Study of the Types and Characteristics of Channel Shift of Omni Channel Service

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Abstract

Currently, we are living in an age in which the development of IT technology creates value by utilizing Internet and mobile platform. In the past, the consumers had an one-way consumption pattern which purchases after acquiring information via advertisement. And then, as the Internet improves, they have shown the aspect of consuming more actively, by searching and applying a variety of information acquired from Internet. While until then, online and offline belonged to the different area which delivers each different value, however presently, with vitalizing ICT and mobile environment, the boundary has begun to blurred. Accordingly, and a form of Omni Channel service where the physical place and Internet, mobile, the respective platform organically assimilate with each other has been established. Therefore, currently a number of distribution enterprises are providing various mobile-based O2O(Online to Offline) service as one strategy in order to support Omni Channel. In this case, currently a lot of enterprises have faced a problem of how to plan and design channels that support the users in each stage of decision making process for purchase and provide potential consumers with a consistent brand experience. Thus, the study would examine Omni Channel, which is a novel consuming trend, prior to solving the problem, and aims to draw the decision making process for purchase in Omni Channel service environment. On top of that, it would formalize Channel shift types of consumers and figure out their characteristics through customer journey map. Based on them, it aims to examine the characteristics of Omni Channel service by analyzing the cases of Omni Channel service in general. The study is meaningful as a preceding research in that it draws the Omni Channel service design strategy to maximize mobile users' experience in the future.

Keywords: Omni Channel, O2O(Online to Offline), Customer Journey Map

1 Theoretical study of consumers' decision making process for purchase

Recently, consumers' purchasing behavior is quite different with that of consumers in the past. Thus, there has been a variety of theories regarding consumers' purchasing behavior from past to present in the fields of consumer behavior. This helps establish a lot more effective marketing strategy by comprehending how and where to purchase and how people recognize the necessity of service or products and how and with whom to exchange information in the course of purchasing. Therefore, prior to identifying today's consuming environment which has changed into diverse aspects, it would examine the decision making process for purchase that has changed in line with the circumstance of that time period.

(1) Consumers' decision making process for purchase

Purchasing behavior can be considered as one type of information processing behavior that performs to solve the problem of consumers. In general, it is conducted through 5 Stage decision-making process. Roland Hall, American economist in 1920s proposed AIDMA model, which analyzed a psychological stage of consumers that responds to the Advertisement. It consists of 5 stages which are Attention-Interest-Desire-Memory-Action.
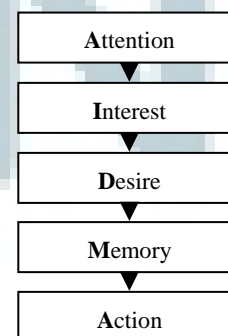

Figure 1 AIDMA Model (1920)

Business administration, study concerning it has proceeded for a long time, and in the fields of consumer behavior pattern, EKB model is proposed as the most fundamental one, in general. EKB model also subdivides into 5 stages which are as follows; problem recognition-information search-alternative assessment-purchasing behavior-assessment after purchasing.

(2) E-commerce consumers' decision making process for purchase

In line with the time period, industry and the form of consumption has changed, and thus electronic commerce which uses Internet has been vitalized. Thus, starting from 1995 in which e-commerce begun, a new decision-making process model comes out, which added important factors of e-commerce. Selzetal(1998) explained the decision-making circumstance, which appears in each stage by dividing e-commerce into 4 stages.
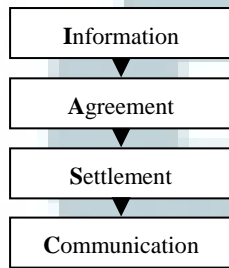
Information

Agreement

Settlement

Communication

Figure 2 Selzetal Model (1998)

Information phase is a stage of aggregating information about potentially acknowledged products and services, and agreement phase is a stage of agreement of contract or payments, and delivery. Settlement phase is considered as a stage of delivery which is a behavior after selling products. Finally, there is a communication phase to explain consumers' decision making process for purchase by adding a communication phase between consumers and enterprisers to the previous traditional concepts.

