

Multichannel Retailing

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Adapted from “Crafting Integrated Multichannel Retailing Strategies, J. of Interactive Marketing, 2010 (Zhang, et al)

Definition: Multichannel Retailing

- The set of activities involved in ***selling merchandise or services*** to consumers through more than one ***channel*** (Levy and Weitz, 2009).
- Certainly not new....making sure we continue to sell how customers want to buy (and vice versa).

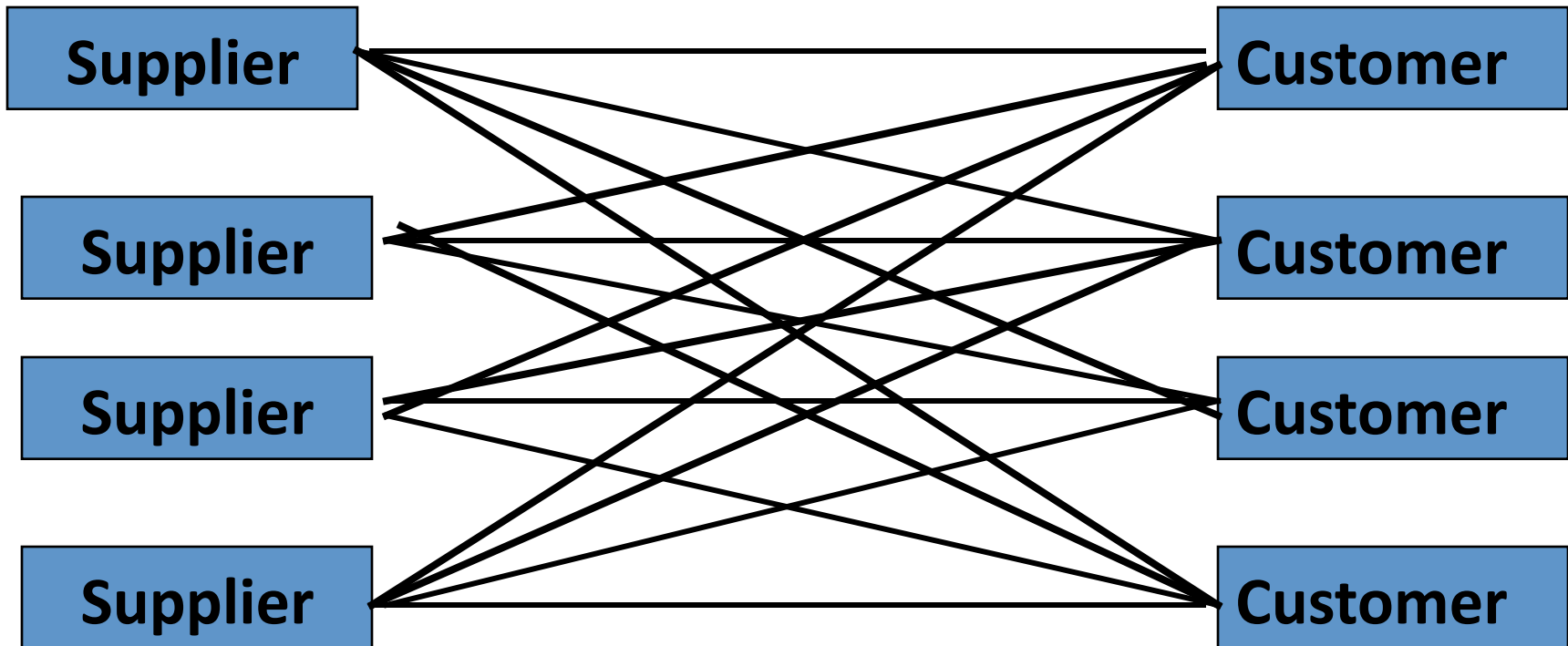
Examples of Multichannel Retailing

- Sears, JC Penney, Walmart, Tiffany's, Best Buy....
- Select Comfort, Apple versus Levi's and Nike
- Progressive Insurance versus GEICO, USAA
-
- Banks: Branches, ATMs, online banking, mobile
- Starbucks...coffee experience, drive-through, self-serve, retail/hotel/office kiosks, hotel rooms, Tassimo cartridges, and now Keurig..
- Amazon.com..kindle... iPhone, iPad...etc.
- Automobile dealers, own sites, eBay
- Retail Relay (online grocery for pickup)

