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Multichannel selling – the key to success in retail

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Abstract

Theoretical background: The rapid technological development of the past decade has exerted a major influence on consumer behaviours and created new ways of reaching customers. The contemporary consumer freely switches between brick-and-mortar, online and mobile sales channels, expecting that a product will be available any time, any place. Such behaviours pose a serious challenge to retail enterprises, in particular in the context of integrating offline and online sales channels.

Purpose of the article: This paper aims to determine the extent to which contemporary enterprises need to implement multichannel strategies to ensure access to goods and services in order to satisfy the increasing expectations of purchasers and gain advantage in the highly competitive market. A broader thread of the discussions concerns the transformation of the so-called business models taking place in the present retail sector in Poland and across the globe.

Research methods: The problem discussed in this paper required a review of the relevant international literature at the initial stage in order to determine the results of theoretical and empirical research on the development of multichannel selling in the retail market in light of changing consumer purchasing preferences. The following available bases were used: ScienceDirect, Taylor & Francis Online, Emerald and SAGE Journals, as well as online research of market reports and statistical studies, which contributed to the analysis of the transformations occurring in the retail sector.

Main findings: This paper indicates two major marketing consequences for the enterprises applying multiple channels in gaining access to goods and services. In order to rise to market challenges, retail enterprises must not only employ the multichannel selling strategy but also ensure its integrity. In the face of such challenges, a new approach in creating unique values and solutions in the areas of logistics, distribution, promotion and pricing policy is required. Online sale channels pose a challenge to retail enterprises, in particular as regards delivering identical experiences and a consistent offer to the consumer.

Introduction

The rapid technological development of the past decade has exerted a major influence on consumer behaviours and created new methods of reaching customers. Contemporary consumers freely switch between brick-and-mortar, online and mobile sales channels throughout the purchasing process. The frequency of this type of behaviour depends on the continuously growing number of Internet users, who eagerly compare product and service prices using virtual comparison shopping engines while seeking the best offer. Such behaviours pose a challenge to retail enterprises, in particular in the context of integrating offline and online sales channels. This paper aims to determine the extent to which contemporary enterprises need to implement multichannel strategies to ensure access to goods and services in order to satisfy the increasing expectations of purchasers and gain advantage in the highly competitive market. In the face of the challenges related to the use of online channels, new business models in the area of logistics, distribution and pricing policy are required. The increasing interest in online shopping involves marketing consequences, in particular as regards delivering identical experiences and a consistent offer to the user.

Literature review

A retailer is *a dealer or trader who sells goods in small quantities* satisfying the desires and needs of the final purchaser (Sullivan & Adcock, 2003, p. 13). The rapid technological development over the past several decades has caused changes in consumer behaviours. When analysing customer needs, enterprises have commenced their multichannel activities consisting in using multiple (online, mobile and physical) channels for contacting the consumer as part of a single transaction process (Piotrowicz & Cuthbertson, 2014). It is worth noting that such activities should ensure uniform and unique user experiences (Piotrowicz & Cuthbertson, 2014). The new type of contemporary consumer requires an appropriate managers' attitude in

the area of the so-called multichannel customer management (Neslin et al., 2006). This is because multichannel marketing comprises synchronised management of the available channels and touch points to increase customer satisfaction (Melero et al., 2016). Research shows that customer management is a key factor in the multichannel strategy planning and implementation process and proper marketing communication could influence the purchaser's choice of a channel (Neslin & Shankar, 2009). Increasingly often, enterprises encourage consumers to use multiple channels at the same time through special offers such as: *buy online and collect in store* (Neslin & Shankar, 2009, p. 78). The selection of channels and their combinations is not an easy task for managers, as it requires the knowledge of the channels themselves, available options and their adaptation to the current business development strategy (Payne & Frow, 2004). An integrated multichannel strategy meets the needs of customers, who choose the best offer while migrating smoothly between channels. A good example is Dell's multichannel activity, where the customer can visit a brick-and-mortar outlet to see a computer and then use the Internet to check its specifications, contact the call centre to confirm his or her interest in the offer, and make the final purchase online (Payne & Frow, 2004). The reverse behaviour is described by the so-called ROPO effect (Research Online, Purchase Offline), where the buyer seeks information about a product online and then purchases it in a brick-and-mortar shop (Chaffey & Smith, 2013).