With the development of Internet, consumers search products more actively and share their opinions, and the first model that reflects this phenomenon is AISAS(2004).
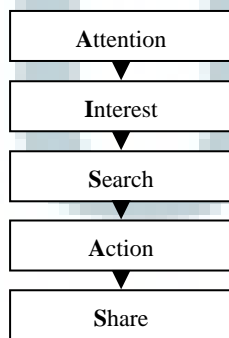
Attention

Interest

Search

Action

Share

Figure 3 AISAS Model (2004)

AISAS is a developed version by adding the parts of communication between online consumers. Through Search stage, it reflected an active searching via Internet, and it also considered sharing opinions of consumers on the Internet by adding Share. In 2005, in AISAS, at the stage of Search and Action, AISCEAS(2005) has appeared which is the combined form of Comparison and Examination. At the stage of comparison, consumers compare the strengths, function, price, and assessment of similar products.
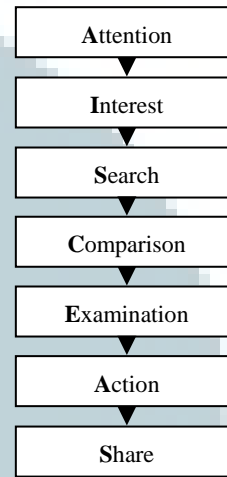
Attention

Interest

Search

Comparison

Examination

Action

Share

Figure 4 AISCEAS Model (2005)

And then, at examination stage, they finally reviews what products to buy, via what channel, based on the information they had already compared in the prior stage. In this stage, consumers examine samples or visit the offline store to test them in person. Besides, they also use the price comparing site such has 'Naver knowledge Shopping', 'Danawa', and 'Coo cha' etc. It is a model which reflects the aspects of today's consumers, who decide to purchase after analyzing information actively when deciding products and purchasing.

2 Theoretical consideration of Omni Channel

(1) The concept of Omni Channel and its background development

The origin of Omni Channel is the combined word of 'Omni' which is a prefix meaning 'everything, everyway' and 'Channel' meaning distribution channel. It refers to the purchasing environment which enables consumers to search products. Omni Channel has developed starting from Single Channel, Multi Channel and to Cross Channel. Single Channel operates just one channel between offline and online channel, and the whole process from product search to purchase is done in one single channel. With the advent of consumers who are familiar with electronic commerce, distribution enterprises began to operate multiple channels, and it is called Multi Channel. While, Multi Channel is in competition within a separated online and offline, Cross Channel is a form of achieved collaboration among channels, and can be seen as an

origin of Omni Channel.

There has appeared a variety of purchasing types, with online and offline channel distribution vitalizing, and time and space constraints disappearing due to the advent of mobile shopping. Typically, there has come Showrooming, meaning examining products in offline store, and purchasing them online and Reverse Showrooming, meaning directly purchasing in the store after searching products online. However, with the advent of Showrooming and Reverse Showrooming, conflict between each channel also occurred, and as an alternative to the problem, Omni Channel came on. (Kim Nando etc, 2014)

While Single Channel, Multi Channel and Cross Channel were seller-oriented, however Omni Channel is a consumer-oriented strategy. Therefore, most previous research mainly reflected the stance of distributors. Consumers do not use just a single channel when choosing the channel. Consumers use various channels simultaneously according to the circumstance and needs, or sometimes change the channels. Thus, it is necessary to identify the factors of consumers' frequent channel change and to design a lot more sophisticated channel to prevent their escape.

(2) Choosing online and offline channel

Unlike in the past, in which people used a Single Channel, recently, a new form of consuming, with crossing over two channels, utilizing the strengths of online which allows to conveniently purchase and those of offline which enables to examine the products in person. In the environment of complex consuming activity to decide purchase and search information crossing over diverse channels, Channel is not only the place of a single transaction, but it has become a critical tool which creates a shared value. Two channels affect the stage of final purchase during the consumers' decision making process for purchase as well as product information search process considerably.