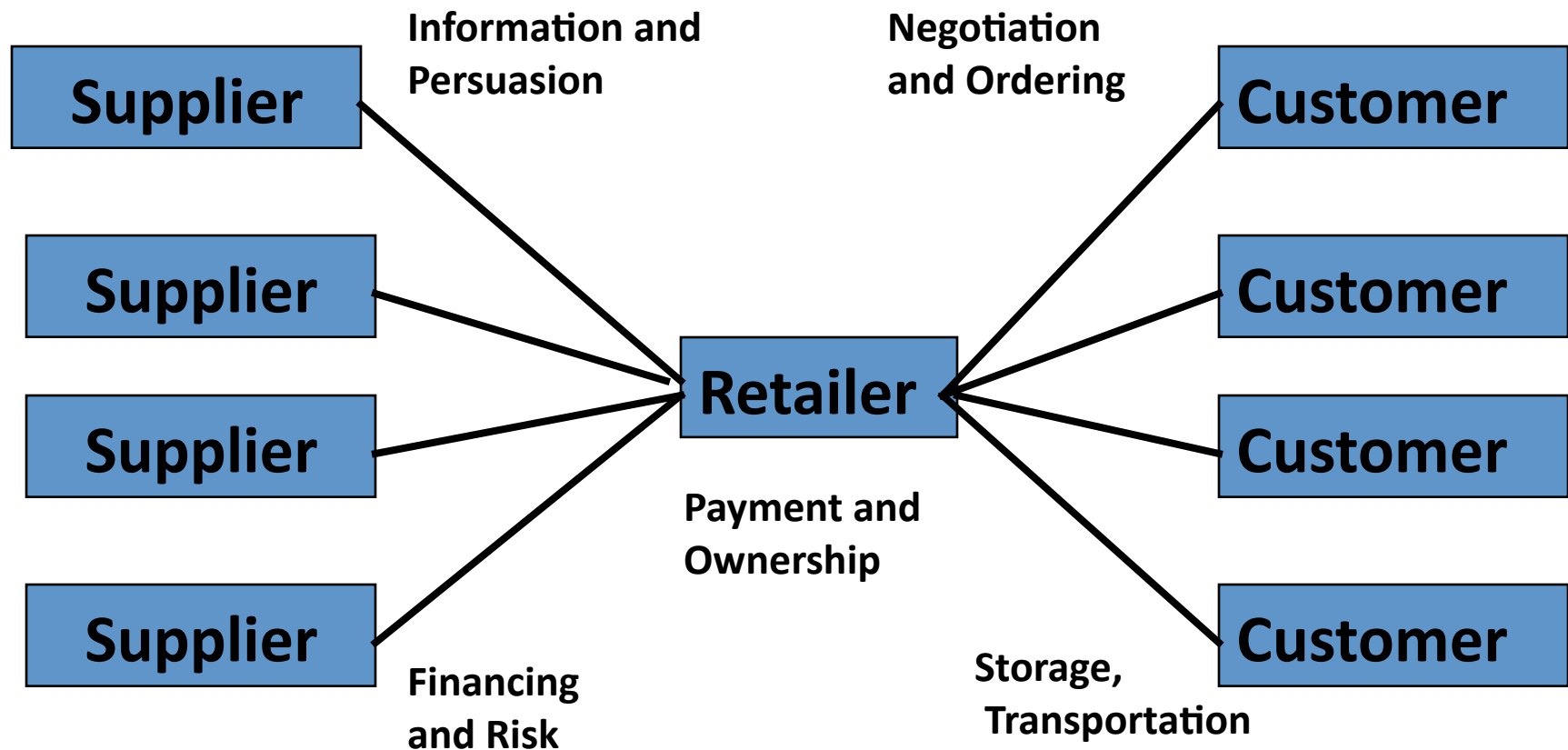
Does “Brick and Mortar” versus “Direct” Adequately Capture the Differences?

