

ROBERT LEMBRYCH-FURTAK

robert.furtak@poczta.umcs.lublin.pl

*Marketing Challenges and Opportunities in Multi-Channel
Distribution*¹

Wyzwania i możliwości marketingowe dystrybucji multikanalowej

Key words: multi-channel distribution; branding; marketing communication

Słowa kluczowe: dystrybucja wielokanałowa; branding; komunikacja marketingowa

JEL codes: M31; M39

Introduction

In recent years, more and more companies are using multi-channel distribution of its products or services. Already in 1999, Frazier [1999, p. 232] noted that “the use of multiple channels of distribution is now becoming the rule rather than the exception”. Popularity of multi-channel distribution stems not only from the development of new information and communication technologies, including the universality of the Internet. It is also a response to changing customer expectations and increasing their awareness. Another important factor is deepening the process of economic globalization.

Current scientific literature emphasizes that the multi-channel distribution is not synonymous with the use of several channels of distribution. Multi-channel

¹ This publication was financed by the Polish Ministry of Science and Higher Education through the grant of the National Science Centre, No. 2014/13/B/HS4/01612; titled: “Modeling of service distribution in network economy”.

distribution requires integration and coordination of channels at different levels: management, marketing, finance, etc. [Dahmen 2004, p. 96]. As a result, the customer can choose the best package of benefits.

Coelho and Easingwood [2004, pp. 1–29] identified a number of benefits of multi-channel distribution. The implementation of such a system of distribution increases sales, reduces costs, affects the quantity and quality of market information, reduces the risk of doing business. Sales of products or services grows among by reaching out to new market segments. The modern market is heavily fragmented, and representatives of some segments are increasingly demanding. Each distribution channel has the specific cost structure and the specific usability. As a result, it is possible to design the optimal – from the point of view of consumer needs and capabilities of the company – structure of distribution channels. As a result, customers are more satisfied, and the organization can achieve its market goals.

Expanding distribution channels can increase the effectiveness and efficiency of the company, while also can improve its adaptability. On the other hand, the benefits may be reduced by the destructive influences. Coelho and Eastingwood [2004, p. 10] mention, among others, the risk of lowering the level of satisfaction of some customers. The reason for this may be the fact that the sales of the product at different prices and/or diversification of the services offered by the various distribution channels. For example, a customer who purchased a refrigerator in a stationary store retail chain may feel cheated when she or he discovers that the same model is available in the online store of this network, but at a lower price. Another problem connected with multi-channel distribution is the increasing risk of various types of conflicts in the distribution channels. Most often, this happens when the participants of existing distribution channels are beginning to feel the effects of the introduction of a new sales channel. Sometimes channel extension may result in an increase, not a reduction in distribution costs. First of all, it is connected with the necessity of spending sometimes significant resources to new and innovative distribution channels. Another reason for the increase in costs may be difficulties in coordinate the increasingly complicated distribution system.

It is noteworthy that another problem resulting from the development of multi-channel distribution systems is the increased risk of losing the brand identity and blurring the brand image, and difficulty in managing customer relationships. The aim of the article is an analysis – based on the literature – of the marketing challenges and opportunities in the multi-channel distribution.

1. Building a brand in a multi-channel environment

Branding is a complex and lengthy process. The starting point of these activities should be to develop a brand strategy [Furtak 2015, pp. 64–68]. It should result from the company's marketing strategy. Brand strategy is a short document that

synthetically describes the essence and uniqueness of the brand, demonstrates its positioning. Brand strategy may include elements such as: the profile of the target segments, customers benefits, brand personality/brand archetypes, the essence of the brand.

The brand strategy is closely related to the brand communication strategy. Well-planned marketing communication supports the implementation of brand strategy (you can even assume that without effective communication it is not possible to implement the brand strategy). Brand communication takes place at three levels: verbal, visual and relational. Communication at the verbal level is a specific brand language, its verbal dimension. The most obvious feature of this language is a brand name, which should clearly show customers the essence of the brand. In addition to the brand name creation, the tone of voice should be established as well. The tone of voice is a set of rules governing the style of verbal communication. For example, the choice of words used in the brand communication, a way of writing advertising copy, etc. Nowadays more and more important is a graphic dimension of the brand (visual identity). Visual identity comprises of visible elements of a brand, such as its colour, typeface, shape, etc., which convey the symbolic meanings that cannot be imparted through words alone. A relational dimension includes the relationships of employees or other representatives of companies that are taking place both inside the company and in external contacts. The relational dimension is closely related to organizational culture, and a set of standards and procedures implemented in the company.

