

# [A study of multi channel retailing marketing essay](https://assignbuster.com/a-study-of-multi-channel-retailing-marketing-essay/)

According to the section A, the three psychometric test results can help the author better realize her learning style, personality and preferred team role. Furthermore, it also reflected that she is suitable to work in the marketing field. Marketing include many activities such as product development, market research, positioning, promoting product or service through different channel and etc (Gronroos, 1989). So marketing is vital in most companies and industries. In this project, the author will focus on retail industry which the area almost customers purchase in.

To become a marketing manager, getting to know and study how to increase customer satisfaction and customer loyalty is very important. If customers satisfy with the brand or firm, they will easy to become a firm’s loyal customers and they will spend more money to the firm than non-loyal customers. So customer loyalty is strongly connected with the company’s profit and long-term growth (Yun and Good, 2007).

But in the retail industry, there are a lot of factors that would affect the customer loyalty. In a recent survey (Lee and Kim, 2008), it found that if retailers could provide multi-channels for customers when they make a purchase, they would become more loyal. Therefore the author would like to study how companies increase customer loyalty through their multi-channel operations in the retail industry. Thus the research topic is the study of multi-channel retailing towards customer loyalty and the author choose Wal-Mart, the successful global multi-channel retailer in the world as a case. This topic is related to the author’s expected career choice and helps to further develop her career path.

Aims and Objectives of project (Incomplete)

The aims and objectives of this study are:

The relationship between satisfaction and loyalty

The importance of customer loyalty for a company to succeed

The future trend of multi-channel retailing

The effect of customer loyalty through multi-channel operations in retail industry

1. 3 Outline of Part B (Incomplete)

The rest of this study is divided into four parts. It is organized as follows.

1. Introduction

In this section, it will introduces

2. Literature Review

3. Findings and Analysis

4. Conclusion

## Setting the Scene

2. 2 The changing of retail industry

The retail industry divided into a number of smaller sectors such as department store, jewelry, home products or something that sell to the end-users directly. Traditionally, retailers only sell products to the customers through their physical stores in single channel. That mean customers need to go to the retailer’s store to buy what they want.

But in recently, the format of retailing has been changed (Lowson, 2005). The reason was consumer demand shift to more complex and complicated especially in some sectors such as household goods and youth culture (Dawdon, 2001). They though that the traditional in-store retail have limited geographical accessibility when they decided to make a purchase (Chatterjee, 2010). That why some largest retailers like Wal-Mart, started to change their traditional retail format into multi-channels to fulfill customer needs.

An eMarketer survey conducted that about 88. 9% of companies sell their goods through multiple channels. About 4. 1% and 7% of retailers respectively sell in stores and internet only in 2004. It is represented that channels multiply can increase retailer’s market coverage (Chatterjee, 2010). Also customers who use multi-channel would buy more and loyal to the firm, so they are the best and most valuable customers for a retailer (Cleary, 2000).

Background information of Wal-Mart store

Wal-Mart is a leader and successful retailing store founded in America. Not only succeed in U. S., Wal-Mart is also the world’s second largest corporation in 2009 (Fortune Magazine, 2009) while is the biggest one in 2008 (Fortune Magazine, 2008).

Wal-Mart was founded by Sam Walton in 1962 (Walmart Corporate, 2010a). It was a discount store at the beginning and become Wal-Mart store on 31 Oct, 1969 (Walmart Corporate, 2010b). Wal-Mart had growth rapidly. Nowadays, they have more than 8416 stores located all around the world.

“ Saving people money to help them live better” is Wal-Mart’s mission and goal said by Sam Walton. Save money to have better life is a majority of customer’s expectation. According to their mission, Wal-Mart need to provide better service and convenience way to satisfy customer needs. So they expand their sales channel to set up Walmart. com in January 2000 for customer to access and purchase product from Wal-Mart easily (Walmart Store, 2010a). It gives the opportunity for customer not only purchases in physical store, they can buy and order product through online channel. Then they can pick-up or return their products at the local store.

## Literature Review

3. 1 Introduction

Everyone would have its own buying habit. They will base on their needs and wants. No matter in which industries, consumers would conduct primary information at first when they decided to purchase a product or service. Then they will subsequent to find more detailed information and evaluate which retailers can provide the best value for them (Balasubramanian, Raghunathan and Mahajan, 2005).