- Independent retailers, own stores (chain of stores, discount outlets, flagship outlets)
- Grocery, Drug, Mass Merchandiser, Discount, Club Stores, Limited Assortment, Convenience, Vending, Kiosks, Department Stores, Specialty, Category Killer, Building Supply, Big Box, Hardware...

Complex Connections



Simple (Wroe Alderson)



Channel Conflict versus Change

- Hybrid channels are increasingly required, but they bring channel conflict – horizontal and vertical.
- New Business - Cannibalization
- Synergies - “Dysnergies”
- Harmonization versus Homogenization
- Investment stance develops over time

Motivations & Constraints

- Sell more
 - Access new markets, avoid losses, option on future
- Lower cost to serve markets
 - Trade fixed for variable, or vice versa
 - What can be digitized?
- Increase customer satisfaction, loyalty
 - Unclear causal relationships
 - Cross-sell products/services, higher CLV
- Strategic advantage
 - mainly data, but other skills too

Pricing Pressure

- **21 Jun 2011 — Leclerc Launches Price Comparison Application**
- French retailer Leclerc has recently released a TV campaign to announce the launch of its price comparison application. The application can be downloaded on its QuiEstLeMoinsCher.com website (that allows shoppers to compare prices across retailers). By scanning the barcode, shoppers can then immediately compare the price of more than 200,000 products.

Who Owns the Customer Relationship?

- Emergence of customer centric organizations to reflect focus on customer lifetime value, 1:1 marketing, acquisition versus retention, promoting loyalty,...
- As retailer, don't let your supplier do an end run.

Integrated Marketing Communications

- Integrated marketing communications: providing a consistent and complementary set of marketing communications using different touch points for consumers.

Challenges

- Organizing for multiple channels
 - Centralization – decentralization?
 - Conflict and compensation
 - Customer orientation can amplify differences
- Strategic advantages hinge on harmonization
 - Limited by infrastructure, investment stance
 - Organization incentives
 - Data integration challenges
 - Analytics versus privacy
 - Performance metrics may not mesh

Homogenization versus Harmonization

Specifying, Monitoring, Managing each Channel's Role

- Pricing, role for each channel (Progressive, buckets)
- Assortment
- Credit and Returns
- Promotions, integrated communications
- Research shared information

Tentative Conclusion

- Multichannel retailing (and marketing) is so commonplace that we may have difficulties defining unique areas for study.
- It may be more a question of "coverage" and "functions" performed.
 - geography, time, technological shopping preferences, cost of services, branding value added, role of customer acquisition versus retention, etc.
- And always...partnership versus power and attitudes toward change.

Making Changes

- Use caution, BUT.. make changes before you have to, but..
- channel relationships are assets: A distribution system represents a commitment to a set of policies and practices that constitutes the basic fabric on which is woven an extensive set of long-term relationships. (R. Corey)

Why is the legendary STIHL brand not sold in Lowe's® or The Home Depot®?



We can give you 8,000 reasons, our legion of independent Stihl dealers nationwide.



We can give you 8,000 reasons, our legion of independent STIHL dealers nationwide. We count on them every day and so can you. To give you a product demonstration, straight talk and genuine advice about

STIHL products. To offer fast and expert on-site service. And to stand behind every product they carry, always fully assembled. You see, we won't sell you a chain saw in a box, not even a big one.

To learn more:
www.stihlusa.com
 or call 1-800 GO STIHL.

