

Multichannel Retailing

CHAPTER 03



Questions

- What are the unique customer benefits offered by the retail channels – stores, catalogs, Internet, and mobile?
- Why are retailers moving toward using all four channels?
- How do multichannel retailers provide more value to their customers?
- What are the key success factors in multichannel retailing?
- How might technology affect the future shopping experience?

The Multichannel Retailer (omniretailer)

A retailer that sells merchandise or service through more than one channel. By using a combination of channels, retailers can exploit the unique benefits provided by each channel.



The McGraw-Hill Companies,
Inc./Andrew Resek, photographer

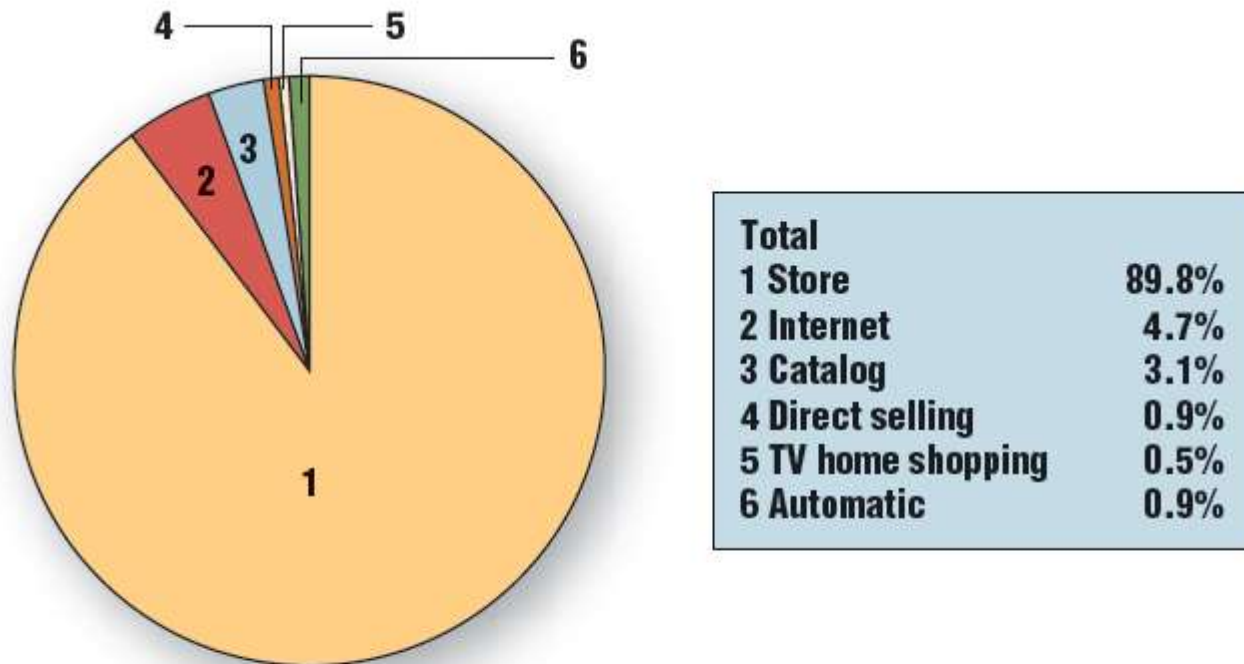


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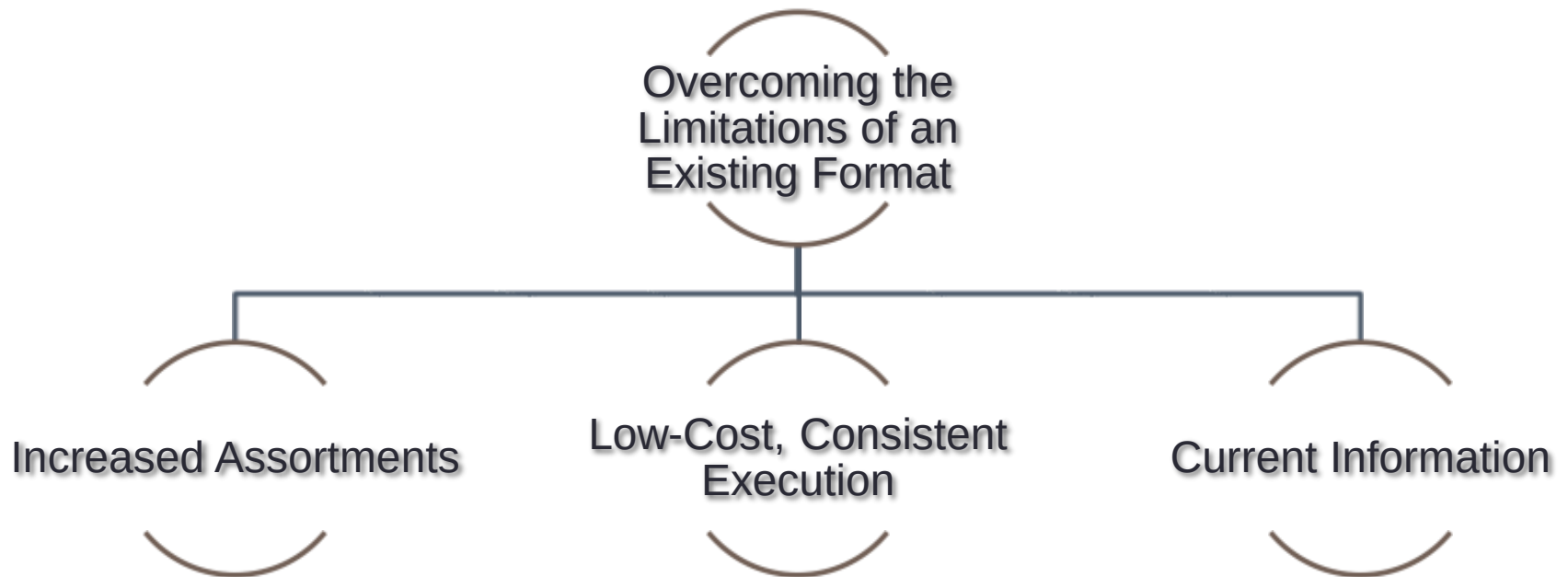
U.S. RETAIL SALES BY CHANNEL



SOURCES: U.S. Census Bureau, "Estimates of Monthly Retail and Food Services Sales by Kind of Business: 2009," www.census.gov/retail/mrts/www/data/excel/mrtssales92-09.xls; personal communication with the Direct Selling Association, Direct Marketing Association, and National Automatic Merchandising Association.

