

# Multichannel Retailing

## CHAPTER 03

# Learning Objectives

- Recognize the retail channels.
- The strengths of stores, Internet, mobile, and social channels; catalog and other non store channels.
- Describe the benefits of an omnichannel strategy.
- Challenges faced by multichannel and omnichannel merchants

# Understand the channels used by retailers

A retail channel is a term that refers to the manner in which a retailer sells and delivers goods and services to its customers.



# Retail Channel

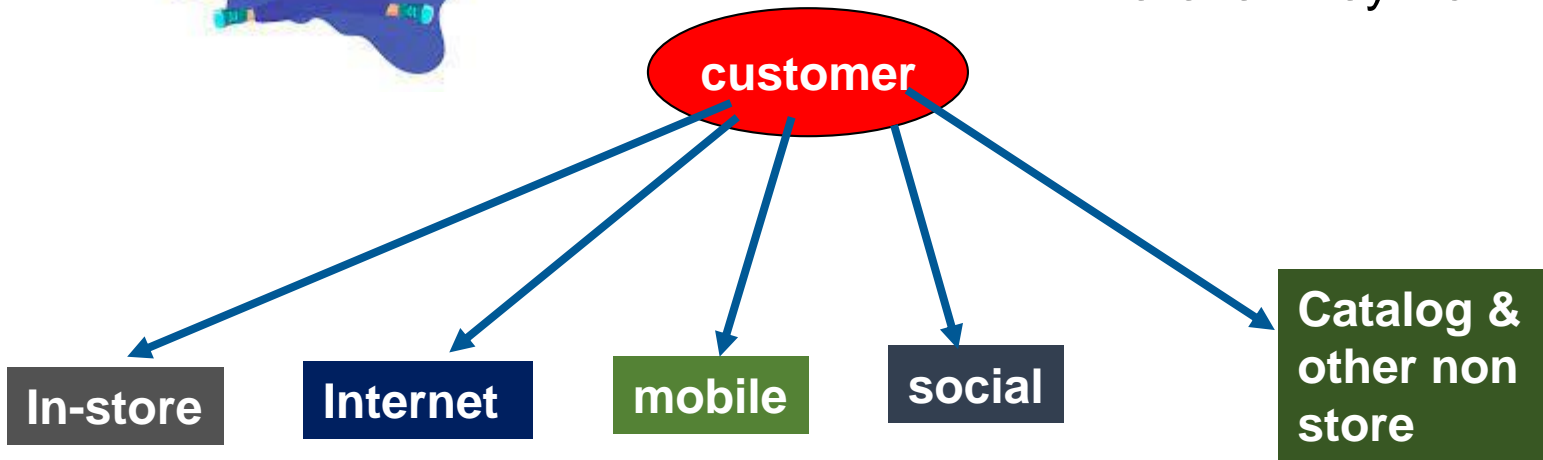
- Single-channel retailing
- Multichannel retailing
- Cross-channel retailing
- Omnichannel retailing



# RELATIVE STRENGTHS OF RETAIL CHANNELS



Consumers buy what  
they want,  
When they want,  
Wherever they want



# In-Store Retailing

- Touch and smell of Products
- Personal Service
- Risk Reduction
- Immediate Gratification
- Entertainment and Social Experience
- Cash Payment



# Unique Benefits Provided by Store Channel

- Browsing
- Touching and feeling
- Personal service
- Cash and credit payment
- Entertainment and social interaction
- Immediate gratification
- Risk Reduction



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# Internet Retailing

- Deeper and Broader Selection
- More Information for Evaluating Merchandise
- Personalization
- Expanded Market Presence
- Information to Improve Shopping Experience across Channels
- Perceived Risks in Internet Shopping



Internet Retailing



# What's the Big Deal About Shopping on the Internet?

- \$2.5 Trillion US Retail Sales
- \$200 Billion Catalog and Direct Sales
- \$ 4 Billion TV Home Shopping
- \$ 100 to 150 Billion Internet Retail Sales
- Just a drop in the bucket, but growing fast!

