

# CD2024 633EC RETAIL E CHANNEL MANAGEMENT

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# Retail Management: A Strategic Approach

Thirteenth Edition, Global Edition



## Retail Management

*A Strategic Approach*

THIRTEENTH EDITION

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## Chapter 6

# Web, Nonstore-based, And Other Forms Of Nontraditional Retailing

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# Retailing

A firm born as

SINGLE-CHANNEL

Only one retail format



It may turn to

MULTICHANNEL



and may become

OMNICHANNEL

Multiple retail format



# Multichannel vs Omnichannel



**What are the differences?**

# Multichannel



**seldom integration or coordination among separate channels.** Seeks to maximize the performance of each separate channel.



In addition to competing against other retailers, **its channels are competing against each other** (e.g., a store manager and a Web executive may compete against each other)



Multichannel retailers do not allow consumers to buy goods online and return them to a local store.



Less likely to have integrated databases that can determine a customer's purchases across channels

# Omnichannel



Focuses on consumers' use of **multiple devices and channels** throughout the consumer's retail journey to a single purchase.



An omnichannel approach rewards customers for purchases made through all channels.



**There's a coordination and integration between channels**, what matters is maximizing the opportunity sell, regardless the place (physical or virtual) of the transaction



*e.g.*, Web site or mobile app containing information on in-store product availability, the ability to reserve the goods online for in-store pickup.

# Approaches to Retailing Channels

## Examples of Single-Channel Retailing

Store-based retailer, such as a local apparel store, operating only one store format

Mail-order sporting goods retailer selling only through catalogs

Online CD/DVD retailer that only does business through the Web

## Examples of Multichannel Retailing

Store-based retailer, such as a local gift store, also selling through mail order

Store-based retailer, such as a jewelry store, also selling through the Web

Store-based retailer, such as Target, having a Web site and affiliating with a Web-based firm such as CyberMonday.com

## Examples of Omnichannel Retailing

Store-based retailer, such as a beauty retailer, also selling through catalogs, direct selling, and the Web

Store-based retailer, such as a drugstore, also selling through the Web and leased departments in discount department stores

Store-based retailer, such as Macy's, having a Web site, other Macy's stores (Macy's Backstage), and operating other store brands (Bloomingdale's)

# Non-store Retailing

- Retailing strategy that is not store-based
- direct marketing
- Web-based retailing is the fastest- growing area
  - M/SMS-commerce
  - Social commerce

**Even non-store retailers can be single-channel**



# Direct Marketing

- Customer is initially exposed to a good or service through a non-personal medium and then orders by mail, phone, fax, smartphone, or computer
- Leading countries include
  - USA
  - Japan
  - Germany
  - Great Britain
  - France
  - Italy
- Example: Bofrost

# Strategic Business Advantages of Direct Marketing

- Reduced costs
- Lower prices
- Large geographic coverage
- Convenient to customers (no queues, no trouble of parking...)
- Ability to pinpoint customer segments
- Ability to supplement regular business without additional outlets

# Strategic Business Limitations of Direct Marketing

- Products often cannot be examined prior to purchase
- Costs may be underestimated
- Response rates to catalogs under 10%
- Clutter exists – the number of e-mails and direct marketing proposal is vast.
- Long lead time required – printing catalogs in advance may cause problems (too low stock, higher price than expected)
- Industry reputation sometimes negative

**Is technology / web a limitation?**

# Database Retailing

- Collection, storage, and usage of relevant customer information
  - name
  - address
  - background
  - shopping interests
  - purchase behavior