Each distribution channel has specific characteristics, which are related to certain costs and benefits to consumers. The benefits can include, for example, a short delivery time, low cost of delivery, convenience of ordering a product, the ability to choose additional services and many others. Costs are not only a price, but also the perceived risks associated with the use of the channel, waiting time for feedback and so on. As it is apparent from Figure 1, a multi-channel environment forms an intricate network of relations. Each segment has different needs and expectations associated with the distribution channel. For example, Lipowski's studies [2016b, p. 201] conducted on a national sample ($n=1,103$) show that in the case of older consumers (generation of Baby Boomers, born between 1945–1964) at the stage of looking for information there is a very strong aspect of the habit of personal contact. Other generations (Generation X, born between 1965–1980 and Generation Y – 1981–1996), selecting Internet channel, appreciate its speed, convenience and a large amount of information. On the other hand, consumers using a variety of channels have the ability to choose different combinations of benefits (taking costs into account). The simplest example would be a choice between buying a refrigerator in a stationary store with the supply, delivery and installation (included in the purchase price) and purchasing the product in the online store at a lower price, but without the benefit of additional services. In the case of a larger number of distribution channels, consumer decision-making process is much more complicated.

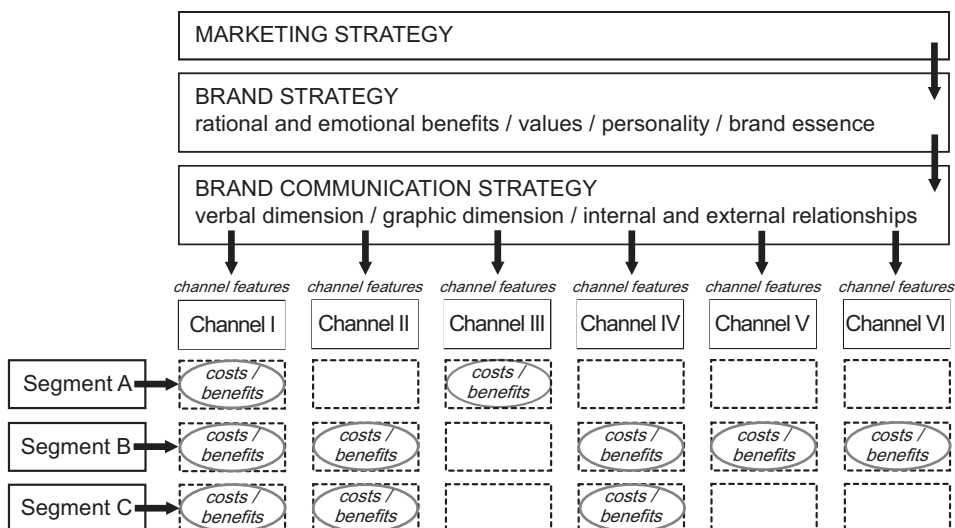


Figure 1. Building a brand in a multi-channel environment

Source: Author's own study, based on the American Marketing Association [2013].

2. Digital branding and multi-channel customer management

One of the characteristics of the multi-channel environment is the increasing use of new information and communication technologies. Rowles [2014, p. 3] argues that “Branding has fundamentally changed because of digital media”. Modern media enables two-way communication between the brand and consumers. Some brands run on social networks almost continuous dialogue with its customers. Wiktor [2013, p. 255] claims that the Internet, as none of the traditional media, allows the existence of any company, regardless of its size and disposable budget. For example, the Internet makes promotional campaigns or the distribution transcend national borders and continents. Unfortunately, the feature of digital media is also a risk of losing control over the content of messages. What consumers say to each other is much more reliable for them than what the brand says about itself. Verhoef et al. [2013, p. 28] argue that strong brands are particularly vulnerable to attacks. On the other hand, there is a chance to engage consumers in the process of branding. Brand is the opportunity to become more preferred by consumers due to the better fit for their needs [Leefflang et al. 2014, p. 6].

Modern technologies enable to collect and process vast amounts of information on consumer behaviour (*big data*). This allows, among others, automation of customer contact. Automated interactions undoubtedly affect the cost savings and increased productivity of marketing efforts. According to some researchers, there is a danger of reducing the level of customer satisfaction and of losing corporate image. Consumers

may feel forced to use modern forms of contact with the company. Secondly, poorly planned automation can suggest to consumers that they are not treated on an individual basis. There is, therefore, a need to monitor the impact of automation on the level of customer satisfaction and brand image [Leefflang et al. 2014, p. 7]. For some other applications come Horst and Duboff [2015, p. 81], who argue that “the temptation to neglect brand investments in the pursuit of sure sales is nearly irresistible”.

