Determinants of customer experiences in O2O commerce

Examining the Determinants of Valuable Customer Experiences in O2O Commerce Contexts
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Abstract

Nowadays, O2O commerce has gradually become an important commerce type of electronic commerce. O2O commerce environments can be considered a service system that customers can perceive unique experiences from enterprises. Delivering appropriate customer experiences should be an important topic. However, it is different from traditional businesses and online stores. It will be difficult for enterprises to design and offer satisfactory customer experiences to their customers since there are lots of concerns and factors needed to take into account carefully. This study is to build a theoretical model by analyzing and recognizing the critical factors in order to ensure customers to have high quality O2O customer experiences. A total of 182 questionnaires were collected, 117 of which were valid questionnaires. The results show that all hypotheses were significantly supported. Consequently, this study found that service interaction, service convenience and technological innovation have a significantly and positively impact on customer experience in O2O commerce contexts.

Keywords
Customer experience, online to offline, commerce.

Introduction

In the era of experience economy, the roles of services and customer experiences are the key to influence the development of industries (Pine and Gilmore, 1999). Most enterprises pay attention to provide customers with high quality customer experiences by recognizing customers’ requirements and the patterns of customer behaviors. High customer satisfaction with satisfactory experiences can directly lead to positive reputation and customer retention (Dong and Siu, 2013). That is, enterprises need to maintain the long term relationships with their customers by designing and offering unique and memorable customer experiences. According to the service-dominant logic (Vargo and Lusch, 2008), customers are also needed to involved in the service delivery process to co-create outstanding experiences with service providers in order for valuable merits. Hence, customers and service providers would acquire the values and benefits through customer experiences. However, customer experiences are regarded as a complicated process that includes a series of services and activities. Service providers have to take many critical concerns (e.g., service operations, frontline employees, customer personality, customer needs and etc.) into account to create high quality customer experiences. Therefore, how to design appropriate customer experiences has been important issue for service providers to increase their competitiveness in the market.

Furthermore, with the development and spread of information technology and Internet, electronic commerce has become gradually a mature shopping platform which consumers can directly interact with businesses nowadays. Consumers can use apps (i.e., applications) of electronic commerce via mobiles to handily search, filter and purchase their target goods. That is so called Mobile Commerce which is one
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Enterprises no doubt need to take into account how to accurately design and deliver satisfactory customer experiences to their customers. Nowadays, O2O commerce has gradually become an important commerce type of electronic commerce (Zhong and Nieminen, 2015). O2O commerce environments can be considered a service system that customers can perceive unique experiences from enterprises. Delivering appropriate customer experiences should be an important topic. However, it is different from traditional businesses (with physical evidences) and online stores (on Internet). Enterprises need to design proper services in online and offline environments respectively (Chi et al., 2016). Besides, enterprises also have to design a complete process of customer experiences by combing online and offline environments. It will be difficult for enterprises to design and offer satisfactory customer experiences to their customers since there are lots of concerns and factors needed to take into account carefully.

Consequently, according to above the research background and the research motivation, this study tries to explore the following research questions: What are the critical factors that enterprises have to take into account in order to design satisfactory customer experiences by considering online and offline service contexts? In order to deal with the proposed research questions, this study aims to propose the following research purposes. This study is to build a theoretical model by analyzing and recognizing the critical factors in order to ensure customers to have high quality O2O customer experiences.

Literature Review

Customer Experience

In service-dominant logic, enterprises aim to provide high quality experiences with their customers in order to increase customer satisfaction and loyalty. When customers perceive memorable experiences, they tend to result in positive emotions (e.g., happy or pleasure) and behaviors (e.g., word-of-mouth or repeated purchasing). Customer experience is composed of a series of services that serves customers to have intimate feelings and memorable service journey. Previous important studies proposed definitely definition. Customer experience can be defined as “the customer’s subjective response to the holistic direct and indirect encounter with the firm” which includes the communication encounter, the service encounter and the consumption encounter (Lemke et al., 2011). Verhoef et al. (2009) mentioned that customer experience should be the important purpose to enterprises in order to create their competitive advantages and improve the quality of services.