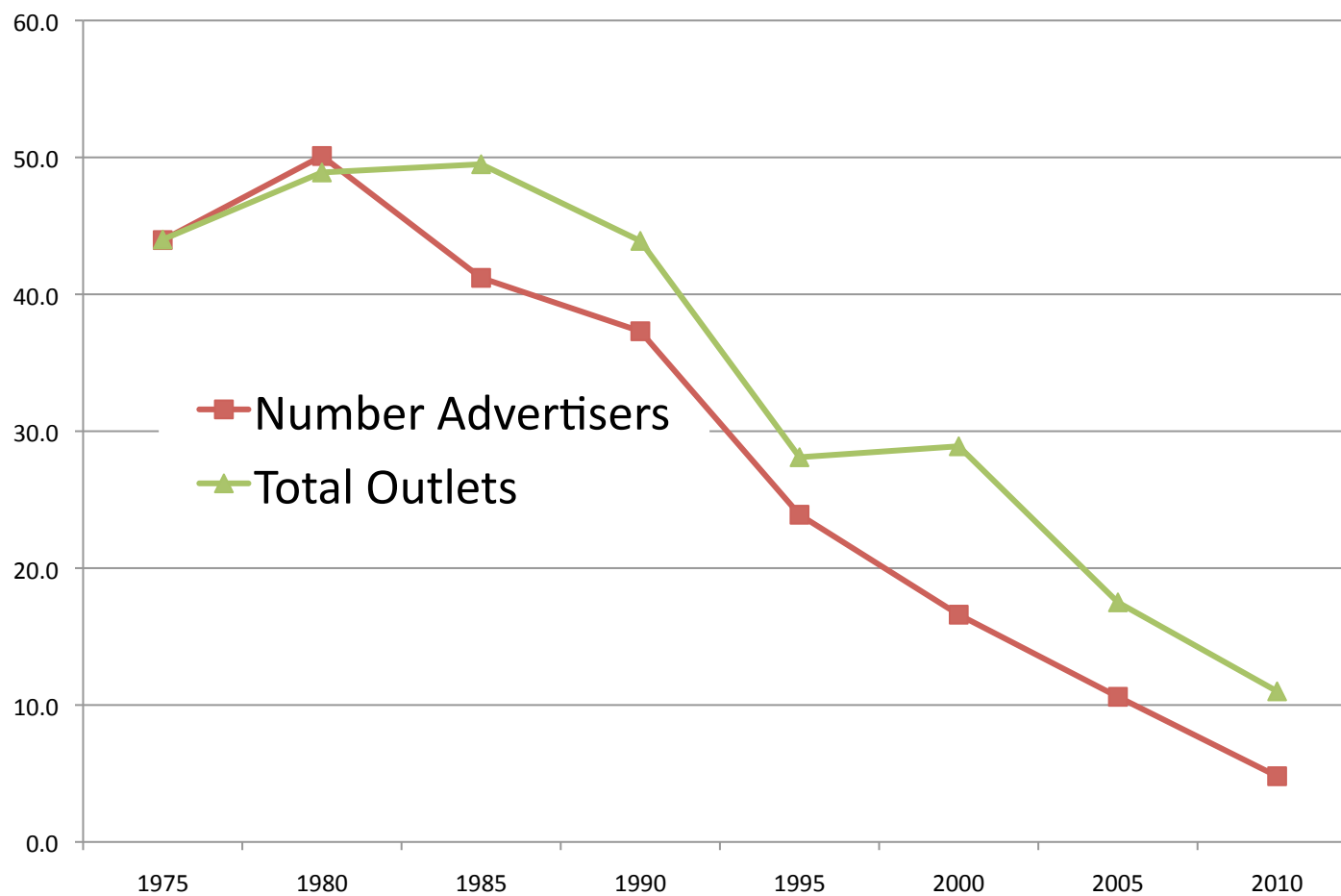
The Home Depot and Lowe's are registered trademarks of their respective companies.