3. Distribution channels and marketing communication channels

In recent literature devoted to the integration of distribution channels there is more and more talk about omni-channels. This is another stage in the development of distribution channels. One of the changes is that omni-channel consists of more channels than the multi-channel distribution. In addition, differences between the various distribution channels are blurred. An important feature of this form of distribution is that there are no specific rules for use of such channels – consumers during the implementation of the decision-making process of buying smoothly move from one channel to another. For example, the buyer is looking for information in the Internet channel, then directly evaluates the product from the store, where using the browser on his/her smartphone checks the prices at online stores, and after returning home, orders the chosen product in one of them. In the case of such type of distribution, interactive channels can be also integrated with traditional mass advertising channels. For example, a special application developed by Vodafone is used to interact with customers during TV shows. In an omni-channel, the traditional division between interactive communication channels (information flows in both directions) and traditional communication (one-sided flow of information) becomes less obvious [Verhoef et al. 2015, p. 176].

Lipowski [2016a, p. 100] argues that the net economy causes the gradual disappearance of the differences between the distribution channels and communication channels. Thanks to modern technological solutions, there is the possibility of going directly to the purchasing process from the search for information by the consumer. Modern forms of communication encourage consumers to conduct a *click-and-buy behaviour*. This means that companies are finding it easier to sell their products or services without the use of commercial agents. The nature of these sales can be massive, and its reach even global. Intermediaries also use the advantages of modern technological solutions. For example, more and more online retailers only associate producer with the customer, not while doing any activities related to physical distribution. This greatly reduces the costs of operation of such enterprises (in particular storage and transport), while giving the opportunity to work with a large number of suppliers. Other vendors, using information intermediaries (*infomediary*; e.g. PriceGrabber.com or Ceneo.pl) and automating the process of adjusting prices to the prices offered by competitors, can achieve much better results from their sales.

In practice, it means that the appropriate algorithm is constantly watching over this, that the price offered by the dealer is always slightly lower than the prices of the competition (with an adequate level of profit).

Nowadays customer's anonymity is increasingly difficult to maintain. It is carefully used by manufacturers and retailers. A popular communication tool is *remarketing*, which is based on the data gathering from the *cookies* files [Kanary 2015, p. 124]. The information stored in these files allows you to "track" the consumer by advertising. And so, even after a single entrance to the site dedicated to the brand, the advertisement of this brand will be displayed on various websites for several days. This type of advertisement encourages consumers to click on the advert that will move them to the online store, so it allows immediate purchase.

The existence of a variety of communication systems through mobile devices (e.g. QR codes, NFC) is the ability to immediately access the desired information by consumers, as well as the opportunity to realize comfortable shopping. In 2012, the first virtual store Tesco was launched in the Seoul subway station. It was not a strictly shop, but the type of outdoor advertising in the form of images of shelves with goods, which enabled, using QR codes, quick and convenient on-line shopping. Tesco online sales in South Korea increased 130% since the introduction of the virtual store [dlahandlu.pl, 2012].

In December 2016, Amazon launched in Seattle its first grocery store without lines or checkout counters. Functions of cash register were *de facto* taken over by customers' smartphones [Melville 2017]. The way of shopping has been simplified to the maximum. Upon entering the shop the only task of the customers is applying their phone to the reader at the boarding gate. Clients just take off products they want and walk out. The order posts to your Amazon account afterwards. Payment is taken automatically from the client accounts.

Conclusions

The development of multi-channel distribution brings a lot of opportunities. Some researches show that [Neslin and Shankar 2009, p. 77]:

- a customer that uses multiple distribution channels is more loyal;
- this form of distribution stimulates greater turnover;
- marketing activities through the channel can enhance sales in another;
- multi-channel firms charge more than pure-play Internet firms;
- the Web tends not to cannibalize other channels.

Multi-channel distribution is a challenge for many companies:

- customer service becomes more and more complicated;
- brand management is difficult;
- in some cases channels require considerable investment;
- there is a risk that the company will dissipate their resources.

Due to the rapid development of multi-channel distribution it is necessary to take a number of further studies. First of all, it is necessary to determine how to create competitive advantage from a multi-channel distribution.