# Internet Channel

- Broader Selection
- More and Better Information to Evaluate Merchandise
  - Drill Down as Much as You Want
  - Full motion Video

# Internet Channel

- Personalization
  - Information is tailored to Individual consumers to help them make quicker and better purchase decisions
  - Customized Information -- Side By Side Comparisons, Full Motion Video
  - Try It On Virtually
- Information for Solving Problems, Not Just Merchandise Characteristics
  - Virtual Communities

# Mobile Retailing

- offers the same benefits as computer-based electronic Internet channels
- own unique benefits and limitations
- customers can easily carry the devices
- customer– retailer interactions can be location-sensitive



# Social Retailing

- Also known as S-retailing
- conducting purchase transactions through a social media site
- Social retailing has grown from \$3 billion in 2012 to an estimated \$14 billion in 2015
- Currently, the largest number of social retailing orders comes from Facebook



# Catalog and Other Non store Channels

- Catalog channel
- Direct Selling
- Automated Retailing
  - Vending machine






# Benefits Provided by Catalog Channel

Convenience  
Information  
Safety



Hoby Finn/Getty Images

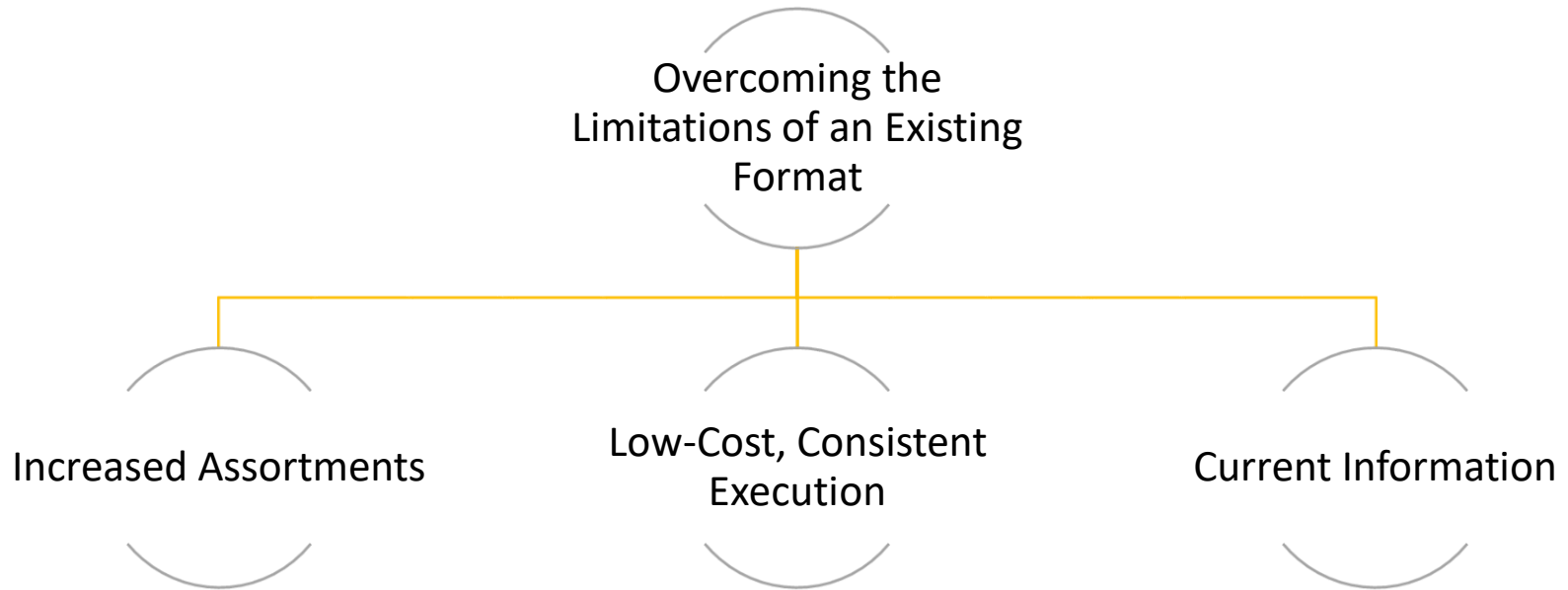
# Benefits Provided by Different Channels

Stores	Catalogs	Internet
		
Touching and feeling merchandise	Safety	Safety
Personal service	Convenience	Convenience
Risk reduction	Ease of use	Broad and deep assortments
Immediate gratification		Extensive and timely information
Entertainment and social interaction		Personalization
Browsing		
Cash payment		

# Benefits of Multichannel Retailing

- Traditional store-based and catalog retailers are placing more emphasis on their electronic channels and evolving into multichannel retailers.
  - E-channel gives a way to overcome limitations of existing format
  - With electronic channel, retailers can reach out to new markets
  - Builds share of wallet
  - E-channel enables retailers to give insights into customers' shopping behaviors

# Benefits of Multichannel Retailing



# Benefits of Multichannel Retailing

- Gaining Insights into Consumer Shopping Behavior
- Expanding Market Presence
- Building a Strategic Advantage

# Why are store-based retailers evolving into multi-channel retailers?

- Sales through an electronic channel are growing at over 20% per year
- Adding an electronic channel creates immediate possession utility
- Multi-channel retailers can attract more customers and satisfy existing customers better
- The growth of sales in stores is declining



# Will Electronic Channel's Low Search Cost Increase Price Competition?

- Conventional Wisdom
  - Greater Comparison Shopping
  - Offerings Easily Compared on Price
  - Lower Search Costs => More Emphasis on Price
- Empirical Evidence
  - Substantial Price Dispersion
  - Lower Search Costs for Quality Information=> Less Price Sensitivity
  - Lower Search Costs Lead to Better Decisions

# Challenges of Effective Multichannel Retailing

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Supporting  
M-Commerce

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Organizing  
for  
Multichannel  
Retailing

Centralized Customer Database

Brand Image

Merchandise assortment

Pricing

Reduction of Channel Migration

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# Will Manufacturers Bypass Retailers and Sell Directly to Consumers?

