CHAPTER II

THEORETICAL FOUNDATION

2.1 E-Paper

Newspapers are considered as source of information around the globe. However, nowadays newspaper industry faces change due to declining subscription as well as new competition from companies that use digital channels, like Google and Yahoo. This situation has forcing the newspaper industry to find and explore more new revenue opportunities. The changes are in the way information is distributed, which is in e-paper formats. As a technology and innovation are growing, e-paper has potential technology to offer a quality news reading experience. This potential arises due to the technology that gives the same reading experience as on print.

E-paper is giving the same reading experience as on paper. The optimal future e-newspaper combines the portability, readability and overview from the printed newspaper with the possibilities of online media such as constant updates, interactivity and video, offering a high quality news reading experience anytime and anywhere (Eriksson, Kalling, Akesson, & Fredber, 2008). Newspaper industry becomes extremely interested in e-paper technology because of the print quality and readability. Publishing news on e-paper raises hopes in the newspaper industry as a future replacement of print, which would heavily reduce production and distribution cost while preserving the qualities of news reading (Eriksson et al, 2008). Another motives is the possibility of expanding the market reach, because readers and subscribers are enable to read e-paper even tough they live far away.

2.2 Multi Channel Strategy and Multi-Channel Consumer

A multi-channel strategy is widely used in today's business because it provides a variety and choice of channels to customers. The number of channel available is increasing due the fast development in interactive communication channel (Verhoef & Donkers, 2005). The internet become a major part of a multi channel strategy. Internet is increasingly plays an important role as an information source prior to purchase. Moreover, internet retailing is a booming and increasingly competitive business. This increased use of a multi-channel approach relates to shifts in consumer shopping patterns and more consumers become multi-channel consumers. Multi-channel consumers are those who shop from three or more channels, in example brick-and-mortar stores, catalogs, and the internet (Pookulangara, Hawley, & Xiao, 2011). Multi-channel shoppers often browse/search in one channel and use that information to make purchase in another channel. The channel-switching behavior engaged in by multi-channel shoppers who browsed in one channel but purchased on another. Thus, consumers are utilizing multiple channel is complementary way because there is no retailing format is optimal on all dimensions (Hawkins, Mothersbaugh, & Best, 2007).
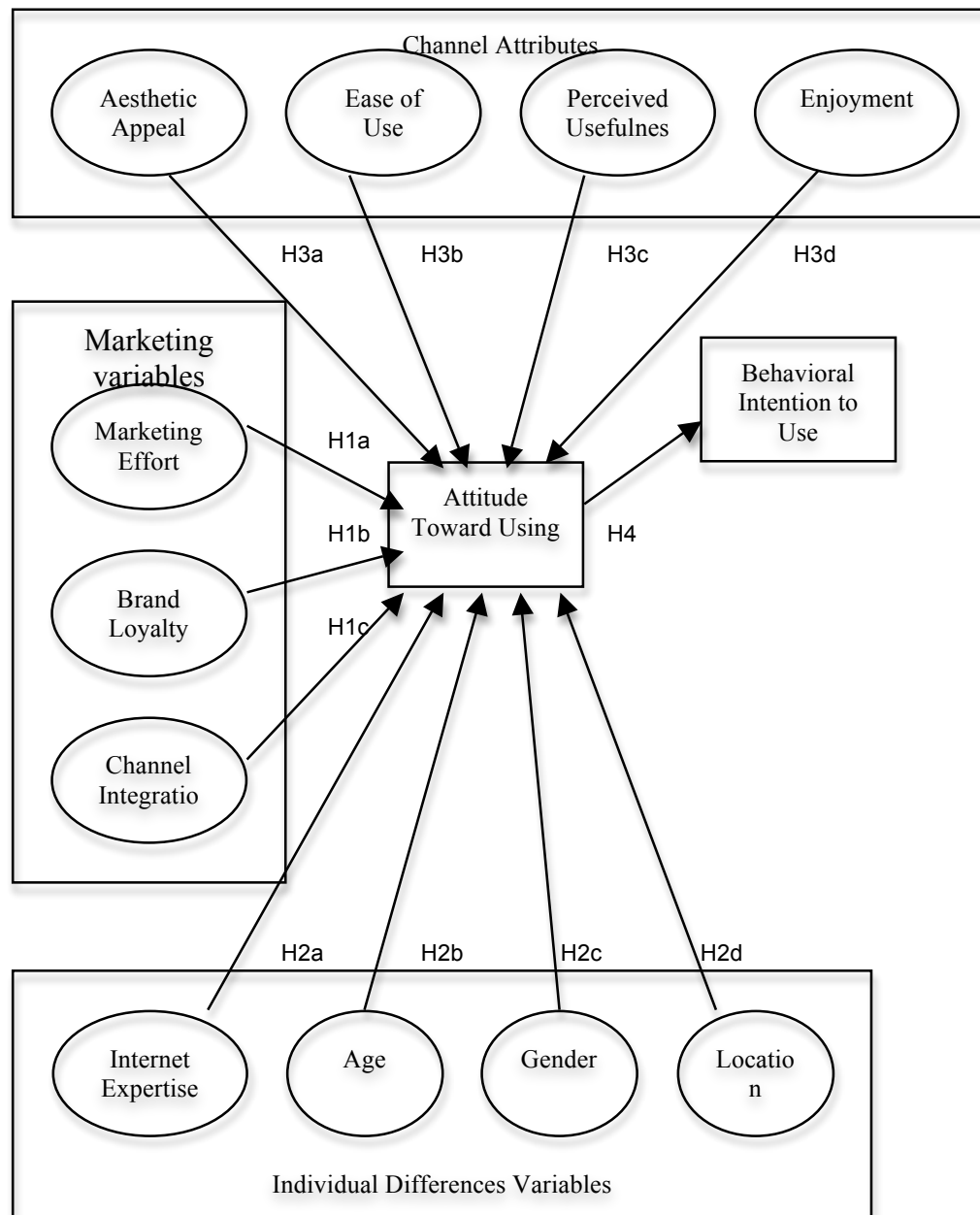
Figure 2.1 Conceptual Model