Research methodology

The research was carried out following a review of the international literature concerning the consumer shopping behaviour as well as the retail enterprise marketing strategies. The content from the following bases were used: ScienceDirect, Taylor & Francis Online, Emerald and SAGE Journals. Data from specialist market reports and international statistical studies was also analysed. The results allowed a comparative analysis of the dynamics of the transformations occurring in sales channels in global retail. The final conclusions – as a synthesis of the research – indicate that retail enterprises, in order to meet new challenges, must not only build multi-channel sales access, but also ensure its integrity to offer unique value for customers.

Results

A key observation from Deloitte's report titled *Global Powers of Retailing 2018*, which presents a list of two hundred and fifty top representatives of the retail sector in the world, is a departure from traditional business models and a need for better, demanding customer service with a harmonious use of offline and online channels. Table 1 presents sales results of the largest retail enterprises in the world.

Table 1. Sales results of the top 250 retail enterprises in the world

| Product sector profiles* | Number of companies | Average retail revenue (USD m) | Share of top 250 companies (in %) | Share of top 250 revenue (in %) |
|-----------------------------|---------------------|--------------------------------|-----------------------------------|---------------------------------|
| Fast-moving consumer goods | 135 | 21,685 | 54.0 | 66.4 |
| Hardlines and leisure goods | 51 | 14,698 | 20.4 | 17.0 |
| Apparel and accessories | 43 | 10,055 | 17.2 | 9.8 |
| Diversified | 21 | 14,354 | 8.4 | 6.8 |
| Top 250 | 250 | 17,643 | 100.0 | 100.0 |

* sector classification criterion: over 50% revenue from sales in a given product category

Source: (Deloitte, 2018).

Enterprises selling fast-moving consumer goods prevail in terms of number (135 businesses, which constitutes 54% of all examined entities) and size (with the average revenue of USD 21.7 bn). As demonstrated in Table 1, enterprises operating in this sector account for 66.4% of the revenue generated by all 250 top retail organisations included in the ranking list. Enterprises selling hardlines and leisure goods are ranked second in the list in terms of number of entities (20.4%) and recorded growth of 7.6% (in comparison to the previous year) in terms of revenue from sales in 2016 (Deloitte, 2018). They are followed by enterprises selling apparel and accessories, which generated the average revenue from sales amounting to 9.8%. The last group in the list comprises enterprises where no product category generates at least 50% of the revenue from sales. Businesses with diversified operations constitute the smallest group among the top retailers and recorded a drop in revenue from sales (1.3% yoy) in 2016. The rapid development of the information and communication technology over the past several decades has had a major impact on the shape of the contemporary retail (Choshin & Ghaffari, 2017). As the technology has evolved, consumer habits have shifted towards purchasing goods and services *via* the Internet (Nisar & Prabhakar, 2017).

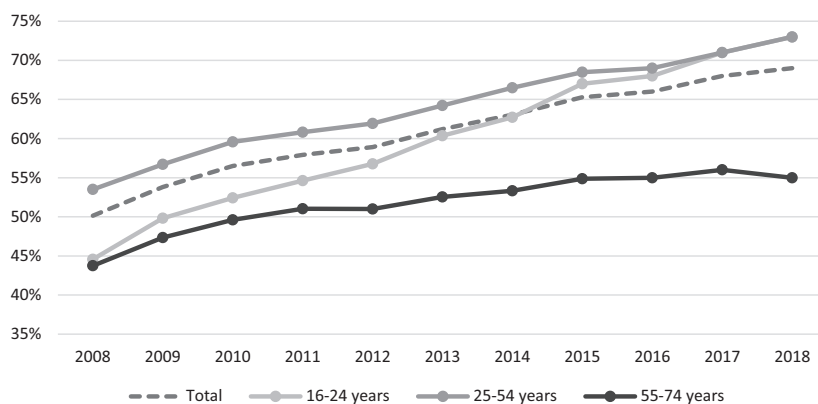


Figure 1. Internet users who have bought or ordered a product or service for private purposes over the past 12 months by age group in the European Union member states in the period 2008–2018 (in %)

Source: (Eurostat, 2018).

Online shopping becomes increasingly popular year on year. As shown in Figure 1, in 2018, the largest group were consumers aged 16–24 and 25–54 (73% each). The main factors encouraging purchasers to buy online include: the possibility to shop any time, any place (Lim, 2015), verification of a supplier’s reliability and the high availability of information about a product (Mosteller et al., 2014), and a wide product range (Lim, 2015). The popularity of online shopping is also conditioned on the continuously growing number of Internet users across the globe (The World Bank, 2019). According to the World Bank’s report on telecommunications development, merely 17.5% of the world population had access to the Internet in 2006, whereas the 2016 figure was 45.8% (The World Bank, 2019).