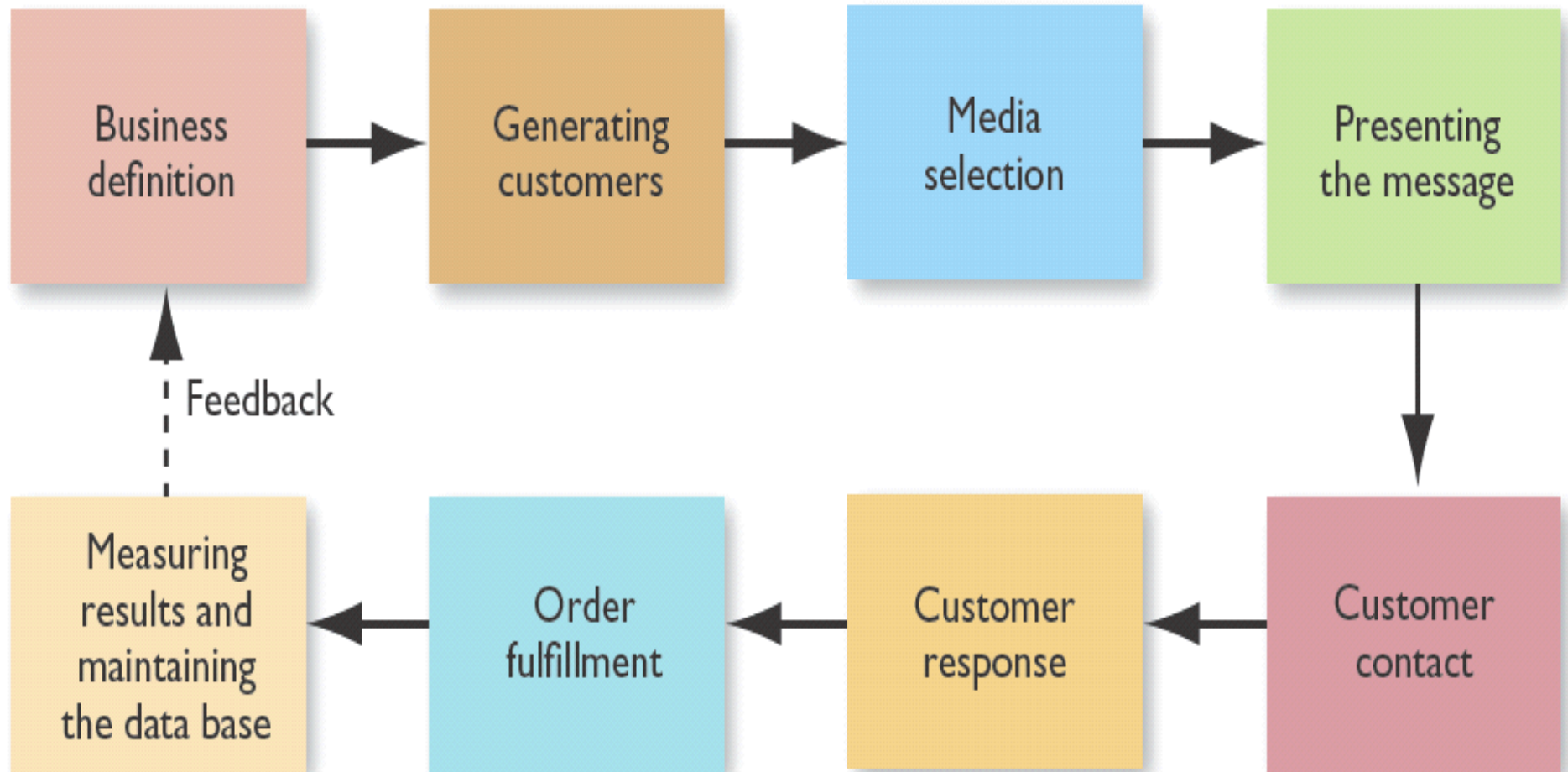
# Emerging Trends

- **Evolving activities** (web and mobile technology had a huge impact on direct marketing, pushing database retailing)
- **Changing customer** lifestyles that have pushed towards direct marketing (less time to go to shop physically, easiness and security of online payments...)
- **Increasing competition** (direct marketing reduces costs allowing companies to compete on price)
- **Increasing usage of dual distribution channels** (multichannel and omnichannel)
- **Changing media roles, technological advances, and global penetration** (market segments are better targeted)

# Selection Factors by Customers

- Company reputation and image
- Ability to **shop whenever consumer wants**
- Types of goods and services – **variety**
- **Availability of toll-free** phone number, **Web site** or mobile **app** for ordering
- Credit **card acceptance**
- Speed of promised delivery time
- **Competitive prices**
- Satisfaction with past purchases and good return policy

# Executing a Direct Marketing Strategy



# Generating Customers? How?

- Buy a mailing list
- Advertising
- Past customers

**Other ideas?**



# Media Selection

- Printed **catalogs**
- **Direct-mail** ads and brochures
- Inserts with monthly credit card and other bills (statement stuffers)
- Freestanding **displays**
- **Ads** or programs in mass media
- Banner ads or hot links on the Web
- Video kiosks

# Outcome Measures (RFM)

- Overall response rate (R)
- Frequency of purchases (F)
- Average purchase amount (M)
- Sales volume by product category
- Value of list brokers