2.3 Marketing Variables

Marketing variables in this research model consists of three variables, which are Marketing Efforts, Brand Loyalty, and Channel Integration.

2.3.1 Marketing Efforts

A firm should contribute marketing efforts though a number of channel choices to the customers in order to encourage them to use a certain channel (Srisuwan & Barnes, 2007). Marketing communication, which is catalogues and emails, is important to influence customers' behavior both in channel choice and purchase volume (Ansari et al, 2005). Incentives can be a common tool for improving the efficiency of channel choice and marketers sometimes use incentives as on of the tool to encourage the customers to select their channel choice (Srisuwan & Barnes, 2007). It looks that by using and offering numbers of promotion, firm can drive the consumers to migrate to use a certain channel.

2.3.2 Brand Loyalty

Brand loyalty is a biased behavioral response expressed over time by a decision-making unit with respect to one or more alternatives brands out of a set of such brands that is function of psychological process (Jacoby & Kyner,1973). A brand-loyal customer purchases only one particular brand and does not substitute, regardless of any being offered (Clow & Baack, 2010). A loyal customer tends to have emotional attachment to the brand or firm. In newspaper industry, most of the readers and subscribers have brand loyalty to one particular newspaper. That is why instead of looking for and buying newspapers everyday, they choose to become subscriber. Because they do not have to buy single newspaper every single day, since the newspapers will be delivered directly to the subscriber everyday. Brand loyalty to one

particular newspaper also makes the readers only want to read that particular newspaper whenever they are, even tough they are not in their hometown.

2.3.3 Channel Integration

Channel integration strategies become important for several reasons. Customers can become multi-channel users and expect to receive identical information and service no matter which channel they choose. Also, it can minimize the system redundancy that is often created when delivery channel are setup to maintain individual delivery systems (Durham, 1998). With integrated channel, a firm gives customer more information about the number of channel choices and encourages them to use a certain channel. Because even tough a multi-channel strategy can be a source of competitive advantage, poorly integrated channel can intervene the business (Srisuwan & Barnes, 2007). Having a good cross channel coordination can lead to entire customer satisfaction. The business can use service level across channels to move consumers towards using a specific channel.

2.4 Channel Attributes

There are some channel attributes that correlate with customer channel choice; they are aesthetic appeal, enjoyment, ease of use, and search convenience (Neslin, Grewal, Leghorn, Shankar, Teerling, Thomas, & Verhoef, 2005). Consumers may be affected by one of these attributes to select their channel preferences. Below is a brief explanation of the channel attributes that become factors affecting attitude toward using an online channel.

2.4.1 Aesthetic Appeal

The concept of aesthetic appeal according to Dicky (1997) in the literature art, referred to as "the philosophy of beauty". In an online context, web aesthetic may represent of how different elements and attributes are combined to give an impression of beauty (Wang et al., 2011). Nowadays, web has become a place to satisfy consumers' emotional wants for recreation and entertainment experience, or in the other words is to fulfill their hedonic needs. An eye-catching beautiful websites are believed can be more attractive rather than the less-appealing sites. Therefore, create a website with aesthetic appeal that make consumers enjoy their online experience happen to be an important factor. In newspapers industry, they have been trying to give the best quality of their digital newspaper to their online subscribers. They adopted advance web technologies in order to keep the consumers continuing their online activities. Aesthetic appeal that part of channel attributes, which made to satisfy consumers' hedonic needs, can lead to attitude toward using an online channel.