Lower information search cost, convenience, better customer service and security are all significant values that affect customer’s buying intention (Slack, Rowley and Coles, 2008).

In the multi-channel environment, customer satisfaction and trust are key elements towards customer loyalty. Sirdeshmukh, Singh and Sabol (2002) mentioned that if multi-channel retailer desires to gain customer loyalty, they must gain their trust first. After retailer build trust with the consumers, they will more satisfy and willing to repeat purchase through multi-channel operations.

3. 2 Customer loyalty

Loyalty is one of the important marketing concepts (Lichtle and Plichon, 2008). According to Dick and Basu (1994), they defined customer loyalty as “ the strength of the relationship between an individual’s relative attitude towards an entity (brand, service, store, or vendor) and repeat patronage”. When a person repurchases a product under his preferences without any pressure, he is loyal to the store or brand (Lichtle and Plichon, 2008). Customers intend to buy the product again when he satisfied the experiences with product before so that customer satisfaction is relatively related to customer loyalty (Donio, Massari and Passiante, 2006).

3. 2. 1 Customer satisfaction

Customer satisfaction is the degree of a person feels pleasure or contentment on the product or service that a firm could satisfy the customer needs, wants and expectations (Hellier, Geursen, Carr and Rickard, 2003). Under the scholar Oliver’s explanation, satisfaction can be defined as “ the consumer’s fulfillment response, which is a judgment that a product or service feature, or the product or service itself, provided a pleasurable level of consumption related fulfillment, including levels of under or over fulfillment” (Oliver, 1997). If the product or service’s performance is match with the customer’s standard, it will occur the confirmation. The positive disconfirmation would create when product or service’s performance is exceeding the customer’s standard and expectation. That means it result in satisfaction. In contrast, it will lead to dissatisfaction if the performance under the expectation. It would create negative disconfirmation (Cadotte, Woodruff and Jenkins, 1987).

Satisfaction/

Dissatisfaction

Disconfirmation Belief

Expectations

Figure1. Disconfirmation-of-Expectations process

Source: Cadotte, Woodruff and Jenkins (1987)

In the customer aspect, except people satisfy on the products, salespeople and store environment, there are another factors would affect the customer satisfaction (Chiou and Shen, 2006). They are perceived value, core service quality and relational service quality (McDougall and Levesque, 2000). Yun and Good (2007) also stated that customer satisfaction would affected by store image attributes.

3. 2. 1. 1 Benefits of customer satisfaction

Increase customer satisfaction can bring a lot of benefits for firm such as acquire new customer through positive word-of mouth and referrals from the existing satisfied customer. Also, it can keep the satisfied customer to revisit stores and repeat purchase (Rust, Zahorik, and Keiningham, 1995). Because those customers who satisfied the product or service’s performance are more likely will repurchase it again (Chiou and Shen, 2006). It is important for firm to increase its profitability.

3. 2. 2 Customer satisfaction leads to customer loyalty

Loyalty is a type of psychological or behavioral habit. Customers can be measured by both behavioral and attitudinal phase (Chiou and Shen, 2006). Behavioral means customer purchase product or service in the same brand repeatedly and regularly. Therefore customer loyalty can be measured by purchase sequence or RFM (Recency, Frequency and Monetary value) which are some customer actual purchase behavior.

As attitudinal phase, customer intent to repurchase to the same brand which means he has developed a positive feelings toward to the store or brand. Hence, loyalty is built up on the customer’s positive attitude first and his repeat purchase behavior is the result of feelings (Lichtle and Plichon, 2008).

Loyalty

Attitude toward loyalty behavior

Satisfaction

Disconfirmation

Figure2. Disconfirmation model

Source: Lichtle and Plichon (2008)

There is the strong and positive relationship between satisfaction and loyalty (Lichtle and Plichon, 2008). According to the number of scholars, satisfaction has been identified as the key driver towards customer loyalty (Chiou and Shen, 2006). In general, higher customer satisfaction would lead to higher customer loyalty (Ball, Coelho and Machas, 2004). On the other literature, customer satisfaction also identified as predecessor of store loyalty intention (Yun and Good, 2007). It would affect customer’s attitude, retention and loyalty to the store (Lee and Kim, 2008). It is a vital factor that would lead to customer loyalty toward the store and retailer (Lee and Kim, 2008). Therefore the primary and major goal of most companies is to build a high customer satisfaction (Lichtle and Plichon, 2008).