# Web Strengths: Consumer Appeal

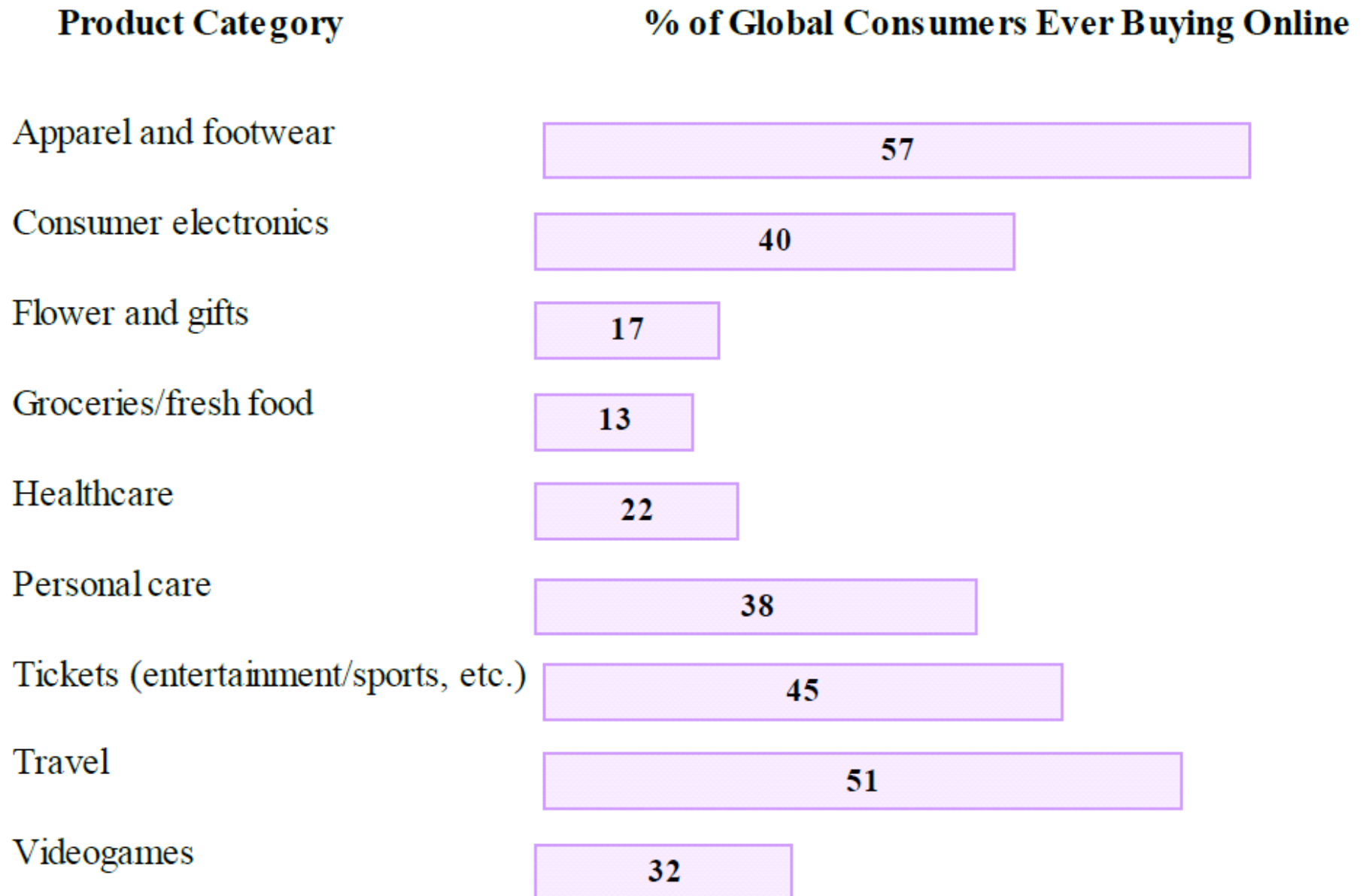
## Using the Web

- Information
- Entertainment
- Interactive communications
- Personalization
- Peer-reviews

## Shopping Online

- Low search costs
- Endless selection
- Prices
- Convenience
- Fun

# Global Consumers' Online Retail Purchases, 2016 (Selected Product Categories)



# How has the World Wide Web Changed Shopping Behavior?

- Decoupled ordering, payment, and delivery
- Website design/interaction – drives retailer image
- Fulfillment/reliability: 24/7/365. Buy, pay, pick-up anywhere, anytime
- Customer service – info from retailer, must also provide peer-reviews
- Security/privacy – personalize for “me only when I need it”