Bibliography

- Coelho, F.J., Easingwood, Ch., *Multiple Channel Systems in Services: Pros, Cons and Issues*, "The Service Industries Journal", vol. 24, no. 5, 2004 (September), pp. 1–29, <http://dx.doi.org/10.1080/0264206042000276810>
- Dahmen, P., *Multi-Channel Strategies for Retail Financial Services: A Management-Framework for Designing and Implementing Multi-Channel Strategies*, Springer Science & Business Media, Deutscher Universitäts-Verlag / GWV Fachverlage GmbH, Wiesbaden 2004, <https://doi.org/10.1007/978-3-322-81828-7>
- Frazier, G.L., *Organizing and Managing Channels of Distribution*, "Journal of the Academy of Marketing Science", vol. 27, no. 2, 1999 (spring) pp. 226–240, <https://doi.org/10.1177/0092070399272007>
- Horst, P., Duboff, R., *Don't Let Big Data Bury Your Brand*, "Harvard Business Review", vol. 93, no. 11, 2015 (November).
- Kanary, S., *How Remarketing Can Drive Results*, "Landscape Management", vol. 54, no. 10, 2015 (October), p. 124.
- Leefflang, P.S.H., Verhoef, P.C., Dahlström, P., Freundt, T., *Challenges and Solutions for Marketing in a Digital Era*, "European Management Journal", vol. 32, no. 1, 2014 (February), pp. 1–12, <https://doi.org/10.1016/j.emj.2013.12.001>
- Lembrych-Furtak, R., *Strategiczne aspekty zarządzania marką*, "Annales Universitatis Mariae Curie-Skłodowska. Sectio H. Oeconomia", vol. 49, no. 1, 2015, pp. 63–70, <https://doi.org/10.17951/h.2015.49.1.63>
- Lipowski, M., *Kanal komunikacji a kanał dystrybucji – zanikanie różnic i ich konsekwencje*, "Studia Ekonomiczne", Zeszyty Naukowe Uniwersytetu Ekonomicznego w Katowicach no. 254, Uniwersytet Ekonomiczny w Katowicach, Katowice 2016a, pp. 99–107.
- Lipowski, M., *Multikanalowość dystrybucji usług w gospodarce sieciowej*, Wydawnictwo Uniwersytetu Marii Curie-Skłodowskiej, Lublin 2016b.
- Melville, A., *Amazon Go Is About Payments, Not Grocery*, "Forbes", 2017 (January 20), <https://www.forbes.com/sites/groupthink/2017/01/20/amazon-go-is-about-payments-not-grocery/#509e4af567e4> (access: 13.03.2017).
- Multichannel Marketing Strategy. AMA Workshop*, American Marketing Association, March 2013, <https://www.slideshare.net/NancyWulz/multi-channel-marketing-strategy-i> (access: 13.03.2017).
- Neslin S.A., Shankar, V., *Key Issues in Multichannel Customer Management: Current Knowledge and Future Directions*, "Journal of Interactive Marketing", vol. 23, no. 1, 2009, pp. 70–81, <https://doi.org/10.1016/j.intmar.2008.10.005>
- Rowles, D., *Digital Branding: A Complete Step-By-Step Guide to Strategy, Tactics, and Measurement*, Kogan Page, London 2014.
- Verhoef, P.C., Beckers, S.F.M., van Doorn, J., *Understand the Perils of Co-Creation*, "Harvard Business Review", vol. 91, no. 9, 2013 (September).
- Verhoef, P.C., Kannan, P.K., Inman, J.J., *From Multi-Channel Retailing to Omni-Channel Retailing. Introduction to the Special Issue on Multi-Channel Retailing*, "Journal of Retailing", vol. 91, no. 2, 2015, pp. 174–181, <https://doi.org/10.1016/j.jretai.2015.02.005>
- Wiktor, J.W., *Komunikacja marketingowa. Modele, struktury, formy przekazu*, Wydawnictwo Naukowe PWN, Warszawa 2013.
- Wirtualny sklep to wydatek rządu kilkudziesięciu tysięcy euro*, dlahandlu.pl (December 13, 2012), <http://www.dlahandlu.pl/e-commerce/wiadomosci/wirtualny-sklep-to-wydatek-rzedu-kilkudziesieciu-tysiecy-euro,25924.html> (access: 13.03.2017).

Marketing Challenges and Opportunities in Multi-Channel Distribution

The aim of the article was to analyse the challenges and opportunities of marketing in the multi-channel distribution. On the basis of the literature, the author tried to present the issue of building the multi-channel brand and specifics of customer relationship management in multi-channel environment. In addition, attention was drawn to the phenomenon of the gradual disappearance of the differences between the channels of distribution and communication channels.

Wyzwania i możliwości marketingowe dystrybucji multikanalowej

Celem artykułu była analiza wyzwań i możliwości marketingowych w dystrybucji multikanalowej. Na podstawie analizy literatury została przedstawiona m.in. problematyka budowania marki multikanalowej. Omówiono także specyfikę zarządzania relacjami z klientami w środowisku multikanalowym. Ponadto zwrócono uwagę na zjawisko stopniowego zanikania różnic między kanałami dystrybucji a kanałami komunikacji.