THE ROLE OF CHATBOTS AND THE ONLINE CUSTOMER EXPERIENCE IN LUXURY FASHION RETAILING

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Abstract

With rapid digital advances and emerging technologies, an increasing number of customers are now shopping online, forcing initially resistant luxury fashion retailers to embrace this channel. In particular, the fast development of artificial intelligence (AI) has redefined the online customer experience and provided more opportunities for luxury fashion retailers to interact with their customers using chatbots. Indeed, chatbot adoption in online shopping has become one of the fastest growing uses of AI in the luxury fashion sector. Chatbots have become incorporated into the online customer shopping journey over the last few years in the luxury fashion industry with the aim to provide a better online customer experience. The Covid-19 pandemic has increased the importance of this as customers have had to rely on online tools such as chatbots to seek services and product information to help them make informed purchase decisions. However, previous research regarding luxury fashion retailing predominately focuses on how luxury fashion retailers can provide exceptional service in stores as opposed to online. Therefore, there is a gap in the literature regarding the impact of chatbots on the customer experience and whether or not they can enhance the luxury retail shopping experience from a customer perspective. Hence, this study aims to investigate customers' use of chatbots during their online luxury fashion shopping experience. The study will explore customers' thoughts and feelings towards their luxury fashion shopping experience through in-depth interviews in order to gain a better understanding of how chatbots can be used to maintain the expected level of customer service online and meet customer needs. By talking to luxury fashion customers, the researchers will develop a rich account of their experiences that may challenge the working assumptions of marketers and retailers. As this is a developmental paper, the key focus is to explore how chatbots can potentially impact the online customer experience and whether/how it can meet the service expectations of luxury fashion customers online.

Introduction

Today's fashion retail industry is becoming increasingly digitised and undergoing tremendous transformation as a result. For luxury fashion retailers, it is becoming critical to embrace technologies to provide better online customer service that is responsive to customers' needs (Klaus and Manthious, 2020). The increasing number of online customers and continuously changing retailing climate requires fashion retailers to differentiate themselves via outstanding customer service and a better customer experience (Ameen et al., 2021). As a result, numerous customer encounters are now managed by automated systems powered by artificial intelligence (AI). These ongoing changes have brought AI-powered application chatbots into fashion retailing for retailers to interact with customers online through auditory or textual conversations (Bock et al., 2020; Chen et al., 2021). The adoption of chatbots is rapidly growing in fashion retailing as the chatbot market size is expected to reach $9.4 billion by 2024, particularly, chatbots in customer service in retail is considered as the rapidest growing market segmentation between 2019 and 2026 (Nguyen, 2020). Hence, the rapid evolution of chatbots has gradually altered how luxury retailers interact with their customers and redefined the customer experience, which offers great opportunities for retailers communicating (e.g., via chatbots) (Chung et al., 2020; Sidaoui et al., 2020).

Incorporating chatbots as customer service agents on e-commerce sites has become one of the most commonly used applications of AI and luxury retailers are increasingly adopting chatbots to connect with customers to influence the online customer experience (Chen et al., 2021; Huang and Rust, 2021). For example, luxury retailers such as Louis Vuitton, Burberry and Gucci use chatbots to offer recommendations to help customers make purchase decisions and have personalised their shopping experiences just as they would receive in the store (Forbes, 2020a). Furthermore, due to the outbreak of the COVID-19 pandemic and subsequent lockdowns, reaching out to customers through chatbots online has become more crucial for luxury retailers as they have been forced to make rapid operational changes, and chatbots have emerged as feasible and scalable alternatives for luxury retailers offering their services to customers (Forbes, 2020b), the online customer experience has also become critical for customer retention and luxury purchases through chatbots (McLean and Osei-Frimpong, 2019).

Chatbots are "*interactive, virtual agents that engage in verbal interactions with humans*" (Przegalinska et al., 2019, p.786). Chatbots have the potential to make a substantial impact by solving issues and shortcomings in e-commerce and lessening the impersonal aspect and hazards involved with online purchase (Chen et al., 2021). Chatbots can provide customer support, marketing, and customer service 24/7, hence are considered to be highly beneficial to the fashion retailers (Rese et al., 2020). While the potential of chatbots in e-commerce in the context of fashion retailing has been recognised (Chopra, 2019; Chung et al., 2020), the manner in which chatbots influence customers' shopping experiences remain unknown (Ashfaq et al., 2020). Past research has predominately focused on different types of chatbots and their influence on users' responses (Hill et al., 2015; Mou and Xu, 2017; Ciechanowski et al., 2019; Chung et al., 2020; Chen et al., 2021) as well as antecedents that affect chatbots' acceptance and adoption (Xu et al., 2020; Rese et al., 2020; Chen et al., 2021). However, the results of chatbots impact on customer service are somehow contradictory within research (Pizzi et al.,