# Reasons NOT to Shop Online

- Lack of trust in retailer
- Fear of fraud
- Lack of security (credit card access)
- Lack of personal communication
- High shipping costs

# Checklist of Retailer Decisions for the Web

- ✓ What are the company's Web goals? At what point is it expected that the site will be profitable?
- ✓ What budget will be allocated to developing and maintaining a Web site?
- ✓ Who will develop and maintain the Web site, the retailer itself or an outside specialist?
- ✓ Should the firm set up an independent Web site for itself or should it be part of a "cybermall?"
- ✓ What features will the Web site have? What level of customer service will be offered?
- ✓ What information will the Web site provide?
- ✓ How will the goods and services assortment differ at the Web site from the firm's store?
- ✓ Will the Web site offer benefits not available elsewhere?
- ✓ Will prices reflect a good value for the consumer?
- ✓ How fast will the user be able to download the text and images from the Web site, and point and click from screen to screen?
- ✓ How often will Web site content be changed?
- ✓ What staff will handle Web inquiries and transactions?
- ✓ How fast will turnaround time be for Web inquiries and transactions?
- ✓ How will the firm coordinate store and Web transactions and customer interactions?
- ✓ What will be done to avoid crashes and slow site features during peak shopping hours and seasons?
- ✓ How will online orders be processed?
- ✓ How easy will it be for shoppers to enter and complete orders?
- ✓ What online payment methods will be accepted?
- ✓ What search engines (such as Yahoo!) will list the retailer's Web site?
- ✓ How will the site be promoted: (a) on the Web and (b) by the company?
- ✓ How will Web data be stored and arranged? How will all of the firm's information systems be integrated?
- ✓ How will Web success be measured?
- ✓ How will the firm determine which Web shoppers are new customers and which are customers who would otherwise visit a company store?
- ✓ How will the firm ensure secure (encrypted) transactions?
- ✓ How will consumer privacy concerns be handled?
- ✓ How will returns and customer complaints be handled?

# Recommendations for Web Retailers

- Develop or exploit a well-known, trustworthy retailer name
- Tailor the product assortment for Web shoppers
- Enable the shopper to “click” as little as possible-  
Amazon.com one-click option
- Provide an effective search engine
- Permission-based use of customer information



# Recommendations for Web Retailers

- **Include ratings and reviews** for customers to increase consumer information and to reduce risk
- **Personalize the shopping experience** for each shopper based on past purchases and previous Web searches
- **Include free shipping** or one time shipping fee for unlimited shipping

# Optimizing Customers' Web-Based Service Experience

- **Service experience based on delivery speed**, speed with which questions are answered, customer's ability to find suitable product and accurate portrayal of good (features, color, style and fit)

# Optimizing Customers' Web-Based Service Experience

- Access to call center personnel through instant messaging and Email
- Personalization - Use of computer algorithms to show suggested products
- Customer reviews
- One-click checkout
- Demonstration videos

# Omni channel Retailing

- Seeks synergies among formats (get product information on Web, order through catalog, pick-up in store)
- Retailer views each channel as creating value (immediacy of store, 24/7 of Web, long lasting impression of catalog)
- **Channels are viewed as complementary, not competitive**

# Principles of Omni Channel Retailing

- Use **same product identification in all channels**
- **Price** goods the **same in all channels**
- Assess infrastructure economies. Direct marketer data base and delivery system.
- Cross promote goods across channels.
- Use suitable partners (Amazon to sell, Fedex to deliver)

# Nontraditional Retailing

- Nontraditional retailing includes hybrid formats that do not fit into store and nonstore-based categories to extend retailers' footprint :
  - Vending machines
  - Video kiosks
  - Airport retailing

# Vending Machines

- Vending machines are a cash- or card-operated retailing format that sells goods and services.
- Eliminates the use of sales personnel and allows 24-hour sales. Lowers costs and risks.
- Machines placed wherever convenient for consumers, but not for store.
- 95 percent of the \$50 billion in annual U.S. vending machine sales involve hot/cold beverages and food items.

# Video Kiosks

- A video kiosk is a freestanding, interactive, electronic computer terminal that displays products and related information.
- Some kiosks are located in stores to enhance customer service; others let consumers place orders.
- There are 2.2 million video kiosks in use throughout the world, nearly 1 million of which are Internet-connected.
- Examples: Iliad, McDonalds



# Airport Retailing

- Large group of prospective shoppers
- Captive audience
- Strong sales-per-square-foot of retail space
- Strong sales of gift and travel items
- Difficulty in replenishment
- Longer operating hours
- Duty-free shopping possible