2.4.2 Ease of Use

Utilitarian aspect plays an important role in determined attitude toward using channel. Utilitarian attributes offer practical functionality such as convenience, price, ease of use, and usefulness (Lee, Atkins, Kim, & Park, 2006). The ease of use is usually

associated with online channel (Srisuwan & Barnes, 2007). Many consumers choose to go and switch to online channel because they feel that the content and the navigation in online content are easy to use. To customers, a good structure and layout of the website are more convenient to them when they are searching and getting the information from it. Montoya-Weiss, Voss, & Grewal (2003) stated that navigation structure that is easy to use would bring positive perception of online channel service quality. However, the ease of use might differ from one consumer to another. Therefore, some consumers might still choose the offline channel over the online channel. In newspapers case, there might be some people that is still not familiar with e-paper and find the printed newspapers are still more easy to use.

2.4.3 Perceived Usefulness

Perceived usefulness according to Davis et al (1989) refers to the perspective user's subjective likelihood that the use of a certain application will increase his or her performance. In the other word, perceived usefulness can predict the attitude toward using the technology. In attitude toward using an online channel, perceived usefulness might be a positive factor that affects it. It is because to be able to use an online channel, consumer has to perceived the usefulness that the technology is the one who bring the online channel up and find that the use of online channel is effective.

2.4.4 Enjoyment

The hedonic aspect of shopping has been concluded and examined as excitement, arousal, joy, festivity, escapism, fantasy, and adventure (Pookulangara et al., 2011). The consumer need of fun and pleasure can be satisfied by the interaction on online shopping experience. Many consumers enjoy looking information at the digital version rather that the offline version. It explained why some people can surf through

the internet for hours and hours. Therefore, consumers who feel enjoy in online channel will tend to switch to it and leave the offline.

2.5 Individual Differences

Demographic differences may have influences on channel choice. Consumers may select their preference channel based on their characteristic, includes age, gender, and geographic locations (Paweena et al., 2008). Below are some of the factors from individual differences that may affect attitude toward using an online channel.

2.5.1 Internet Expertise

Consumer's general internet expertise refers to consumer's knowledge of, and experience with, the internet (Montoya-Weiss, et al, 2003). This consumers' internet expertise is considered as one of the factor predicting the attitude toward using the online channel. The greater consumers' internet expertise can reduce the perceived uncertainty and risk associated with the online channel. Usually, consumer with a higher level of internet expertise are having a lower lever of security concern about online transaction. It is because they are already familiar and have more experience using the internet. For example, they are aware of how their data are collected and used. On subscribing digital newspapers, consumers may have to register and pay for the subscription every month. For those who still face uncertainty using online transaction might refuse to switch to digital newspapers and stick with the offline newspapers. This proposes that consumers with higher level of internet expertise are more likely to use online channel.

2.5.2 Age

It is critical to understand the demographic factors that are associated with the internet usage (Teo, 2001). There are three age generation that will included in the research,

which are baby boomers, generation x, and generation y and millennial. Most of the demographic factors that affect attitude toward using online channel are concentrated on age. Because if it comes to the internet, younger generation that is generation y and millennial are more likely to be a regular users.

2.5.3 Gender

Gender is said to impact the way males and females participate in online activities. Hoffman et al (1996) found that males are doing more online product research that females does and they are also focusing more on the transactional aspect of online shopping. Since newspapers are targeting both females and males, it can be a good example to find if gender affects the attitude toward using an online channel.

2.5.4 Location

Geographic location states a position of consumer in physical space (Srisuwan & Barnes, 2007). Consumers who live in busy area such as in the city as more likely to use the online channel. It is because the time consuming in using offline channel may not be practical for those who live in the big city. Also, smaller cities might not have enough infrastructures in internet connection compare to big cities, so people who live in smaller cities are not having high internet expertise.

2.6 Attitude and Intention

According to Keen et al (2004), the structure of the consumer decision-making process is particularly one of choosing channel choice. The theory of the action is defined by the individual's intentions that drive by a personal nature and social influence. The personal factors come from the individual's positive and negative evaluation of performing the behavior that lead to attitude towards the behavior. Attitude toward the behavior comes from the factors from the variables above. Their factors that lead to attitude toward using the online channel has also lead to their

behavior intention in using those channel itself. Consumers who has positive attitude toward using an online channel are more likely to have intention to using it as their preference channel.