During this process, they communicate with many people and in the moment, the consumption behavior is not only purchasing necessary products, but also can be regarded as an enjoyable and meaningful activity where people can enjoy comparing and reviewing the products itself.

3 Analysis of Omni Channel consumer channel movement type

(1) Omni channel consumer decision making process for purchase

As it was examined above, Omni channel refers to the today's novel consuming behavior which freely uses traditional channel and online channel, like mobile. Therefore, the study examined decision making process for purchase for traditional and online consumers, and aimed to draw consumer decision making process for purchase in an Omni channel environment by using theoretical consideration of Omni channel.

Based on the online decision making process for purchase, which was developed from traditional decision making process for purchase, consistently conducted in the fields of Business Administration for a

long time, the study searched consumption pattern using Omni channel these days, and comprised Omni channel's decision making process for purchase by adding product/service 'receiving' stage which occurs prominently after the purchasing stage.

The characteristic of Omni channel is that it not only changes its receiving method according to the consumers' choice, but also it is possible that the consumers directly receive by visiting offline store, instead of using delivery, even though they purchased online. Thus, it formed as an additional type of receiving stage to the previous online consumers' decision making process for purchase in order to explain newly arising receiving method.
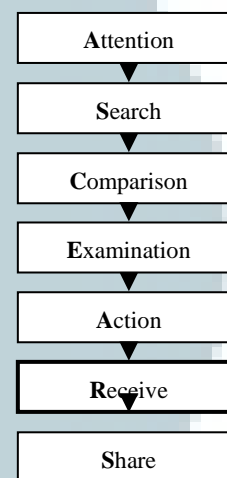

Figure 5 Omni Channel Consumer's
Decision Making Process for Purchase

(2) Analysis of consumers itinerary map according to Omni channel consumers channel movement type

This chapter classified Omni channel consumers' movement type, considering consumers channel movement alternatives. And then, based on it, it completed a customer journey map to identify its each characteristic. Customer journey map is one of the process of service design methodology and it is a way to visualize consumers' possible experience in order, when they use a service. This is helpful in that it allows to recognize the characteristic of service from the consumers' perspective. Therefore, in order to identify experience and characteristics from consumers' perspective, it completed a customer journey map based on 4 channel movement type of Omni service. The horizontal axis of a customer journey map aims to examine channel movement form based on the theory and time current of purchasing products and service according to Omni Channel decision making process for purchase. Moreover, the vertical axis divided into online(virtual), and offline(physical) channel based on the place where consumption occurs.

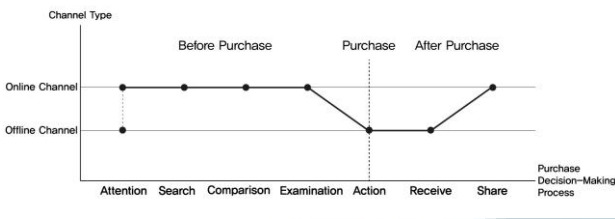① Pure online information search － Offline purchase
(Reverse Showrooming)

Figure 6 Pure online information search － Offline purchase (Reverse Showrooming) Type

It is a type in which people search product or service through online channel, and buy through offline channel. With customized information offered by online channels, they thoroughly examine diverse opinions, and rationally purchase by taking advantage of offline channels. This type of consumers are those who are sensitive to the risk of purchasing online market or this would frequently occur within products that are difficult to deicide to buy, depending merely with online information search.

Since the service which supports reverse showrooming has to attract consumers offline, it is offered as an information curation form, which arranges the compiled information regarding products and service providing discount benefits and coupons online. 'Showdoc' is a service which offers information consumers want, and it shows the customized product after entering brief information. Through this, consumers can purchase after conveniently receiving information they need.