Meanwhile, although the research field of customer experience is not an emerging topic, there have been lots of studies focusing on the applications of different industries and the research directions of diverse issues. Kim and Choi (2016) examine how the interactions directly and indirectly to influence customer experiences from the retailer stores and movie theaters. Chen and Lin (2015) note that high quality customer experiences lead to generate customer values and enable customers to have positive social relationships. Yang et al. (2015) attempts to examine the influence of customer experience on customer-based brand equity for tourism destinations. Besides, Söderlund and Sagassens (2017) describe that a supplier effort-consumer effort gap can contribute positively to customer satisfaction. Jaakkola et al. (2015) conceptualizes service experience co-creation and examines its implications for research and practice. Albrecht et al. (2015) investigate how triggers in the environment of a customer-employee interaction affect customer behavioral response to employees’ negative and positive affect.

Flow Theory

Enterprises offer activities and interactions with their customers in O2O commerce contexts that can be considered as a service system. Hence, customers can directly perceive services and experiences in both online and offline stores. Providing valuable customer experiences has been an important issue for enterprises to attract customers and increase the profitability. How to design high quality customer experiences is a key to achieve customer retention and sustainable operations. Csikszentmihalyi (1975, 1997) proposed flow theory to describe the mental status of customers who concentrate their attention on perceiving services, buying goods or playing games. The flow experience can be regarded as a positive, highly pleasurable state of consciousness that occurs when people perceived skills match their perceived
challenges. Accordingly, flow experience can be considered as a short-term and personal experience that people are highly willing to keep taking part in the service interactions and events.

Flow theory includes immediate feedback, personal kills well suited to given challenges, merger of action and awareness, concentration on the task at hand, a sense of potential control, a loss of self-consciousness, an altered sense of time, and experience which becomes autotelic (Csikszentmihalyi, 1975; Csikszentmihalyi, 1997). The proposed nine factors are commonly used to evaluate if enterprises can provide high quality customer experiences. In conclusion, this study aims to use flow theory to delineate major influences of customer experiences in O2O commerce. In order for flow experience in O2O commerce, this study adopts the concepts and important factors to build a theoretical model. That is, flow theory can be regarded as a fundamental grounding that can explain why enterprises have to carefully and meticulously explore the critical considerations to build flow customer experiences.

Research Model

O2O commerce is an emerging electronic commerce type including the online (i.e., virtual) stores and the offline (i.e., physical) shops. Not only customers but also enterprises need to adjust their traditional behaviors and mindsets so that a satisfactory O2O experiences for customers has been more and more important. Consequently, this study carefully collects and reviews lots of key literature and also tries to build a theoretical model by adopting flow experience theory in order to analyze the key factors to influence customers who can perceive high quality customer experiences (as shown in Figure 1). Hence, this study assumed that customers could acquire high customer values while they encounter in high quality service environments of O2O commerce with flow experiences. Customer values, which can be provided and co-created with enterprises through flow experiences, include positive emotions, unique experiences, pleasure feelings, assured services and so on. Customers can have high intention to continue to participant in activities of O2O commerce when they achieve high customer values.

Table 1. Reliability Analysis

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
<th>Cronbach’s Alpha</th>
<th>Communality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service interaction</td>
<td>0.880349</td>
<td>0.841324</td>
<td>0.515745</td>
</tr>
<tr>
<td>Service convenience</td>
<td>0.808287</td>
<td>0.645397</td>
<td>0.584954</td>
</tr>
<tr>
<td>Technological innovation</td>
<td>0.907242</td>
<td>0.877646</td>
<td>0.620238</td>
</tr>
<tr>
<td>O2O flow experience</td>
<td>0.934582</td>
<td>0.918592</td>
<td>0.671442</td>
</tr>
<tr>
<td>Customer value</td>
<td>0.930719</td>
<td>0.912888</td>
<td>0.657998</td>
</tr>
</tbody>
</table>

On the other hand, in order to deliver flow experiences for customers, enterprises have to endeavor to take essential factors into account. This study considers that service interaction, service convenience and technological innovation are the important factors to build flow experiences in O2O commerce. When enterprises provide their customers with interactive activities (e.g., tagging your name in social network sites or inviting your friends to buy goods for a low price), customers are inclined to engage in the marketing events that easily enable them to have flow experiences. Meanwhile, if enterprises can offer convenient services (e.g., searching target goods intelligently, paying easily and distributing quickly) during the transaction process in O2O commerce, customers also are facilely satisfied with services and experiences. The other critical factor is technological innovation which aims to build a unique and surprised service context. Customers can acquire memorable experiences via using advanced technology and innovative services. The main hypotheses of the research model are proposed as follows.