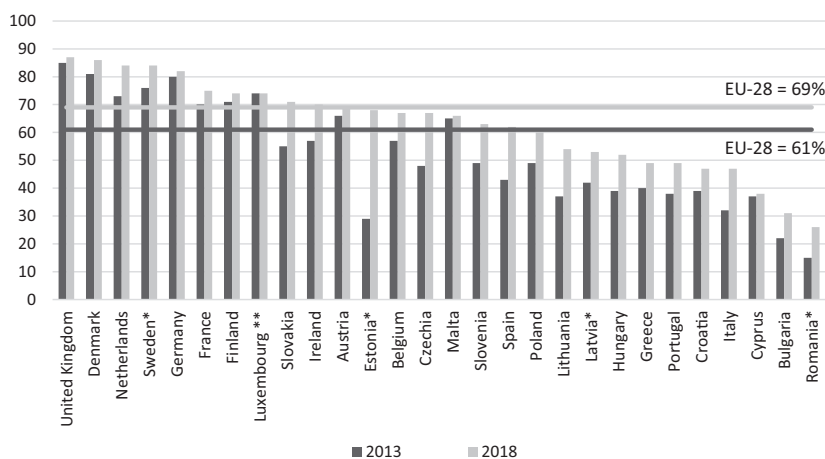


Figure 2. Internet users who have bought or ordered goods or services for private purposes over the past 12 months in the individual European Union member states in 2013 and 2018 (in %)

* Estonia, Latvia, Romania and Sweden data for 2013 is not comparable to 2018 due to a change in the survey methodology

** Luxembourg: break in series for 2018

Source: (Eurostat 2018).

As is evident from Figure 2, in 2018, 69% of Internet users in the EU-28 (aged 16–74) purchased or ordered goods or services for private purposes – a growth of 19% compared to 2013. In 2018, the highest percentage of Internet users shopping online was recorded in the UK (87%), Denmark (86%), the Netherlands (84%), Sweden (84%) and Germany (82%), whereas the lowest was recorded in Romania (26%), Bulgaria (31%), Cyprus (38%), Italy (47%) and Croatia (47%). The study carried out by Eurostat shows an increased interest in new sales channels among purchasers, and this trend is likely to prevail in the future. It should be added that contemporary consumers also use the Internet as a tool for obtaining information about products and other buyers’ experiences in order to use it for shopping in brick-and-mortar

outlets (Skowronek, 2011). The effect of a higher shopping activity among Internet users is the simultaneous growth in electronic sales, as presented in Figure 3.

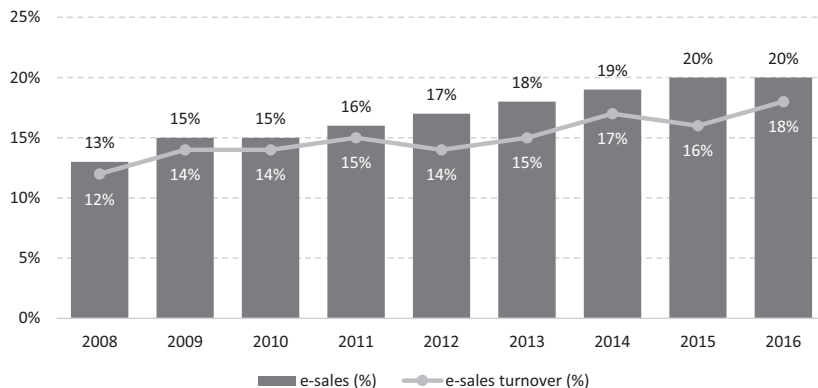


Figure 3. E-sales and e-sales turnover in the EU-28 in the period 2008–2016 (% of enterprises, % of total turnover).

Source: (Eurostat 2017).

The period 2008–2016 saw a growth in e-sales from 13% (2008) to 20% (2016). As a result, nearly 20% of European enterprises provided e-sales in 2016. This illustrates the increasingly more intensive use of online sales channels in EU businesses.

Discussion

Consumer behaviours have been dynamically changing in recent years, and so have methods of communication between enterprises and customers. Contemporary consumers smoothly shift between brick-and-mortar, online and mobile channels in the whole purchasing process (Piotrowicz & Cuthbertson, 2014). Buyers verify products online, and collect information about offers and prices to make the final purchase offline; this is the so-called ROPO effect (Chaffey & Smith, 2013). The research conducted among Polish consumers reveals that the ROPO effect is the strongest in the category of hardlines, which are bought irregularly, usually at higher prices, and the main customer expectation is their full functionality over a long period of use (YourCX, 2018). The frequency of this type of behaviour depends on the constantly growing popularity of social media and online platforms enabling consumers to compare product prices (Bilińska-Reformat & Wolny, 2017).