Moreover, 'sherbet' offered by Shinsegae department store, draws consumers to purchase products, visiting the store directly, after searching products via mobile app. It raises the sense of presence by locating the department store intactly, and notify product's real-time inventory. Furthermore, it carries out a practical strategy to attract customers to offline by offering a function of communication between shop manger and consumers.

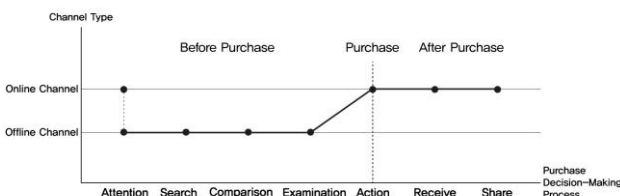② Pure offline information search － Online purchase
(Showrooming)

Figure 7 Pure offline information search － Online purchase (Showrooming) Type

This type refers to those who search products or service through offline channel, and purchase products through online channel. They examine the real product while Searching information, taking the advantage of being Able to identify the real product, which is offered by offline channel and purchase it through online channel, which is relatively cheap. This type of consumer are quite sensitive to the price, and spend a long time searching offline information.

The representative cases supporting showrooming are 'immediate delivery service' of 'Kyobo bookstore', and 'book self 3.0 service' of 'Bandi and Lunis'.

Consumers examine the books they like in the bookstore, and they can purchase it immediately through online. This is a case, where the advantage of offline which can immediately provide the product without having to wait, and the advantage of online, which enables price comparison, cheaper price, and convenient delivery combined. This form can be seen that both consumers and enterprises are benefitted. Firstly, for the enterprises, they can ultimately promote the consumption via online utilizing offline via O2O service. On top of that, they can achieve a secondary purpose, which enables to compile information of consumers' preferred fields and apply to differential marketing and promotion strategy, which are data based again (Kim hyungmo, 2016)

③ Online/Offline information search – Online purchase, Online/Offline information search – Offline purchase (Crossover)
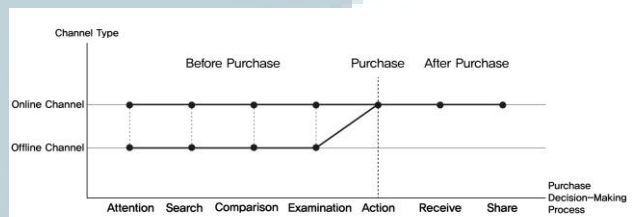

Figure 8 Online/Offline information search – Online purchase (Crossover) Type
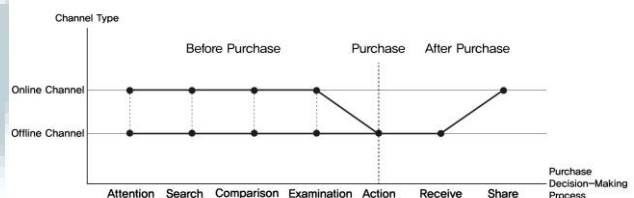

Figure 9 Online/Offline information search – Offline purchase (Crossover) Type

The most remarkable characteristic is that it uses a number of channels at the same time by locating consumers in a physical place, and thus it shows the most flexible aspect among consumer types, which are called as a Crossover. According to the characteristic of

searched information, it acquires information by crossing over a variety of channels, and it appears most prominently in the type, for active consumers or those who are good at online mobile using in order to increase the quantity of information and its credibility.

Since crossover type assumes that consumers are located in the physical place, it can be considered as the most appropriate form for Searching support service and location-based shopping using GPS. As a representative case, there are 'Yap' and 'Syrup', these two services support consuming activity, mainly with the consumers' location based on Beacon and location- based service. Centering on the place where the consumer is located at the moment, it offers a variety of discount benefit and discount coupon information. With these services, consumer can purchase products online or offline.

'Lotte mart', allows customers to gain various shopping information such as the store's event information, discount coupon by automatically offering a variety of customized discount coupon in line with the shopping movement line, when 'Lotte Mart mall' app is activated.