- Advantages of Retailers vs. Manufacturers
  - Distribute Merchandise Directly to Customers
  - Provide Assortments
  - Collect and Use Information about Customers

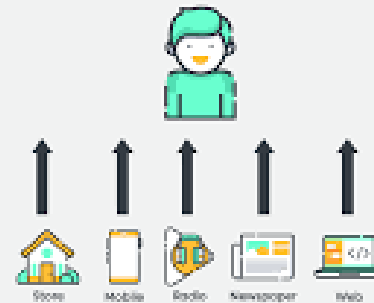
**Widespread Disintermediation Unlikely**

# Challenges of Effective Multichannel Retailing

- Integrated Shopping Experience
  - Communicate with customers anytime, anywhere through multiple channels
  - Website, Store, Kiosks, Handheld Devices
  - Integrating legacy systems for seamless customer interface



## MULTICHANNEL MARKETING

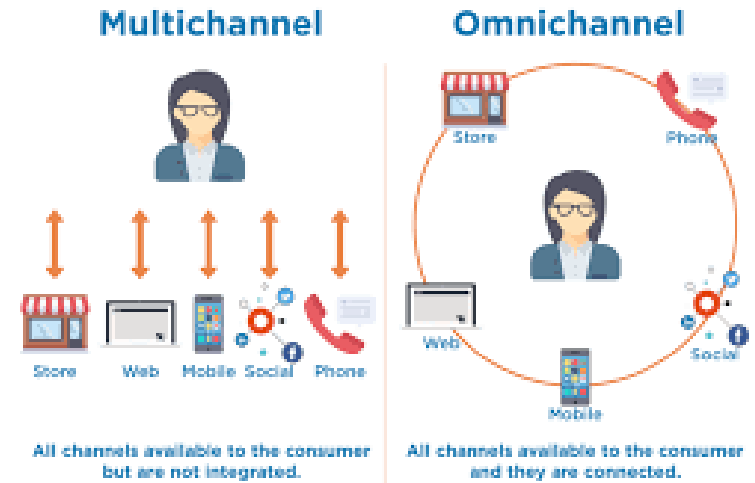


Multichannel marketing is a strategy that uses multiple channels in order to reach a wide audience.

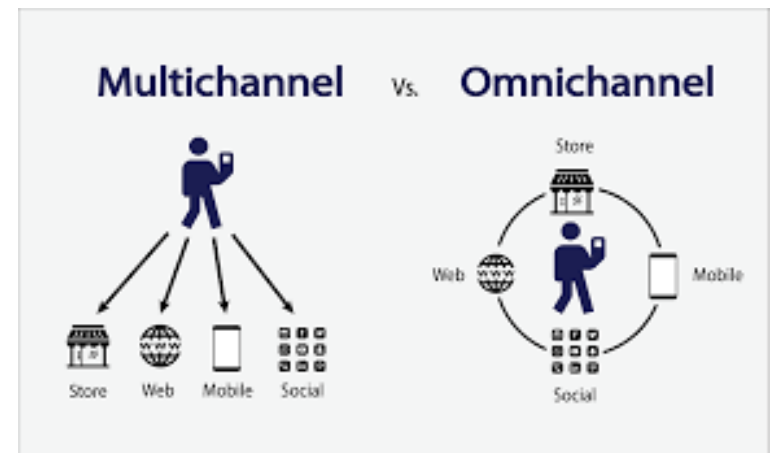
[www.robertkotal.com](http://www.robertkotal.com)

# OPPORTUNITIES FACING MULTICHANNEL AND OMNICHANNEL RETAILERS

- using multiple channels to improve their offerings
- seamless omnichannel experience
- benefit by using the various channels synergistically



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Get Your Business For Sale 400%



# CHALLENGES FACING MULTICHANNEL AND OMNICHANNEL RETAILERS

- multichannel and omnichannel supply chain and information system issues
- Consistent Brand Image across Channels
- Merchandise Assortment



