

Multichannel Retailing

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Multichannel Retailing

- A retail channel is the way a retailer sells and delivers merchandise and services to its customers.
- The most common channel used by the retailer is a store, however, today the retailers use a variety of non-store channels including the internet, catalogue, direct mail, television home shopping, automated retailing etc.
- Multichannel retailers are retailers that sell merchandise or services through more than one channel.



Forms of Multichannel Retailing

1. Brick and Mortar/ Store Channel

Stores offer several benefits to customers that they cannot get when they shop through non-store channels such as catalogues or the Internet. The benefits include:

- Touch and feel products
- Personal service
- Risk reduction
- Immediate gratification
- Entertainment and social experience
- Physical Browsing
- Cash payment

Forms of Multichannel Retailing

2. Internet Channel

Internet retailing, also called online retailing, electronic retailing and e-tailing, is a retail channel in which the offering of products and services for sale is communicated to customers over the Internet. The benefits of internet channel include:

- Broader and deeper assortment
- No time constraints
- More timely information for evaluating merchandise
- Personalization

Forms of Multichannel Retailing

3. Catalogue Channel

- Catalogue channel is a non-store retail channel in which the retail offering is communicated to customers through a catalogue mailed to customers.
- The merchandise categories with the greatest catalogue sales are drugs and beauty aids, computers and software, clothing and accessories, furniture and housewares, and books, music, and magazines.

Forms of Multichannel Retailing

4. Direct Selling

- A retail channel in which salespeople interact with customers face-to-face in a convenient location, either at the customer's home or at work.
- Salesmen demonstrate merchandise benefits, explain services; take an order; and deliver the merchandise etc.
- It is a highly interactive channel involving face-to-face discussions.
- Two special types of direct selling are:
 - ✓ **Part Plan System:** Here the salesmen encourage customers to act as hosts and invite friends/ coworkers to a party, where the merchandise is displayed and attendees place orders.
 - ✓ **Multilevel System:** Here independent businessmen serve as master distributors, recruiting other distributors in their network.

Forms of Multichannel Retailing

5. Television Home Shopping

- A retail channel in which customers watch a television program that demonstrates merchandise and then place orders for that merchandise, usually by telephone, via the Internet, or via the TV remote.
- Three forms of TV home shopping retailing:
 - ✓ **Cable channels to television shopping**
 - ✓ **Infomercials** – 30 to 60 minutes programs, that mix entertainment with product demonstrations and solicit orders placed by telephone.
 - ✓ **Direct Response Advertising** – 1 or 2 minute advertisements on television and radio that describe products and provide an opportunity for consumers to order them.

Forms of Multichannel Retailing

- Most of the purchases are made by a relatively small proportion of viewers.
- The major advantage of TV home shopping is that customers can see the merchandise demonstrated either on their television screens or through streaming videos on the internet.

6. Automated Retailing (Vending machines)

- A retail channel in which merchandise or services are stored in a machine and dispensed to customers when they deposit cash or use a credit card.
- Vending machines are placed at convenient and high – traffic locations.
- It is mainly used for cold beverages, candy and snacks.

Benefits of Multichannel Retailing

1. Overcoming Limitations of Existing Format

- **Increased Assortments**

By using a combination of channels, retailers can better satisfy their consumers' needs by exploiting the benefits and overcoming the limitations of each channel.

For example, one of the greatest constraints facing store-based retailers is the location and size of their stores. However, the number of products presented through an Internet channel is virtually unlimited.

- **Low-Cost, Consistent Execution**

Customers can get personalized information from sales associates in stores. Over time, sales associates can learn what customers like and want. However, customers can get this benefit only when the sales associates are present. Training and retaining knowledgeable sales associates is expensive. Internet channel can overcome this problem.

Benefits of Multichannel Retailing

- **Current Information**

Catalogue retailers also use electronic channels to overcome the limitations of their catalogues. Once a catalogue is printed, it cannot be updated economically with the latest price changes and new merchandise.

Therefore, these retailers use its Internet site to provide customers with real-time information about stock availability and price reductions on clearance merchandise.

- **Touch and Feel Products**

Store channels provide opportunity for customers to use all five senses – touching, smelling, tasting, seeing and hearing.

Benefits of Multichannel Retailing

2. Increasing Customer Satisfaction and Loyalty

By providing a greater array of benefits through multichannel offerings, retailers can increase their share of customers' wallets —the percentage of purchases made from the specific retailer.

3. Personal Services

Consumers in retail store can get personalized services and immediate feedback like an apparel is suiting them, a particular colour suits them more and so on.

4. Immediate Gratification

Customers can get the merchandise immediately after they buy it from stores.

Benefits of Multichannel Retailing

5. Gaining Insights into Consumer Shopping Behavior

An electronic channel provides valuable insights into how and why customers shop and are dissatisfied or satisfied with their experiences.

6. Expanding Market Presence

Market for store-based retailers is limited to consumers living in close proximity to the retailer's stores.

By adding the Internet channel, retailers can expand their market without having to build new stores.

7. Building a Strategic Advantage

Multichannel retailers have the opportunity to develop a strategic advantage over single-channel competitors

Issues in Multichannel Retailing

1. Providing an Integrated Shopping Experience

- Multichannel retailers are struggling to provide an integrated shopping experience across all their channels because unique skills and resources are needed to manage each channel.

2. Cost of selling products through the different channels

- When selling merchandise through the Internet channel, retailers do not incur the costs of building and operating stores and compensating employees working in those stores.
- However, Internet retailers incur significant costs to design, maintain, and refresh a web site; attract customers to the site; maintain distribution systems and warehouses dedicated to fulfilling orders from individual customers; and deal with a high level of returns.
- These overhead costs associated with operating an electronic channel may even be greater than the costs of operating physical stores.

Issues in Multichannel Retailing

3. Potential for Disintermediation

- Disintermediation occurs when a manufacturer sells directly to consumers, bypassing retailers.
- Retailers are concerned about disintermediation because manufacturers can get direct access to their consumers by establishing a retail site on the Internet.
- Hewlett-Packard printers and accessories are sold both directly to consumers through its Web site (www.hewlettpackard.com) and, at the same time, indirectly through retail stores and its Web site
- However most manufacturers lack the skills to sell directly to consumers. Retailers have considerably more expertise than manufacturers in distributing merchandise directly to customers, providing complementary assortments, and collecting and using information about customers.

Organizing for Multichannel Retailing

Since each of the channels offers a unique set of benefits, the profiles of a retailer's customers who use the different channels are not the same. Thus a critical decision facing multichannel retailers is the degree to which they should integrate the operations of the channels or have different organizations for each channel

- Centralized Customer Database - complete history of each customer's interaction with the retailer to provide a seamless experience
- Brand Image - Retailers need to provide a consistent brand image of themselves and their private-label merchandise across all channels
- Merchandise Assortment - Different assortments are appropriate for each of the channels

Organizing for Multichannel Retailing

- Pricing - Customers expect pricing consistency across channels (excluding shipping charges and sales tax)
- Reduction of Channel Migration - Retailers want customers to both search for information and complete the transaction through their channels, but the low cost of searching on the Internet increases the opportunity for channel migration

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