2020). Previous research has largely focused on the technological aspects of chatbots, such as the functionality or the quality of the interaction. Yet the impact and value chatbots have from customer's perspective lacks research. This is however vital to understand as it may result in disappointment in purchase decisions (Pizzi et al., 2020) or negative shopping experience (Castillo et al., 2020). Furthermore, most previous research has adopted quantitative methods to examine users' responses towards chatbots and focused on chatbots from a technology perspective. However, there is a paucity of research exploring how chatbots impact the online customer experience and the potential value of chatbots from the customer's perspective. Therefore, there is a gap within the literature regarding the potential role and impact of chatbots for the online customer experience in the context of luxury retailing. Empirical research from a qualitative perspective in order to explore the impact of chatbot on customer experience is lacking.

The above research gap indicates that academic research regarding chatbots in luxury fashion retail lags behind luxury retailers' adoption of chatbots on e-commerce, therefore, understanding customers' feelings, thoughts and motivations for chatbot adoption is critical for developing a more effective chatbot e-commerce system (Chopra, 2019; Pizzi et al., 2020; Chen et al., 2021). To fill the above-mentioned research gaps and contribute to the online customer experience literature, this paper aims to explore customers' motivations and experiences while using chatbots when shopping online, exploring their thoughts and feelingsin the context of luxury fashion through in-depth interviews. In particular, the authors addressthese research questions in order to achieve the aim:

RQ1) What are customers' motivations and needs while interacting with chatbots?

RQ2) What are customers' cognitive and affective responses regarding the integration of chatbots?

RQ3) What type of experience do chatbot interactions create for customers?

This paper contributes to the body of knowledge on online customer experience of chatbot adoption and customer responses in luxury research. In order to answer these research questions, this paper is exploratory in nature and adopts a qualitative research methodology through semi- structured in-depth interviews. As the current paper is still in its developmental stage, the data collection is still ongoing and initial findings from interviews will be presented and discussed on the IFFTI 2022 conference.

Literature review

Online customer experience and chatbots

Rose et al. (2012) acknowledged that experience is critical to the growth of online shopping. Customers' online shopping experience goes beyond their engagement with a website, influencing their views of value and service quality (Petre et al., 2006). Hence, service quality and its impact on behaviour of the customers has been the focus of researchers for a long time

(Parasuraman et al., 1988). However, customer experience is more than just quality service (Meyer and Schwager, 2007). The research on online customer behaviour over the years have focused on understanding the perception of the online environment by the customer and overall assessment of the service quality (Klaus, 2013). Yet, the research focus has been shifting toward the online customer experience just like the offline environment (Nambisan and Watt, 2011; Lallemand et al., 2015). This has led to a paradigm shift from the traditional e-commerce and website developments to the interactive and dynamic websites enabling interaction and customisation on the online web (McLean and Wilson, 2016).

According to prior studies, offering an enhanced online experience has a beneficial effect on customers' online behaviours (Shobeiri et al., 2015). Hoffman and Novak (2009) explored the online customer experience from the cognitive perspective of the online interaction. In addition, the significance of customer emotions during the online experience were outlined by Rose et al. (2012). Flavian-Blanco et al. (2011) added that customers tended to abandon their online activity due to their emotions prevailing before, during, and after the online experience. The customers seemed to engage in affective and cognitive processing of the incoming online sensory information which gets stored as an impression in their memory eventually influencing the overall experience (Rose et al., 2012; Martin et al., 2015). Keiningham et al. (2017) found that cognitive factors within the customer experience represent functionality, availability and the speed of the service provided by retailers. Moreover, for affective factors, it is expected to be complex in nature regarding customer service as customers' emotional feelings can be positive or negative, including different sort of feelings such as happy, sad, surprise or anger (Keiningham et al., 2017; Ladhari et al., 2017). Therefore, in order to gain more insights into the behaviour of their response, the types of thoughts evoked, and how the consumers feel about it could be obtained by studying the affective and cognitive responses to a specific technology.