# CHALLENGES FACING MULTICHANNEL AND OMNICHANNEL RETAILERS

- Pricing
- Reduction of Channel Migration



# CHALLENGES FACING MULTICHANNEL AND OMNICHANNEL RETAILERS

## Reduction of Channel Migration

- Channel Migration
- Showrooming

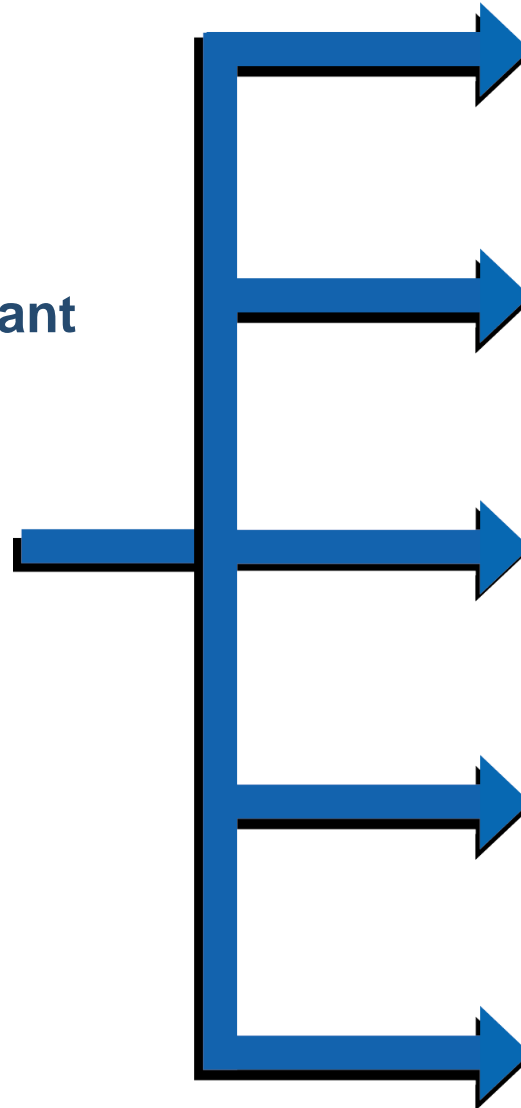


Today's empowered consumers live in a multi-channel world – research products online, buy offline, and demand service everywhere

Consumers buy what they want, when they want, wherever they want



Customer



## Web & Email

- 24x7
- Visual

## Call Center

- Convenient
- Immediate

## Brick & Mortar

- Touch/Feel
- Experience driven

## Kiosks

- Visual
- Convenient

## Handheld Devices

- Immediate
- 24x7

# Shopping in the Future



# Keywords

- **automated retailing** A retail channel that stores merchandise or services in a machine, then dispenses them to customers who provide cash or a credit card.
- **catalog retailing** Nonstore retail format in which the retail offering is communicated to a customer through a catalog.
- **channel migration** When consumers' collect information about products on one company's channel and then buys the product from another competitor.
- **cross-channel retailing** A type of marketing channel in which customers use multiple channels to make purchases, such as when they receive an e-mailed coupon, download it onto their smartphone, and then go to a store to redeem the coupon and buy the product.
- **direct selling** A retail format in which a salesperson, frequently an independent distributor, contacts a customer directly in a convenient location (either at a customer's home or at work), demonstrates merchandise benefits, takes an order, and delivers the merchandise to the customer.
- **disintermediation** When a manufacturer sells directly to consumers, thus competing directly with its retailers.
- **electronic retailing** A retail format in which the retailers communicate with customers and offer products and services for sale over the Internet.
- **Internet channel, Internet retailing, E-channel** See *electronic retailing*.

# Keywords

- **live chat** Technology that enables online customers to access an instant messaging or voice conversation with a sales representative in real time.**catalog retailing** Nonstore retail format in which the retail offering is communicated to a customer through a catalog.
- **m-commerce** Internet channels accessed through tablets, smartphones, or other handheld devices. Also known as mobile marketing, mobile commerce, or mobile retailing
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# Keywords

- **multichannel retailer** Retailer that sells merchandise or services through more than one channel.
- **omnichannel retailing** Coordinated multichannel retail offering that ensures a seamless customer experience across all the retailer's channels.
- **retail channel** The means by which a retailer sells and delivers merchandise to customers.
- **showrooming** A practice in which customers visit stores to interact with a physical product and receive sales assistance, then purchase it through a less expensive channel, such as online.
- **single-channel retailing** Selling merchandise or services through only one channel.
- **social retailing** Conducting purchase transactions through a social media site. Also called s-retailing.
- **s-retailing** Conducting purchase transactions through a social media site. Also called social retailing.
- **vending machine** A nonstore format in which merchandise or services are stored in a machine and dispensed to customers when they deposit cash or use a credit card.

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