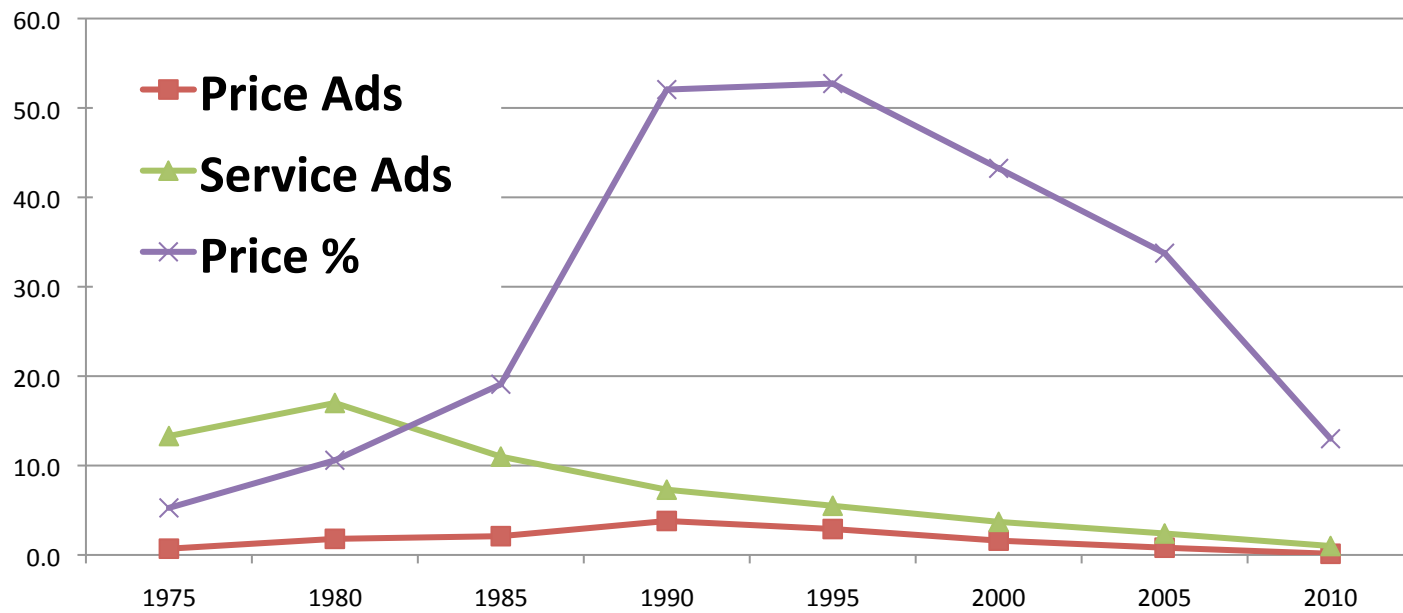
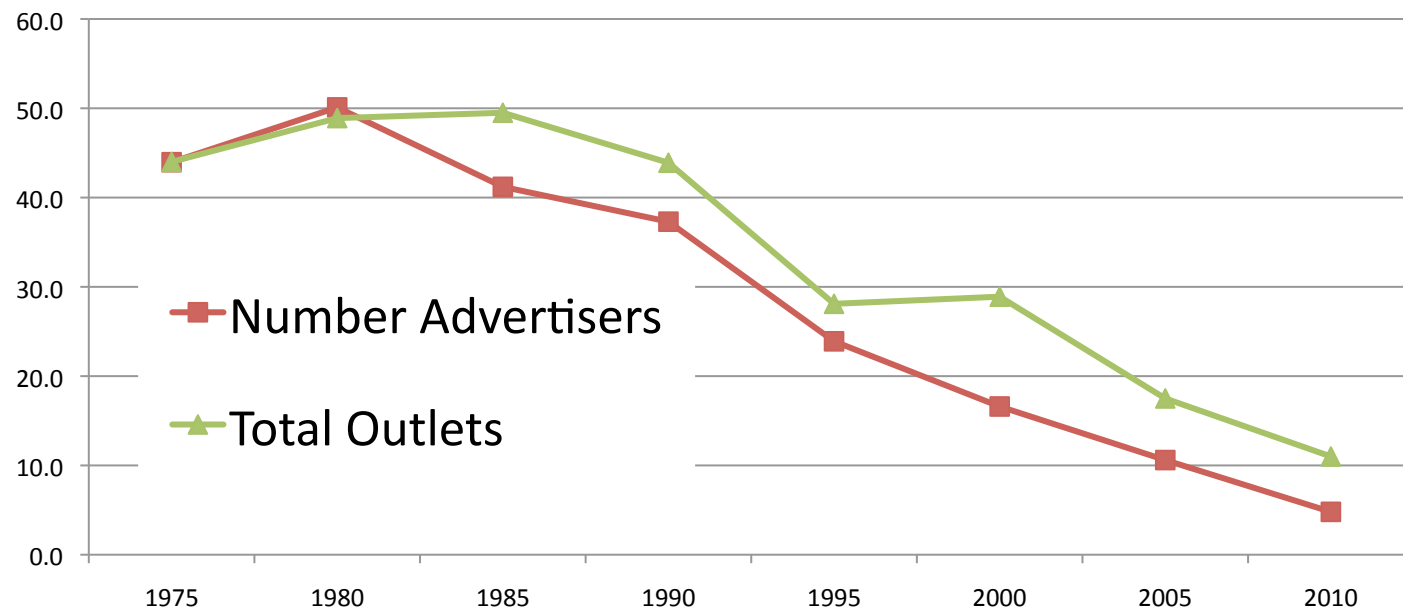
Appendix:

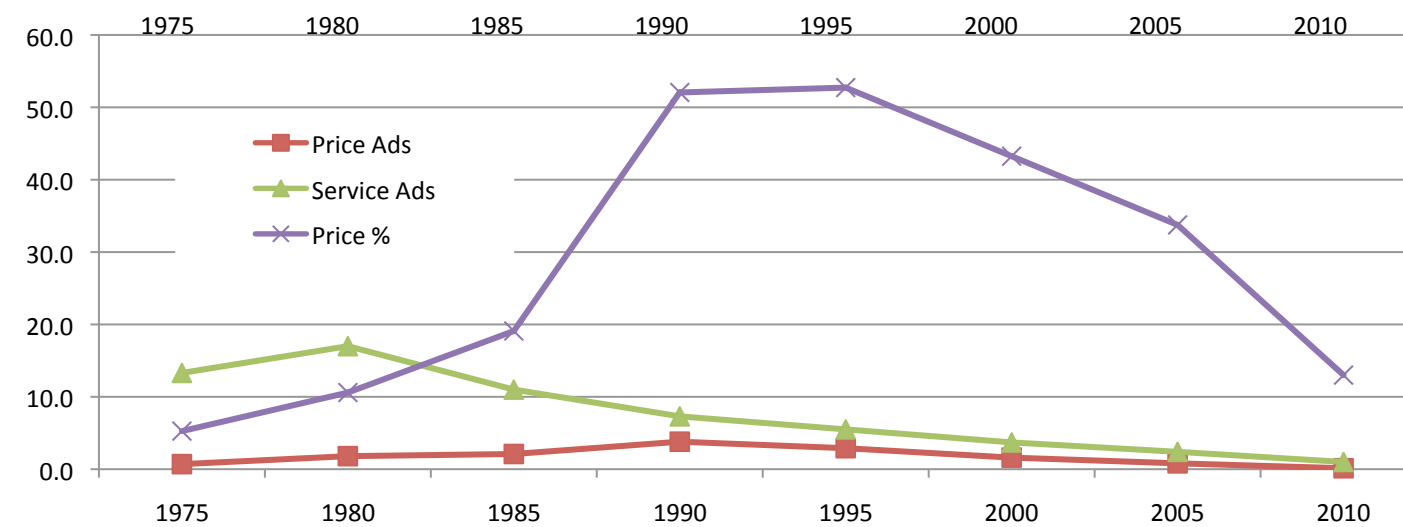
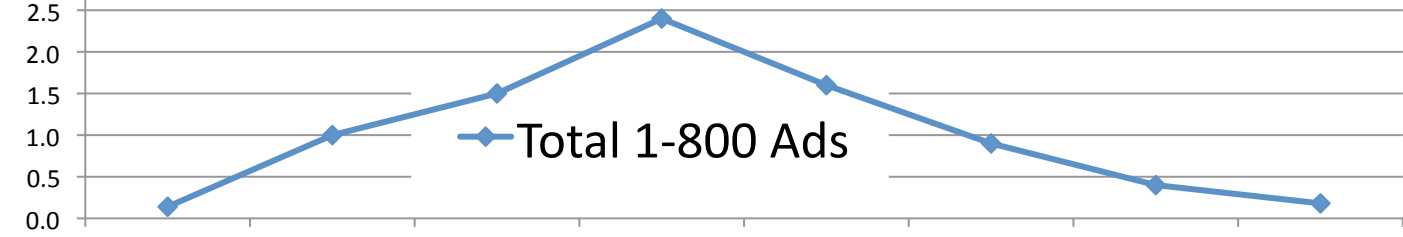
