Consumer touch points and cognitive proximity. Missing from millennials

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CONSUMER TOUCH POINTS AND COGNITIVE PROXIMITY. MISSINGS FROM MILLENNIALS

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ABSTRACT

PURPOSE

In the marketing literature, a recent interest has arisen for the impact of different customer touch points on consumer experience and performance. Lemon and Verhoef (2016) identified the presence of four main categories of touch points: brand owned, partner owned, customer owned, and social/external. The former includes interactions firm-customer controlled/managed directly by a firm; partner owned represents those interactions with customer designed/managed/controlled by a firm and its partner(s); customer owned identifies customer actions that are not controlled or influenced neither by the firm and nor by its partners; social/external embrace interactions among customer and others, such as third-party sources. In line with previous studies (Anderl *et al.*, 2016; Li and Kannan, 2014), it is our aim to investigate the effect of touch points on online purchases, but from a different angle: the degree of customer trust for each touch point will be our focus. Indeed, trust is considered as a factor that may impact on online purchase (Lloyd and Goode, 2010) and repurchase (Rose *et al.*, 2012). Given these bases, in our model we identified seven variables belonging to the four touch points above presented: brand owned divided in trust on offline brand owned (physical store) and trust on online brand owned (firm's website); trust on partner owned touch points (e.g. Zalando and Yoox); trust on social/external touch points (social network); consumer owned composed by trust on influencer owned touch points (social influencer) and trust on other-consumer owned touch points (review by previous customers). From a firm perspective, it is fundamental to understand the typologies of touch points at hand, as each one has a different leverage ability on customers (Lemon and Verhoef, 2016). Indeed, while a firm has a greater ability to influence brand and partner owned touch points, it has marginal effect on the remaining. From a customer perspective, Mathieu (2001) underlined how the cognitive proximity may act as a moderator among customers and service suppliers, thus defining the concept of cognitive proximity as the closeness in the knowledge base of the two actors and their mutual trust. Basically, at higher degree of cognitive proximity among actors should correspond a higher degree of influence on each other behaviour. Therefore, in our conceptual model other-consumer owned touch point leads higher degree of influence because of the higher closeness among the potential and the previous customers, while offline brand owned touch point

shows the lower influence. Listing our variables in an increasing path of cognitive proximity, we have: offline brand owned, online brand owned, partner owned, social/external, influencer owned, and other-consumer owned. Thus, our first research question is: (*RQ1*) *How do trust on different touch points influence online purchases?* The Millennials cohort, that include those aged 18-35, has been chosen to answer this research question. They are the first hyper connected generation, facing an extreme mobility, showing high consumption tendencies and more sophisticated behaviours (Lissitsa and Kol, 2016). Inspired by some studies that uncovered different behaviours among Millennials' sub-cohorts (Gurău, 2012; Debevec *et al.*, 2013), we shaped three sub-groups: 18-23, 24-27, and 28-35. Hence, our second research question is: *(RQ2) Does trust on touch points have dissimilar effects among sub-cohorts of Millennials?*

SAMPLE AND METHODOLOGY

The sector chosen to perform our analysis is the fashion industry. Data were gathered in 2017 from an Italian sample through a structured survey and 1229 usable answers were obtained. Millennials were asked to complete a set of 33 questions divided in five sections: (a) general online purchase behaviour, (b) process of online purchase and trust factors, (c) respondent past experience and knowledge of the fashion industry, (d) specific purchasing behaviour for fashion products, and (e) personal information. The percentage of *online purchase* on the yearly total fashion purchase represents the outcome variable of our econometric model. *Offline brand owned* [1], *Online brand owned* [2], and *Partner owned* [3] touch points are dummy variables, that assumes value 1 if the consumer prefers to visualize the product in the brand store [1], in the brand website [2], or in a partner website [3] before the purchase. *Social/External* [4] and *Influencer owned* [5] touch points represent the degree of consumer's trust on social media information [4] or influencer information [5], that goes from 1 "low" to 5 "high trust". *Other consumer owned* [6] touch point represents the degree of consumer employment of products' reviews from other consumers in their purchasing choice, that ranks from 0 "low" to 4 "high employment". *Gender* [7] has been introduced as control variable in the regression, while *Education* [8] and *Income* [9] in the discriminant analysis.

FINDINGS AND CONCLUSIONS

Descriptive statistics and correlation analysis have been performed, showing low VIF scores and high values of Tolerance. The discriminant analysis shows a good ability of online purchase, income and education to discriminate among the three Millennials groups, enhancing the robustness of the following findings. For what concern the first research question, high trust on social/external touch point shows the highest impact on online purchase, followed by partner owned, other-consumer

owned, brand owned online and offline. However, other-consumer owned is the only construct that, regardless of low or high trust, maintains a positive and significant effect. Influencer owned touch point seems to be not significant for online purchases, or to have a negative impact. Thus, our conceptual model is partially supported, and more insights are needed to understand the fuzziness related to touch points closer to the consumer and out of firms' control. For what concern the second research question, our findings show different patterns among the three groups. Indeed, for Millennials belonging to the 18-23 group high degree of trust on social/external and offline brand owned touch points show the highest impact on online purchases; for 24-27 millennials partner owned and high degree of trust on social/external are the variables with highest magnitude of coefficients; for 28-35 high degree of trust on other-consumer owned, high degree of trust on social/external, and partner owned touch points show the highest impact. It is interesting to recognize the role of social influencer, that is slightly positive for 18-23, not significant for 24-27, while significant and negative for 28-35. These results not only show three completely different behaviours, but also increase our confidence on the sub-groups shaped. Lastly, these results underline that even though some consumers in the 28-35 group express high level of trust on social influencers, the latter have an adverse effect on online purchase: *rejection*.

Keywords: consumer; firm leverage; millennials; touch points; cognitive proximity; online purchase; customer journey; social media; customer experience; fashion industry

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