

# A Study of the Influence of Cross-Channel Integration in Customer Retention

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## ABSTRACT

The focus of this study is how cross-channel integration increases trust and customer retention. By proposing the concepts of channel integration quality as different ways to perceive cross-channel integration, this study develops a model that explores the sub-factors of channel integration quality and the role of trust for consumer retention in omnichannel service. For this, this study surveys 352 consumers using omnichannel service in Korea and analyzes the data using AMOS 24. In the results, first, content consistency and process consistency as the sub-factors of channel integration quality increase trust. Second, trust increases customer retention. Finally, content consistency and process consistency increase consumer retention through trust. The findings contribute to research on customer retention by paying scholarly attention to cross-channel integration characterized by channel integration quality.

## KEYWORDS

Channel Integration Quality, Content Consistency, Cross-Channel Integration, Customer Retention, Process Consistency, Trust

## 1. INTRODUCTION

In the competitive retailing environment, recent retailers are increasingly dedicated to omnichannel strategies that utilize cross-channel integration (CCI) to coordinate various retail channels to service and maintain customers (Li et al., 2018). CCI is designed to enhance customer access and interaction with online and offline channels during a shopping trip to enhance customer experience and retain customers (Chen et al, 2018). Customer retention is considered a core goal of CCI (Bell et al, 2014). However, previous empirical discoveries about how CCI affects customer retention are mixed. For example, despite the fact that some studies provide support for the positive impact of CCI (Frasquet et al., 2017), other studies indicate no significance (Chiu et al., 2011). Therefore, scholars are demanding more research into the potential contingencies that can affect customer responses to CCI at omnichannel retailers.

Although omnichannel business is attracting increasing interests from both industry and academia worldwide, prior IS studies have placed a great emphasis on single or multiple channels (Chen & Shen, 2015), and research regarding omnichannel is still in its early stages. Some recent research on omnichannel in information systems and marketing domains largely focuses on proposing research

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agenda (Saghin et al., 2017), and addressing the challenges and opportunities in omnichannel practices from a firm-level perspective (Luo, 2016), rarely exploring the role of customers in omnichannel business. It is necessary to notice that, although the retailers have recognized the significance of omnichannel and began to implement their omnichannel strategies, the extent to which such strategy can achieve the desired results greatly depends on customers' perception and usage of the delivered omnichannel service. In fact, omnishoppers are believed as the most valuable consumers for retailers (Payne et al 2017), and retaining enough omnishoppers is also crucial to the success of omnichannel strategy (Saghin et al., 2017). Based on this reason, a theoretical investigation on customer responses to CCI at omnichannel retailers from a customer viewpoint clearly deserves more attention.

Notably, a few studies have emphasized the necessity to explore customers' omnichannel usage behavior, but theory-driven empirical studies are still limited (Park & Lee, 2017). Some recent studies have tried to build on the well-established IS theories such as the technology acceptance model (TAM), the theory of reasoned action (TRA), and the extended unified theory of acceptance and use of technology (UTAUT) to explain customer usage and purchasing behavior in the omnichannel context, by exploring the effects of perceived usefulness, ease of use, customer attitudes, and social influences (Berg & Tornblad, 2017). Although these classic theories have strong theoretical explanatory powers in predicting usage behavior for a wide variety of contexts (Venkatesh et al., 2012), it is important and necessary to understand the uniqueness of a specific context, beyond users' perceptions towards general information systems. In particular, the specificity of omnichannel business and the key differences between omnichannel and other primary channel strategies used by the retailers should be further considered to develop a deep understanding of customer omnichannel service usage behavior.

To advance this line of research, I attempt to draw upon Stimulus-Organism-Response (S-O-R) Model (Mehrabian & Russell 1974), to understand how channel integration quality and perceived trust affect customer retention in omnichannel service. S-O-R model has been widely used to explain how people interact with a focal technology and how their perceptions towards using the technology affect their subsequent usage behavior (Park et al., 2006). This is also the case in our research, wherein omnichannel usage is related to not only the extent to which various channels are integrated (i.e., integrated interaction quality), but also customers' perceptions about seamless channel transfers (i.e., behavioral beliefs).

This study organizes the article as follows: based on previous research on CCI, I develop the research hypotheses for this study. Then, I present details regarding the method and specifications of the hypothesis testing with structural equations modeling using data of a customer survey. This is followed by an overview and discussion of the results. Finally, I conclude with a summary of the findings outlining implications and limitations of the current study.

## **2. THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT**

### **2.1. Stimulus-Organism-Response Model**

The theoretical framework of the present study is developed based on the adaptation of the Stimulus-Organism-Response (S-O-R) Model (Mehrabian & Russell, 1974) and the impulse buying literature. In the classical S-O-R model, stimulus is defined as those factors that affect internal states of the individual and can be conceptualized as an influence that stimulates the individual (Eroglu et al., 2001). According to Bagozzi (1986), when consumer behavior is depicted as an S-O-R system, the stimuli are external to the person and consist of both marketing mix variables and other environmental inputs. In this study, the stimuli are the retail environmental characteristics (ambient, design, and social factors) as they affect the emotional responses of the consumer. Organism refers to internal processes and structures intervening between stimuli external to the person and the final actions, reactions, or responses emitted. The intervening processes and structures consist of perceptual, physiological, feeling, and thinking activities' (Bagozzi, 1986). The original S-O-R model focused upon pleasure,

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