Donio et al. (2006) stated that companies should keep the satisfied customers and build the long-term relationship with them because loyal customers are the business competitive asset and major factor that lead the organizations to be success. It would help the organization to earn more 25 to 85% profit if the loyalty rates raise 5% (Lichtle and Plichon, 2008). Another reason is retaining the old customers is less costly than attracting the new one (Donio et al., 2006; Storbacka, Strandvik and Gronroos, 1994). That means a loyal customer is more valuable to the firm than those new and less loyal customer. It can be lead to the positive result on the company’s long-term profitability (Ribbink, Riel, Liljander and Streukens, 2004).

Hence, marketing managers must need to understand customer expectations and try to satisfy them (Lichtle and Plichon, 2008). This can lead to enhance customer loyalty to firm when managers better allocate of resources after they realize the customer satisfaction on expectation (McDougall and Levesque, 2000). In addition, it is also important for companies to invest much effort to increase their customer’s loyalty.

3. 2. 3 Customer trust and customer loyalty

Except the factor of customer satisfaction, customer trust would also affect customer loyalty. Customer consider trust is one of the most decisive antecedents, especially when they using internet to make a purchase. It is influence customer willing or unwilling to repeat purchase directly (Teltzrow, Meyer and Lenz, 2007). Trust can be explained as someone who builds confidence in honesty to other party (Garbarion and Johnson, 1999). Usually, trust in organization can be divided into three extents. They are ability, benevolence and integrity (Schlosser, White and Lloyd, 2006).

Ability is the firm has skills to perform the job could give confidence to the consumers (Schlosser et al., 2006).

Benevolence is a part of trust and it would strongly to affect loyalty (Ball et al., 2004). It is “ the firm has a positive orientation toward its consumers beyond an egocentric profit motive” (Schlosser et al., 2006).

Integrity is a firm interacts with its customers directed by a set of moral rule (Schlosser et al., 2006).

Customer captured confidence from quality and reliability of the services provided by the retailer (Garbarion and Johnson, 1999). If retailer has ability to give more confidence to the customer, consumer trust would raise. Loyalty would affect positively by increased customer trust (Ball et al., 2004). Customer trust is important for retailer to build loyalty and maintain long-term relationships with them (Garbarion and Johnson, 1999; Sirdeshmukh et al., 2002; Ball et al., 2004; Ribbink et al., 2004). It would influence the consumer’s attitude and risk that willingness to repeat purchase directly (Teltzrow et al., 2007).

3. 3 Multi-channel retailing

Nowadays, cross-channel sales are becoming more and more common in the retailing industry (Teltzrow et al, 2007). A mix of channels is also the future trend in this global market (Balasubramanian et al., 2005). Many companies started to supplying products to consumers in different channels. Multi-channel which means retailers not only sells in the single channel, they are using more than one channel to deliver the products or services to the customers (Slack et al, 2008).

Retailer using multi-channel can offer better service to the customer than those traditional brick and mortar store (Walsh and Godfrey, 2000). Companies would provide a number of channels for customer to access then the customer could choose which channel is best suit and convenience for them to satisfy their needs. A major type of channels includes physical store, internet, mail order catalogues and telephone.

3. 3. 1 Importance of multi channels integration

In this global business world, multi-channel integration is moving towards by most retailers. This condition is increasing because a number of consumers are expected they can easy and convenience to purchase products through a wide range of different channels (Stone, Hobbs and Khaleeli, 2002). But it is difficult for company to well-integrated a number of channels. It need to well planning to link with multiple channels (Berman and Thelen, 2004).

Internet is a new marketplace for retailers to expand their business and convenience way for consumers to search anything they want. Since internet can fulfill a majority of channel’s functions like provide information, order and payment, so internet is a type of multi-channels (Slack et al., 2008). This online marketplace can help companies easy to found customers and provide their customers the ability to access a company’s different selling channels effortlessly (Ganesh, 2004).