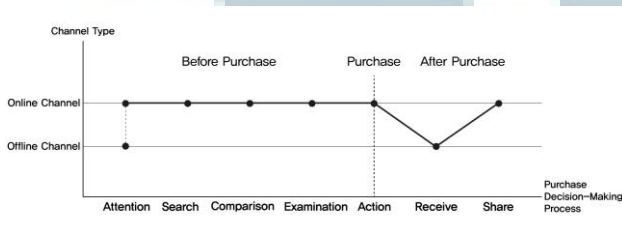④ Online information search – Online purchase – Offline transfer

Figure 10 Online information search – Online purchase – Offline transfer Type

It is a typical online type of consumers who have a strong inclination to purse convenience of consumption via online and accept the advantage of information search and purchase offered by online channel. The remarkable point is that it does not use delivery service, when receiving products or service, but consumers directly receive them via offline channel, and it is the most newly appeared version among Omni Channel types. Since this type complements the product delivery time which is regarded as the weakness of online purchase, thus it is preferred type of distribution enterprises which sell a set of very fresh products like groceries or consumers who are sensitive toward time. Recently, this kind of service which supports offline delivery is increasing.

It is the case of searching and purchasing through online channels, which means both searching and purchasing occurs in a single channel.

'Siren order' of Starbucks is a service that enables consumers to directly receive by visiting offline store after ordering the drinks they usually buy through mobile. Even though they ordered outside, application informs that the ordered item is ready. With this service, consumers do not have to wait a long line, when purchasing, and it also provides them with a convenient and rational experience in that it allows them to order through online in advance. Furthermore, Lotte group operates '24H Locker' service that connects online and offline shopping mall. It is a service that enables consumers to visit and find the product directly, by transforming the method of receiving and connecting 'Lotte department store', 'Lotte supermarket' and 'Seven Eleven' etc. It has received a positive response in that it can minimize consumers' boredom and anxiety while waiting and also allows them to directly identify the product by themselves.

4 Conclusion

Previously, the study classified the Omni Channel users' channel movement types, after defining Omni Channel consumers' decision making process for purchase, and based on it, further looked into the consumers itinerary map and its cases. As a result, it could recognize how online and offline channels are used on each stage of consumers' decision making process for purchase. Basically, during the information searching process before purchase, online channels were primarily used. The rate of using online and offline at the same time or, searching information through offline channels after searching it online were remarkably shown.

At the stage of purchase, it was classified into two cases which are directly purchasing offline after basic searching process about products, and purchasing it online right away. While in the case of immediately purchasing online, general decision making process occurs simply, however in the case of purchasing offline, it showed a quite complicated process. In this case, they searched information about the product online in advance, and then the 2nd information search occurred to identify the product in a real world once again.

The most typical type in the purchasing behavior was crossover shopping behavior which uses online and offline channel simultaneously. When consumers are located in a present physical place, they freely come and go through online and offline channel at the same time, and end up purchasing in a quite complicated way, this channel movement behavior is called a crossover type. It was seen that this occurred actively, mainly within a young generation who are familiar with using individual device such as mobile.

After the stage of purchasing, it was largely divided into two behaviors, which were receiving and sharing opinions. The unique point is the way of receiving. Even though people purchase online, the form of receiving, by directly visiting offline channel was shown. At the stage of receiving after the purchase, since the fact that enterprise can induce consumers to come to the store can act as an opportunity in a variety of aspects, it was shown that these kinds of service begin to arise recently.

Consumers proceed consuming behavior in a rather more three-dimensional like aspect, ever since they were able to freely utilize offline, online and mobile channels which were previously exist, according to their personal situation and needs. Furthermore, each channel is used in a variety of ways, when it comes to create, share information after purchasing. Thus, it is necessary to strategically offer online and offline link service, which is appropriate for the consumers channel movement type. The study is meaningful as a fundamental research, which provides a possible strategy based on the consumer type and decision making process for purchase, at the service concept development stage to maximize mobile channel users experience supporting Omni channel.

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