- H1. Service interaction has a positive impact on O2O flow experience.
- H2. Service convenience has a positive impact on O2O flow experience.
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- H3. Technological innovation has a positive impact on O2O flow experience.
- H4. O2O flow experience has a positive impact on customer value.

Data Analysis

This study conducted a questionnaire survey to collect samples. The measurement items were designed according to the previous research, research purposes and operational definitions. The questionnaire survey period was from February 23, 2018 to February 28, 2018. A total of 182 questionnaires were collected, 117 of which were valid questionnaires. Of the respondents, 40.3% were men and 59.5% were women; 48.9% were between the ages of 18 and 24, and 32.9% were between the ages of 25 and 30. A partial least squares (PLS) research model was employed to examine the model stability and hypotheses testing.

Table 2. Validity Analysis

<table>
<thead>
<tr>
<th></th>
<th>Service interaction</th>
<th>Service convenience</th>
<th>Technological innovation</th>
<th>O2O flow experience</th>
<th>Customer value</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service interaction</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.515745</td>
</tr>
<tr>
<td>Service convenience</td>
<td></td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>0.584954</td>
</tr>
<tr>
<td>Technological innovation</td>
<td>0.577307</td>
<td>0.622035</td>
<td>1</td>
<td></td>
<td></td>
<td>0.620238</td>
</tr>
<tr>
<td>O2O flow experience</td>
<td>0.606034</td>
<td>0.571027</td>
<td>0.623634</td>
<td>1</td>
<td></td>
<td>0.671442</td>
</tr>
<tr>
<td>Customer value</td>
<td>0.581825</td>
<td>0.578841</td>
<td>0.69595</td>
<td>0.799121</td>
<td>1</td>
<td>0.657998</td>
</tr>
</tbody>
</table>

Table 1 shows that the values of the Cronbach’s α and composite reliability were larger than 0.7 respectively. Each construct was highly reliable. Table 2 shows that the values of the average variance extracted and the discriminant validity were also larger than 0.5 respectively. According to Table 3 and Figure 2, our hypotheses were significantly supported. Consequently, this study found that service interaction, service convenience and technological innovation have a significantly and positively impact on customer experience in O2O commerce contexts. Meanwhile, customers’ O2O flow experience also positively and significantly influence customer value. Enterprises have to take these determinants into account when they are going to the market of O2O commerce.

Table 3. Summary of Hypothesis Testing Results.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Standardized Path coefficient</th>
<th>t-value</th>
<th>Supported</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Service interaction → O2O flow experience</td>
<td>0.074451</td>
<td>4.165863</td>
<td>YES</td>
</tr>
<tr>
<td>H2</td>
<td>Service convenience → O2O flow experience</td>
<td>0.078686</td>
<td>2.52799</td>
<td>YES</td>
</tr>
<tr>
<td>H3</td>
<td>Technological innovation → O2O flow experience</td>
<td>0.089411</td>
<td>3.588443</td>
<td>YES</td>
</tr>
<tr>
<td>H4</td>
<td>O2O flow experience → Customer value</td>
<td>0.032605</td>
<td>24.509284</td>
<td>YES</td>
</tr>
</tbody>
</table>

Figure 2. Testing Results
Conclusion

With the development and spread of information technology and Internet, electronic commerce has become gradually a mature shopping platform which consumers can directly interact with businesses nowadays. Meanwhile, O2O commerce has gradually become an important commerce type of electronic commerce. In order to attract customers, create innovative service and raise the capability in the market, enterprises have high intention to become O2O commerce companies. Hence, the study aims to build a theoretical model of O2O customer experience and figure out the essential determinants influencing O2O customer experiences and values from the perspective of customers by applying flow theory. The deep understanding of how to identifying the key determinants (i.e., service interaction, service convenience and technological innovation) of the proposed theories can enable enterprises to have a guide for the improvement of O2O commerce. Not only enterprises but also customers can clearly recognize the roles within O2O commerce. This study will continue to collect data to increase the rigor of the evaluation for the proposed research model.

REFERENCES