel usage intention (7-point scale). It, thus, reflects the intention to choose the online channel in a particular

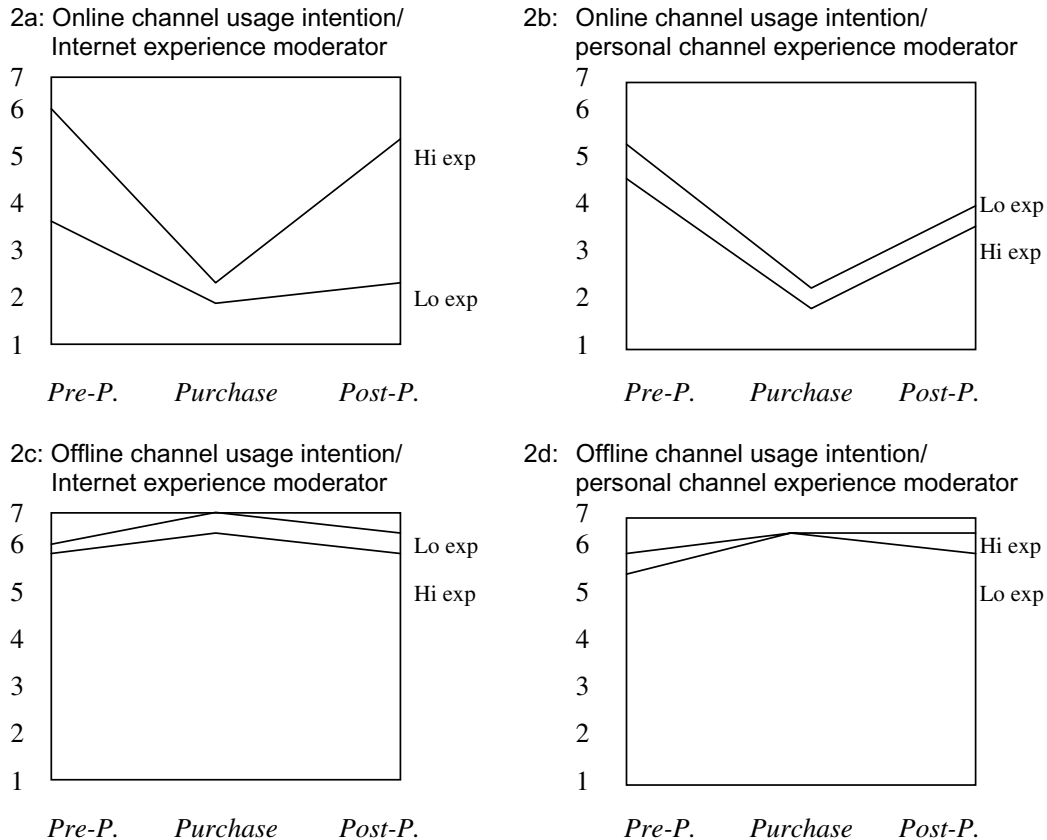


FIGURE 2

Channel Usage Intention across Decision Stages: Moderated by Channel Experience (7-point intentional scale)

stage over the offline channel. The independent variable measure was obtained as a product of the perceived importance and channel performance of a benefit (see Table 2 for scale descriptives). In addition to these independent variables, we included Internet experience as a variable because we found this variable to be an important driver of channel choice in the previous analysis. We analyzed our model using multivariate regression analysis. Because the three subsamples are independent, we estimate three separate models. The results are shown in Table 4. All the regression models show a reasonable fit. We checked all models for multicollinearity. Most variables showed variance inflation factors well below the critical values (ranging from 1.5 to 4.9, except those for positive psychosocial benefits, which were found to be 6.3–6.8). Alternative specifications of the model (omitting variables with the highest VIF) provided robust results. We, therefore, conclude that multicollinearity is not a serious problem in our analysis.

In the *pre-purchase stage* of the buying process, we find Internet experience to be the primary driver of online channel preference. In addition, consumers are led by both functional and psychosocial benefits in their choice. Accessibility, social presence, and positive affect are all significant drivers. Interestingly, preference for the online channel is negatively affected by the degree to which offline channels are able to perform better on the functional benefits, accessibility and social presence, and on psychosocial benefits. This is an important finding because it implies that “local” banks with their local physical presence can effectively combat the national and multinational banks that choose the online channel as their main competitive weapon.