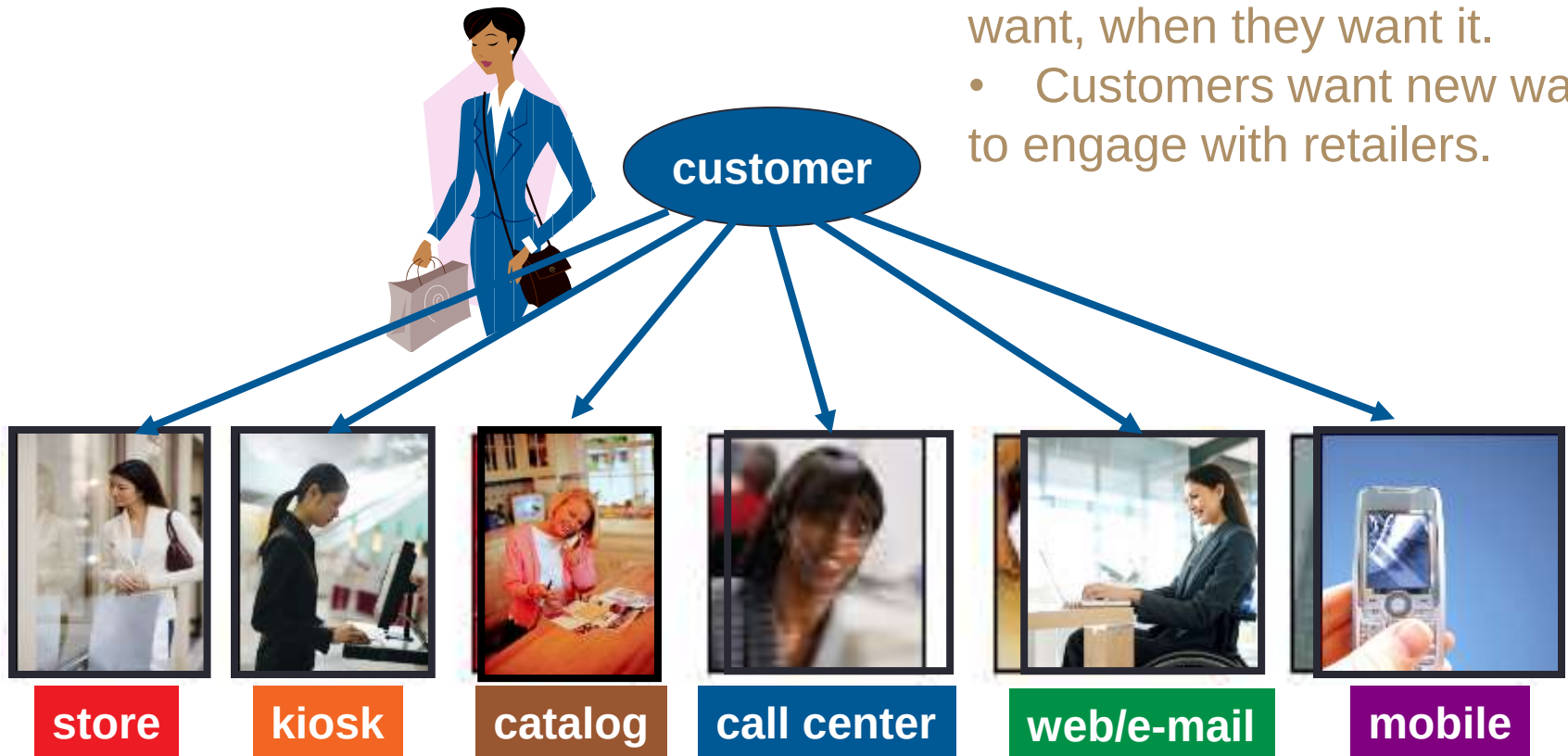
*Excluding sales of motor vehicles, food services, and travel.

Benefits of Multichannel Retailing



Why are Retailers Using Multiple Channels to Interact with Customers?

- Customers want what they want, when they want it.
- Customers want new ways to engage with retailers.



Why are store-based retailers evolving into multichannel retailers?

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



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		

Unique Benefits Provided by Store Channel

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



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Benefits Provided by Catalog Channel

Convenience

Information

Safety



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

- Almost 75% of U.S. consumers use the Internet to search for information about clothes, shoes, toys, and health and beauty products before they buy an item.
- 83% of customers search online before buying electronics, computers, books, music or movies.
- Internet channels allow retailers to offer a great assortment of products and provide more information to customers.
- The Internet allows retailers to collect information about consumer shopping habits.
- The Internet allows the retailer to enter new markets economically.

Internet Channel

- Deeper and broader selection
- More tools for evaluating merchandise
- Personalization
 - Information is tailored to individual consumers to help them make quicker and better purchase decisions
 - Customized information -- side by side comparisons
 - Virtual try on
- Information for solving problems, not just merchandise characteristics
 - Virtual Communities

Mobile Internet Shopping

- Mobile
 - Portable
 - Location sensitive
 - Push notifications
 - Touchscreen
 - Smaller screen size
 - Apps



Challenges of Effective Multichannel Retailing

- Centralized vs. decentralized multichannel retailing
- Multichannel supply chains and information systems
 - Distribution strategies for stores, catalog, and Internet channels



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
- Merchandise assortment
- Pricing strategies