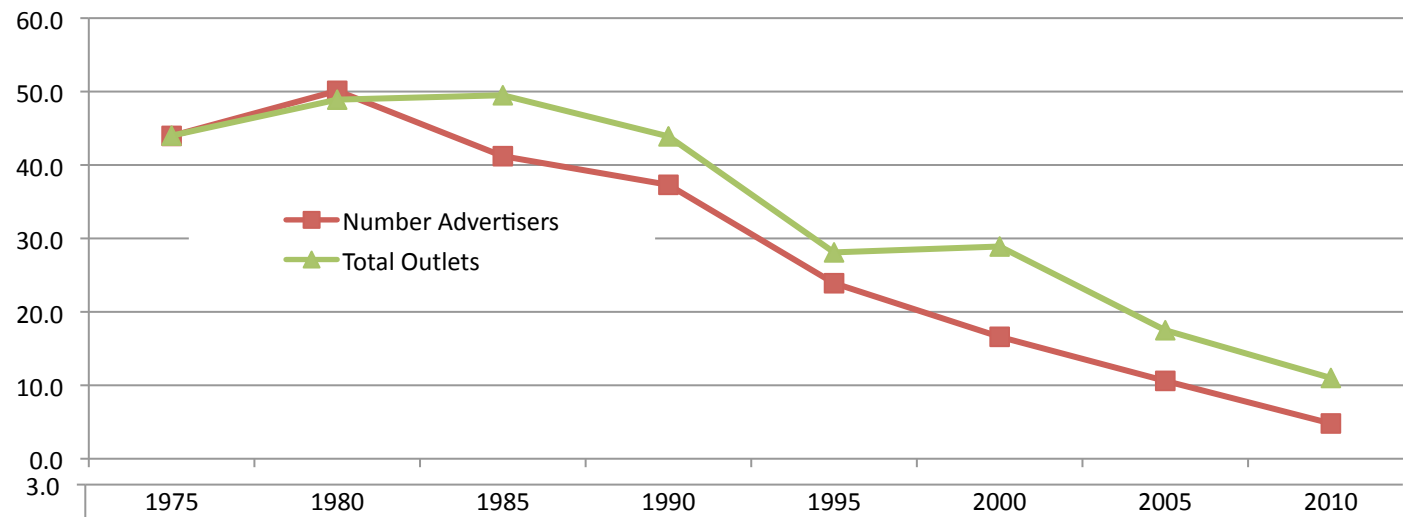
Multichannel Retailing Dynamics