In the *purchase stage*, ease of use of the offline channel is the dominant driver of channel choice. In addition, the usefulness of the online channel affects its preference in a positive direction. Among all the

TABLE 4

Determinants of Consumer Intention to Use the Online over Offline Channel across Decision Stages

DEPENDENT VARIABLE: PREFERENCE OF INTERNET OVER THE PERSONAL CHANNEL¹	PRE-PURCHASE		PURCHASE		POST-PURCHASE	
	<i>Std beta (t-value)</i>		<i>Std beta (t-value)</i>		<i>Std beta (t-value)</i>	
<i>Importance*performance of channel attributes:</i>						
Accessibility of the online channel	.278**	(2.153)	.005	(.032)	-.051	(-.367)
Accessibility of the offline channel	-.259*	(-1.778)	.168	(.906)	.075	(.554)
Ease of use of the online channel	.022	(.178)	.153	(1.006)	.219	(1.541)
Ease of use of the offline channel	.000	(.003)	-.556***	(-3.463)	-.009	(-.067)
Usefulness of the online channel	.173	(1.425)	.380**	(2.444)	-.152	(-.998)
Usefulness of the offline channel	-.006	(-.049)	-.082	(-.534)	.076	(.558)
Social presence of the online channel	.080	(.517)	-.096	(-.606)	-.016	(-.125)
Social presence of the offline channel	-.333**	(-2.454)	.078	(.481)	-.093	(-.675)
Positive psy/soc feeling by the online channel	.110	(.775)	.012	(.053)	.233	(1.546)
Positive psy/soc feeling by the offline channel	-.269*	(-1.853)	.038	(.180)	-.317**	(-2.053)
Negative psy/soc feeling by the online channel	.085	(.623)	.050	(.264)	.051	(.396)
Negative psy/soc feeling by the offline channel	-.053	(-.358)	-.023	(-.132)	-.077	(-.609)
Internet experience	.397***	(4.244)	.191*	(1.731)	.448***	(4.383)
<i>N</i>	101		101		101	
<i>Goodness-of-fit (R²_{Adj})</i>	.453		.281		.304	

p* < .10; *p* < .05; ****p* < .01

¹ The dependent variable reflects the difference between choice of online channel (7-point scale) and choice of offline channel (7-point scale).

stages, this stage witnesses the minimum impact from the Internet experience variable.

In the *post-purchase stage*, similar to the pre-purchase stage, we find that Internet experience and the ability of the offline channel to arouse positive psychosocial feelings are the main drivers of channel usage intention. Unlike in the pre-purchase stage, we find no significant effect of accessibility, usefulness, and social presence, which makes sense because these variables are no longer important for the consumers.

Discussion

As potential losses may be more evident in case of purchasing a complex service, consumers may prefer the consulting role of the offline channel (that is, a personal advisor) rather than making the purchase decision themselves online. In this respect, we found the perceived ease of use of a personal advisor to be the major driver of channel choice in this decision

stage. A possible explanation for this finding is that for complex services, the security issues related to the use of the online channel (Korgaonkar & Wolin, 1999; Bhatnagar & Ghose, 2004; & Devaraj, Fan, & Kohli, 2006) make even the consumers with Internet experience reluctant toward making an online purchase.

The finding that *accessibility* of both the online and offline channels is a driver of channel usage intention only in the pre-purchase stage implies that accessibility mainly reflects the consumers' need to reduce information search (Verhoef et al., 2005). The observation that a channel's *ease of use* has no effect in the pre-purchase stage, but dominates channel choice in the purchase stage is in line with the previous result that convenience is an important benefit for consumers deciding on a purchase (Thomas, 2002). Our finding that *social presence* of a marketing channel only seems to affect its intentional use in the pre-purchase stage reinforces the conclusions of Mittal

et al. (1999) that trust and confidence are especially important in the early stages of the buying process, whereas at later stages of the relationship, efficiency is a key driver.

CONCLUSION AND MANAGERIAL IMPLICATIONS

The main purpose of this study is to shed light on how a consumer's usage intention and preference for online over offline channel change as he/she goes through the various stages in the buying process of a complex service, and on how this change is moderated by his/her experience with the Internet. We conducted a detailed study involving consumers in various stages of the purchase of a home mortgage, a complex service. Our main conclusions are:

1. There is a strong preference for the offline channel in all the three stages of the buying process for mortgage, even among those consumers who had good experience with the Internet. This has a strong managerial implication in that banks cannot yet afford to get rid of their physical branch offices and expect their websites to fill that channel gap fully! Having both offline and online channels could be driving up the overall cost of operations, but there are certain advantages too, as our other findings show.

2. A good experience with the Internet substantially drives the online channel usage intentions in both the pre- and post-purchase stages, but much less so in the purchase stage. From a managerial perspective, this finding suggests that banks should use the online and offline channels in a complementary way. They in fact should segment the market based on a consumer's level of experience with the Internet, fine-tune their marketing mix, and further train their financial advisers to make use of the online channel effectively in guiding their customers through the various stages of the buying process.