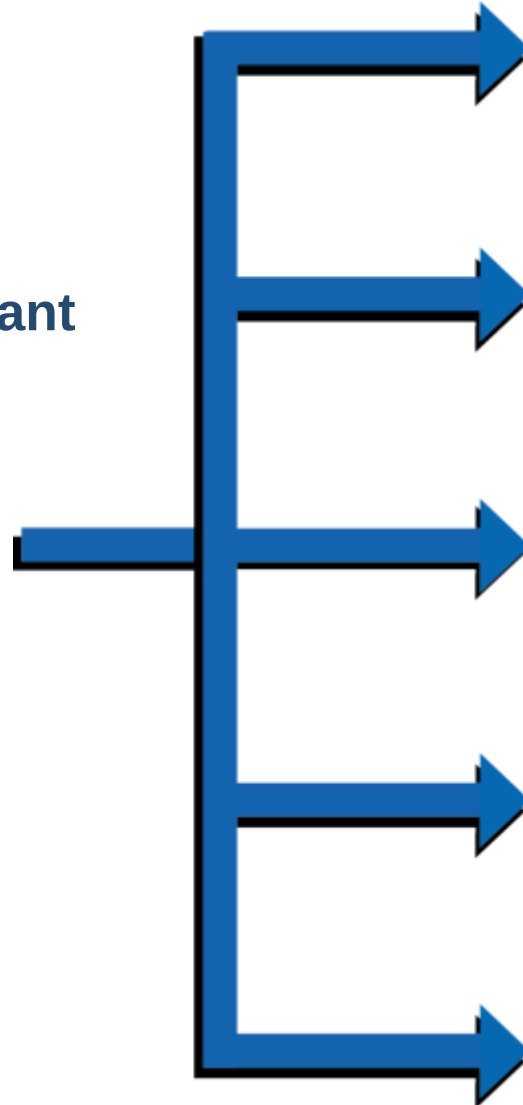


Today's empowered consumers live in a multi-channel world – research products online, buy offline, and demand service everywhere

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

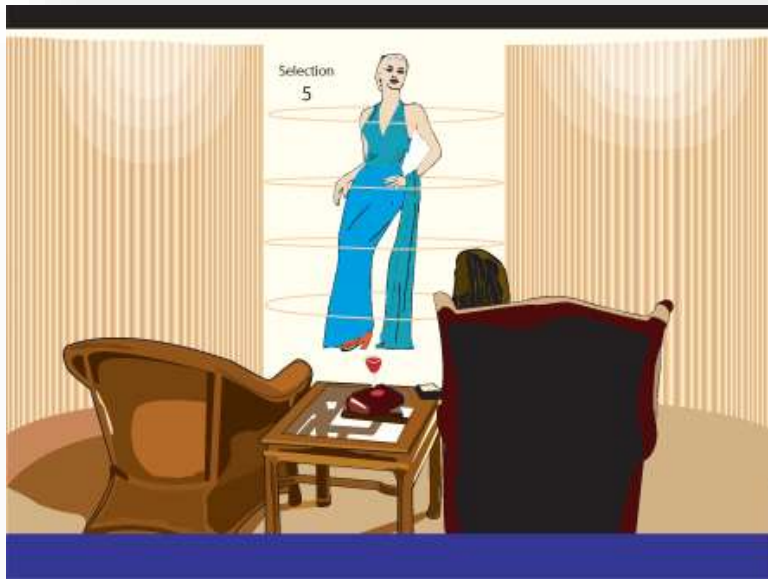
Kiosks

- Visual
- Convenient

Handheld Devices

- Immediate
- 24x7

Shopping in the Future



Shopping Experience: Personalization Potential

Shopping Experience Scenario

It's Tuesday morning, and Judy Jamison is eating breakfast thinking about buying a new dress for the party she'll be attending this Friday night at the new club downtown. She sends a tweet to her friends about her plans to go shopping after work today and asks for suggestions of retailers she might visit. She gets some suggestions from friends and then decides to do some research on the Internet. She logs on to her laptop, accesses her personal shopper program called FRED, and has the following interactive dialog:

Fred: Do you wish to browse, go to a specific store, or buy a specific item?

Judy: Specific item.

Fred: Occasion? [Menu appears and Judy selects.]

Judy: Dress.

Fred: Type of dress? [Menu appears.]

Judy: Cocktail dress.

Fred: Price range? [Menu appears.]

Judy: \$175–\$200.

[Now FRED goes out and literally shops the world electronically, visiting the servers for companies selling cocktail dresses in Europe, Asia, Africa, Australia, and North and South America.]

Fred: 1,231 items have been identified. How many do you want to review?
[Menu appears.]

Judy: Just 5.

[FRED selects the five best alternatives on the basis of information it has about Judy's style preferences. The five cocktail dresses appear on the screen with the price, brand name, and retailer listed beneath each one. Judy clicks on each dress to get more information about it. With another click, she sees a full-motion video of a woman who looks similar to Judy modeling the dress. She selects the dress she finds most appealing.]

Keywords

- **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.
- **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*.
- **multichannel retailer** Retailer that sells merchandise or services through more than one channel.