The online customer experience has been defined as the affective and cognitive assessment of the customer about the indirect or direct interaction with a company, specifically in the online context (Rose et al., 2012; Kalus and Maklan, 2013), despite this experience originating from the interactions of the customer with a company, a part of an organisation, or a product (Gentile et al., 2007). However, there are many challenges in creating a compelling online customer experience, such as a lack of human interactions or privacy concerns during online shopping. This highlights the importance of focusing on cognitive and affective elements when improving online customer experience as these two components of customer experience have been more related to experience (Rose et al., 2012). The affective and cognitive responses have been used as the two main components of online shopping experience in the earlier research (Rose et al., 2012; Klaus and Maklan, 2013b; Kawaf and Tagg, 2017). As such, the affective and cognitive responses have been considered as the two main components of the online chatbot experience of the customer in this study.

To affect the online customer experience, chatbots could be used as service agents for the whole customer shopping journey (Marinchak et al., 2018; Copulsky, 2019). According to Lemon and Verhoef (2016), the three stages through which the customer interacts with the retailer during their shopping journey are: pre-purchase, purchase, and post-purchase. Chatbots can

interact with customers throughout each of these stages of their online shopping journey. Chung et al. (2020) investigate how chatbots affect consumer perceptions and indicates that chatbots could positively influence customer satisfaction focused on communication quality. However, the study did not reveal how customers think and feel during interactions in order tounderstand their holistic experience with chatbots. Another study by Moriuchi et al. (2020) investigates consumer interactions with chatbots and its impact on the behavioural outcomes. However, Moriuchi et al. (2020) fail to explain what consumers' feel regarding this engagement and to what extent they think that this interaction is valuable. This indicates furtherinvestigation is needed as understanding customer's feelings and thoughts regarding chatbot interactions would help to uncover how chatbots could enhance the customer experience, as opposed to just focusing on chatbot adoption (Chan and Leung, 2021). Rese et al. (2020) analyse which customers accept chatbots and which factors determine their acceptance duringshopping in fashion retail using the TAM model. They found that chatbots were positively adopted by customers, however, further impact of chatbots is still unknown and potential negative benefits is unsolved, which require further studies to explore chatbots customer experience in order to help understand how customers actually react to the interactions when shopping online. Thus, the authors suggest that future research investigate how customers affected by chatbot interactions regarding their holistic chatbot enabled shopping experience to help improve chatbots shopping experience and solve those contradictory issues. Therefore,past studies have predominately examined how chatbots affect users' responses but have overlooked their holistic thoughts and feelings toward the integration of chatbots during their shopping journey and how it impacts the whole customer experience. Customers' affective and cognitive responses are crucial experiential elements to provide a holistic understanding of customer experience (Lemon and Verhoef, 2016; McColl-Kennedy et al., 2019). Hence, this paper aims to explore customer's affective and cognitive response when shopping online withthe help of chatbots in order to gain insights regarding chatbots impact from customer's perspective.

Methodology

This paper is exploratory in nature and adopts a qualitative research methodology in form of semi- structured in-depth interviews with approximately 20 participants, or until the saturation point is reached. Interviews include questions related to customers' interactions and experiences when shopping online with the help of chatbots. Both purposive sampling and snowball sampling techniques will be used to recruit participants including both male and female luxury fashion customers that are UK based millennials. Participants must have purchased luxury items online at least three times in the past year to ensure they are frequent luxury customers and are familiar with online shopping, and all participants should have experienced shopping with the help of chatbots. According to ForwardPMX (2019), luxury e-commerce customers have an almost equal gender split between male and female (46.6% male and 53.4% female) and millennials tend to purchase more luxury items online. Furthermore 70.8% of millennials are very interested in purchasing high-end luxury fashion items in the UK, which shows that millennials luxury customers are suitable for the current study.

Qualitative data including interview transcripts and notes will be analysed and coded by applying thematic analysis approach. The present study aims to find out customers' views, opinions, knowledge, experiences or values when interacting with chatbots that can be derived from a set of qualitative data – interview transcripts. According to Braun and Clarke (2012), thematic analysis is an effective and efficient way for comprehending a collection of experiences, thoughts, or actions across a data set. Therefore, following Kiger and Varpio (2020), the six steps of thematic analysis will be conducted: 1) familiarising with the data; 2) generating initial codes; 3) searching for themes; 4) reviewing themes; 5) defining and naming themes; 6) producing the report/manuscript.

As this paper still in its developmental stage, the data collection is still ongoing, hence, initial findings will be presented on the IFFTI 2022 conference.

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