- An example from the residential wallpaper market (with U. Kucuk and R. Maddux)

A Short History of Wallpaper Yellow Page Advertising in 35 Cities

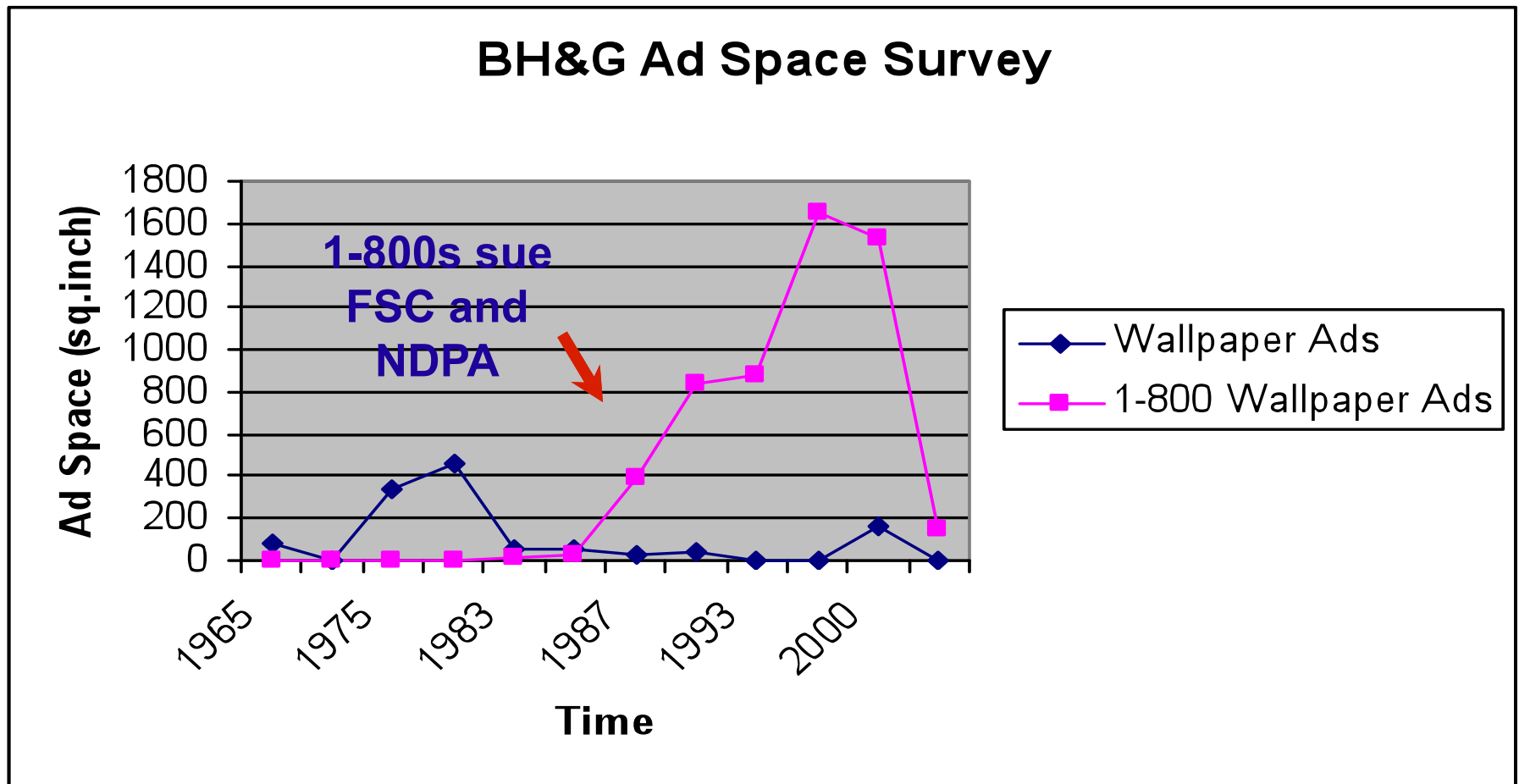






Analysis: Advertisement Space

Source: Better Homes and Garden Wallpaper Advertising 1965-2005 (every 5th year) (Total 27,453 pages surveyed)




The Industry in 70s:

Service Central Theme

Source: Yellow Pages, Seattle-WA (1975; page 1143)

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