In order to better know the customer’s expectation and try to satisfy their needs and then loyal to the store, many retailers would invest money to build up their own internet-based channels (Ganesh, 2004) and integrate those channels for different processes and activities (Slack et al., 2008). Hence well multi-channel integration is very important to the retailers because it could improve customer loyalty and retention (Ganesh, 2004).

3. 3. 2 The advantages of multi-channel retailing

Multi-channels retailers “ make available a greater and deeper mix of service outputs to the final customer” (Chatterjee, 2010). This service allow customer to choose which order and pick-up options are available and convenience to them. It increases the choices for customers to interact with a company and ability to switch from different channels easily (Stone et al, 2002). Sometimes, shoppers could learn about the product depending on their preferred channels (Cleary, 2000) and reduce their information search cost. So it would enhance their satisfaction and retailer loyalty with more service outputs (Chatterjee, 2010).

Not only benefit to consumers, multi-channels also given synergies to the firm (Chatterjee, 2010). Retailers could obtain more new customers through varies channels (Verhoef and Donkers, 2005). Also, multi-channel strategies could help retailers expand their market coverage, save transaction costs, raise the buying motivation of customer and strengthen the relationship between buyer and retailer (Chatterjee, 2010).

3. 3. 3 The disadvantages of multi-channel retailing

Although multi-channel could bring a lot of advantages to retailers, but there are also some drawbacks when retailers operated multiple channels. For example, retailer needs to spend great amount of maintenance costs to integrate a number of channels without adding to overall sales. Retailer also needs to invest huge amount of money to handle and interact customers data while customer using internet-based channels.

These above investments will increase retailer’s overall operating costs. In addition, it is difficult for retailer to maintain uniform positioning, pricing and marketing strategy across different channels. This restricts firm’s flexibility in both varies market spaces (Chatterjee, 2010).

3. 4 The factors that lead customer loyalty in multi channel retailing

While number of retailers is growing in the retailing industry, the competition between retailers is very intense. Besides, customers demand are also become higher especially the services provided by retailers (Yun and Good, 2007). Shoppers expected that they can shop anyplace, anytime or even anywhere. If the retailer cannot given the channels that preferred by the shoppers, then shoppers will select another retailers which available in various channels (Bagge, 2007). So it is difficult for retailers to keep their customer loyalty and retention (Yun and Good, 2007).

Based on the changing of customer’s need and complexity of customer’s demand, multi-channel is becoming a great demand of customer’s alternative shopping channels. To satisfy the needs of consumers, a lot of retailers started to change their operation format from product-centric to customer centric business. This format can help retailer to meet the expectations of customer easily and provide uniformity customer service dictated by multiple channels (Bagge, 2007). There are some factors that would affect customer loyalty in multi-channel retailing.

3. 4. 1 Reduce information search cost

In multi-channel retailing, customers can buy and return products through multiple means like physical stores, telephone or internet (Ganesh, 2004). According to Lee and Kim (2008)’s research, they found that consumers would spend much more money on shopping, repurchase the same products and revisit the stores through multi-channels are more loyal to the retailers than consumers only using a single channel. It was because almost people thought that time are very valuable. They prefer they can search information and purchase more convenience and saving more time.

Multi-channels seem could reduce the customer’s information search cost because internet could provide a large number of useful information related to the products or services that the customer desired (Lee and Kim, 2008). It can help customers faster and effectively to make better consideration in the early information search process (Balasubramanian et al., 2005).

When customers use retailer’s web to gather product information, they almost search in four aspects. They are price, style, promotion and merchandise availability (Lee and Kim, 2008). If retailers could provide more convenience channels, customers seem intent to use those channels again and again (Slack et al., 2008).

3. 4. 2 Provide better service

Expect the reason of convenience; provide better service such as accurate and adequate information are also important for customers when they search in retailer’s web site. If retailer can deliver better and effective information to the customers through internet, it is easy for retailer to build preferable relationship with customers (Yun and Good, 2007).

Since customer receive better service from retailer, they will have more satisfaction. After they satisfy the service of retailer, they will feel more loyalty and desire to purchase again with the retailer (Lin and Sun, 2009).