3. The motivations for using a particular channel are found to differ in important ways across the stages of the purchase process. Managers can use our results to explore different ways of improving the effectiveness of the online channel. For example, our finding on the consumers' need for social presence and positive psychosocial benefits that are perceived to be offered by

the offline channel, but not by the online channel, could be used to set up a system that integrates a personalized service within the electronic channel (that is, offering the possibility to talk to a personal advisor over phone or webcam at the instant when the customer is going through the online site). Evoking positive psychosocial benefits, which are important drivers of channel choice in both the pre- and post-purchase stages, the service provider should try to enhance feelings of confidence, excitement, happiness, and self-assurance.

In conclusion, managers need to better understand the role each marketing channel plays uniquely and inter-dependently with the other channels. They should recognize not only the drivers but also the *dynamics* behind these perceived roles to be able to design an appropriate multichannel marketing system.

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APPENDIX

MEASUREMENT ITEMS

Functional benefit importance

Please indicate to what extent you find the following characteristics of [the online channel/personal advisor (that is, offline)]¹ important for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹ (1 = not at all important; 7 = highly important)

Always available; everywhere available; accessible; uncomplicated; user-friendly; easy; effective; reliable; practical; efficient; interactive; intimate; social.

Functional benefit performance

To what extent do you find that the [online/personal advisor (that is, offline)]¹ is characterized by the following properties for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹? (1 = very poorly; 4 = neither poorly nor strongly; 7 = very strongly)

Accessibility (alpha = .74):

The [online/personal advisor (that is, offline)]¹ is always available for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹;

The [online/personal advisor (that is, offline)]¹ is everywhere available for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹;

The [online/personal advisor (that is, offline)]¹ is accessible for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹;

Similar statements were used for the other measures, which included the following:

Ease of use (alpha = .72): [an] uncomplicated [channel]², user-friendly, easy

Usefulness (alpha = .61): effective, reliable, practical, efficient, interactive

Social presence (alpha = .73): intimate, social

Psychosocial benefit importance

Please indicate to what extent it is important to you that the following feelings are [stimulated/reduced]³ when [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹ by means of the [online/personal advisor (i.e., offline)]¹ (1 = not at all important; 7 = highly important)

Confidence; hope; eagerness; excitement; enthusiasm; exhilaration; happiness; relief; self-assurance; worries; fear; tension; uncomfortable; uneasiness; anger; sadness; disappointment; regret; frustration.

Psychosocial benefit performance

To what extent do you feel that the use of the [online/personal advisor (that is, offline)]¹ for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹ will evoke (either enhance or reduce) the following emotions?

Positive psychosocial benefits (anticipated) (alpha = .77)

Using the [online/personal advisor (that is, offline)]¹ for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹ will make me feel confident (1 = strongly disagree; 7 = strongly agree)

Using the [online/personal advisor (that is, offline)]¹ for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹ will make me feel hopeful (1 = strongly disagree; 7 = strongly agree)

Using the [online/personal advisor (that is, offline)]¹ for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹ will make me feel eager (1 = strongly disagree; 7 = strongly agree)

Using the [online/personal advisor (that is, offline)]¹ for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹ will make me feel excited (1 = strongly disagree; 7 = strongly agree)

Using the [online/personal advisor (that is, offline)]¹ for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹ will make me feel enthusiastic (1 = strongly disagree; 7 = strongly agree)

Similar statements were used for the other measures, which included the following:

Positive psychosocial benefits states (alpha = .70): exhilarated, happy, relieved, self-assured

Negative psychosocial benefits (anticipated) (alpha = .86): worried, fearful, tense, uncomfortable, uneasy

Negative psychosocial benefits states (alpha = .84): angry, sad, disappointed, regret, frustrated

Channel experience (Murray and Schlacter 1990)

I have a great deal of experience with [the online/personal advisor (that is, offline)]¹

I have used or been exposed to [the online/personal advisor (that is, offline)]¹ in the past

I am familiar with the different possibilities to use [the online/personal advisor (that is, offline)]¹

I frequently inform myself on the possibilities of [the online/personal advisor (that is, offline)]¹

I am very confident in using [the online/personal advisor (that is, offline)]¹

Channel usage intention

To what extent do you intend to use the [online/personal advisor (that is, offline)]¹ for the purpose of [gathering information on mortgages/purchasing a mortgage/using or re-purchasing a mortgage]¹? (1 = definitely will not; 7 = definitely will)

.....

¹ Different versions of the questionnaire were administered in order to reflect questions on alternative channels and decisional stages.

² For some statements, the phrasing between parentheses was added for clarity purposes.

³ “Stimulated” was asked in the case of positive affect and “reduced” was asked in the case of negative affect.