Chapter 13
Online-Oriented Service Quality: An Aspect of Multichannel Retailing

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ABSTRACT

Equipped with advancements in technology, multichannel retailers design multichannel servicing systems to meet their customers’ needs. A notable practice by multichannel shoppers is the online-oriented shopping, where shoppers search, purchase and pay online, while they go offline for products pickup/returns. Once multichannel retailers understand how shoppers evaluate service quality in the setting of online-oriented shopping, better servicing systems can be designed. This chapter is dedicated to understand how service quality is evaluated in online-oriented shopping. Because customer satisfaction is paramount, a service quality model incorporates customer satisfaction as an outcome. As this study is the first of its types focusing on service quality in the setting of “buy online, pickup in-store”, traditional retailers can consider our findings as guidelines of advancing into the online world. As such, pure online retailers can benefit from our findings in understanding the impact of establishing a physical presence on service quality models and customer satisfaction.

INTRODUCTION

Services sector is one of the main sectors of industrialized nations’ economy. According to the US National Academy of Engineering (as cited in Spohrer et al., 2007), the service sector accounts for more than 80% of the US gross domestic product and is projected to account for most of the US job growth (Hefley, 2008). The growth of service sectors benefitted from a large workforce number comprised of workers from the disciplines of science, engineering and management (Spohrer et al., 2007), while applying the information technology as its main infrastructure (Hefley, 2008) and businesses processes as its vehicle creating servicing systems. Unlike manufacturing depending completely on the manufacturer, servicing systems need both the collaboration of the service
provider and service client in creating value (Tieng and Berg as cited in Spohrere et al., 2007).

One type of servicing systems that evolved and become innovative is the Multichannel Retailing Servicing Systems (MRSS). Multichannel retailing servicing systems (MRSS) refer to servicing systems that enable searching, purchasing and delivery of products and services via alternative channels. As the behavior of online shoppers’ is transforming from a uni-channel shopper to multi-channel shopper (Lennstrand et al., 2002; Forrester 2007), retailers who developed MRSS enabling smooth shopping experiences across channels are the real winners. In this chapter, we focus on multichannel retailing\(^1\), through which single retailers adopt coordination strategies between web (online) channel and store (offline) channel. In this sense, multichannel retailers integrate both channels onto unified customer-centric servicing systems allowing shoppers to move in both directions. However, based on attributes of market structure, infrastructure capabilities and customer segments (Müller-Lankenau et al., 2004; Prasarnphanich and Gillenson, 2003; Saeed et al., 2003) MRSS differ. Some retailers chose to split their web business from the rest of their operations and operate each as a separate entity. The splitting-channel strategy (Müller-Lankenau et al., 2004) has been witnessed by the U.S. book retailer Barnes & Nobles at the early stages of the Internet era. On the other hand, other multichannel retailers opted to integrate their channels. According to Steinfield et al. (2005), multichannel integration can be classified into either information integration or logistical integration. Information integration allows customers to locate the nearest store, check inventory, order and make payments, and manage online accounts. Logistical integration refers to providing a single front that enables customers to pick up their order and make product returns through channels of their choice. Regardless of the opted for strategy of channel integration, retailers need to develop MRSS that enable their shoppers to shop smoothly. According to industry reports and academic research, the most common and adopted practice of multichannel strategies is the logistical integration (Forrester, 2007, 2009; Goersch 2002; Lee and Whang, 2001; Saeed et al., 2003; Steinfield et al., 2005). Increasingly, online shoppers are witnessed to practice purchasing online and utilizing a physical store/touch-point for the purchase collection and purchase returns. Such shoppers take the advantage of the availability of alternative channels for purchase collections and returns to decrease monetary and non-monetary costs of their transaction (e.g., time, effort and psychological cost) (Hoffman and Novak, 1996).

In this setting of online-oriented shopping – buying online and going offline for purchase collection and returns-- take the advantages of the interactive format of the web, the information intense and the personalized recommendations provided online, while acquiring an immediate access for their purchases. On the retailers’ side, offering added-value services of purchase pickup and returns brings a number of advantages such as cross-selling, service innovations, flexibility and cost efficiencies (Bitner et al., 2000; Steinfield et al., 2005). For customers, offering “buy online, pickup/return in-store” resulted in enhanced perceived value, increased perceived control, reduced perceived risk and improved trust (Prasarnphanich and Gillenson, 2003; Steinfield et al., 2005; Goersch, 2002). Pioneer multichannel retailers such as Sears, JCPenney, Target, Wal-Mart, Staples, Best Buy, Barnes & Nobles, Grainger, Old Navy, Gap, Nordstrom, Tiffany’s, Home Depot, ACE Hardware, Lowes, and O’Reilly Auto Parts adopt such practices to improve their businesses (James, 2008; Prasarnphanich and Gillenson, 2003; RetailerNetGroup, 2009; Reuters, 2009).

Although an extensive review of scholarly work and industry reports focused on multichannel strategies (Adelaar et al., 2001; Muller-Lankenau et al., 2004; Forrester, 2006b; 2007; Prasarnphanich and Gillenson, 2003; Jupiter 2007), multichannel integration advantageous (Lee and Whang, 2001; Goersch, 2002; Steinfield et al.,