The research carried out among British consumers indicates that they prefer to buy food products in the online shops owned by the same retail chain as the brand of the offline shops where they make purchases (Melis et al., 2015). Another study, in turn, shows that loyalty to a retail chain brand can be higher online than offline

as a result of applying the so-called purchase history (Dawes & Nenycz-Thiel, 2014). For instance, Tesco, a British retail chain operating internationally, offers its customers a quick shopping process based on a list of previously bought products. The tab “previous orders” enables a purchase of the same product with no need to search for them again (Tesco, 2019). Consumers change brands online more often than offline due to the saved list of bought products (Danaher et al., 2003; Dawes & Nenycz-Thiel, 2014). Applying online forms of selling is comfortable, brings retailers significant financial and operational benefits, and enables them to reach a larger number of prospective customers (Sullivan & Adcock, 2003).

Apart from measurable benefits, multichannel selling in retail involves numerous challenges, in particular in the context of integrating offline and online sales forms. A group of enterprises, even when employing multiple channels to reach customers, often face problems related to delivering identical experiences or a consistent offer to the user (Piotrowicz & Cuthbertson, 2014). Despite the growing popularity of online shopping, consumers are still interested in brick-and-mortar shops, where they can assess the physical properties of products by touching them (Piotrowicz & Cuthbertson, 2014). Another significant advantage is easier access to a wider range of products for the buyer and no limit on the sales space for the vendor (Sullivan & Adcock, 2003).

A major challenge to a retailer using multiple channels is posed by logistics. In the Christmas season, the goods consumption peak affects online and offline sales channels alike and requires a high capacity of the logistics system (Sullivan & Adcock, 2003). Marketers find it problematic to design suitable buyer experiences in the online channel, e.g. ones related to the physical properties of a product and personal assistance from the staff, which is natural for consumers using offline channels (Sullivan & Adcock, 2003). Building consumer confidence in online payment acceptance is important in online sales forms. When products are purchased in the virtual space (where the payment is also made), the perception of risk increases among consumers (Chandra et al., 2010). Research demonstrates that, for mobile forms of payment, cooperation with a trusted service provider is essential. Choosing a reliable entity helps overcome buyer uncertainty (Chandra et al., 2010) and therefore informing customers about the simplicity and security of the adopted forms of online payments is an important task for marketers.

A business model determines how an enterprise behaves in customer and intermediary relationships (a website, comparison shopping engines, social networking websites) (Kowalczyk et al., 2017; Chaffey & Smith, 2013). A well-designed business model defines the specific actions of the entity, and makes a major contribution to building competitive advantage and maximising profits and values (Kowalczyk et al., 2017). In the face of rapid technological development, old business models are replaced with new ones, which respond to the needs of the changing market. Therefore, it is important that the employees responsible for creating business models understand their position in the virtual world, where a massive flow of users between websites, search engines,

intermediaries and competitors is noticeable (Chaffey & Smith, 2013). The fact that there are multiple channels through which consumers can be reached is also a challenge in the online environment itself. Some customers visit a vendor's website only once and make a purchase on the spot, while some enter it on purpose having memorised its address earlier and others are navigated there through intermediary websites as a result of multiple searches for content (Chaffey & Smith, 2013). Such intermediary channels could be blogs, pay-per-clicks, advertising on a website and social networking websites. Consumer interest in alternative forms of purchasing goods and services obliges enterprises to reassess the value offered to the customer, the method of communicating with the purchaser and the building of long-term loyalty.

Conclusions

Multiple channels in gaining access to goods and services is an important element of business strategies in a highly competitive market. The contemporary consumer expects that a product will be available any time, any place. An increase in buyers' interest in new online sales channels has been noticeable over the past several decades, as evidenced by the findings of the study of the EU e-commerce market conducted by Eurostat.

The virtual space provides new opportunities as regards methods of contacting and communicating with the customer as well as establishing cooperation with intermediaries in order to generate leads. It is worth remembering that despite the growing popularity of online shopping, consumers are still interested in traditional forms of selling. Today's purchasing process encompasses the simultaneous use of online and offline channels in making consumer decisions. In order to rise to such challenges, retail enterprises must not only employ multiple channels to enable access to their offers but also ensure their integrity. In the face of such challenges, new business models that deliver unique values and solutions in the area of logistics, distribution and pricing policy are required. The growing interest in online shopping has marketing consequences, in particular as regards ensuring identical experiences and a consistent offer to the user.

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