3. 4. 3 Increase retail store image

In addition, the ability of retailer deliver a product or service through different channels can help to build up retailer’s store image positively. Retailers develop a high and powerful store image can increase customer shopping experience. Store image can be personality. It can be described as the retailer store’s overall look and atmosphere of the store given to the customer. There are three types of store image attributes used by shoppers to evaluate their impression to the retailer store include merchandise attributes, service attributes, and store shopping atmosphere attributes (Yun and Good, 2007).

Since traditional retailer cannot give a great store image to customer, so if retailer provides a lot of channel choice and better service to the customers, they will feel the store image of retailer is higher.

According to the retailer operate in multi-channel, they are not only put their effort to enhance their service and environment in the physical store. Clear, eye-catching graphical information and user friendly web surface are also important for retailer to increase their store image (Yun and Good, 2007). Customer will influenced by these store atmosphere and web site performance (Carpenter and Moore, 2006). Develop a high store image can exceed the customer expectation, so it can attract more customers and increase customer retention rate (Yun and Good, 2007).

3. 4. 4 Customer trust in multi channel retailing

Customer trust is very important when the customer choose to use retailer’s multi-channel strategy (Hahn and Kim, 2009). While retailer operates a company in multi-channel, it usually involves offline and online store. But purchasing online often would lead customers have high level of risk and uncertainty because customers need to provide a lot of personal information such as address and credit card number during the transaction. These are all privacy of the customers. So retailer need to protect and use customer’s personal information safely.

Furthermore, customer usually use another channels to purchase when they have trust to the retailer offline store before. They are willing to purchase more and recommend the channel that they had use to their friends or family. It can see that customer trust is related to increase satisfaction and loyalty (Hahn and Kim, 2009).

Therefore, customer trust is a key factor for retailer to capture customer loyalty no matter in online or offline area (Chiou and Shen, 2006; Hahn and Kim, 2009). If customers have trust to the retailer, it can reduce their uncertainty. Teltzrow et al. (2007) indicated that customers are more willing to purchase again when they have lower uncertainty and risk.

3. 5 The relationship between customer loyalty and multi channel retailing

As the channel’s numbers are increasing in the retailing industry (Ganesh, 2004), it may easily for retailers to fulfill and satisfy different customer’s needs and hardily to get their loyalty to the firm. Because varied customer may have distinct needs and wants. Some of customers may like to perform the entire shopping activities in a single channel such as from information search to buy the product all in the physical store. But certain of them may like to purchase through different channels (Balasubramanian et al., 2005). For example, they may order products on the website or phone call and then purchase and pick up or return it at the store.

If a company could provide not only one but more channels, there must be a channel able to meet the needs of the customer. This represent multi-channel retailing provide freedom and power for customers to choose what, where, when and how to shop (Lee and Kim, 2008). So that these multi-channel strategies can help to build customer loyalty to the retailer since it improve the portfolio of service outputs (Slack et al., 2008). The ‘ multiplicity’ is let retailer to put customer at the heart of their business (Bagge, 2007).

## Application of multi-channel retailing towards customer loyalty in Wal-Mart

Today, Wal-Mart is not only the leader in the pure retailing industry, it also leading the development of multi-channel retail. After reviewing the above literature, it is stated that retailer operate multi-channel will have a positive direct effect on customer loyalty clearly. It will apply the above literature and further study the factors that Wal-Mart increases their customer loyalty through different channels in the following section.

4. 1 The reason of expanding sales channel in Wal-Mart

In 21st century, retail business is become more complex due to increasing of customer demands. Especially in the youth culture, they are relying on computer and use much time on internet everyday. They like to shop not only in the physical store but also on the internet. Based on the American Customer Satisfaction Index, it found that customer’s satisfaction rate with web retailers is 83 out of 100. It was higher than store-based retailers that only rate 75 during 2002 (Tsao, 2003).

Therefore, retailer needs to expand their sales channel to meet their customer needs, interact and satisfy them. According to the survey conducted by Multi-Channel Merchant and Sterling Commerce, it stated that retailer will eliminate and lag behind very soon if they without multi-channel operations (Progressive Grocer, 2008). So the successful global retailer, Wal-Mart need to provide a good shopping experience to keep their customers satisfy and loyal to their store through expand and integrate sales channel.

In January 2000, Wal-Mart set up Wal-Mart. com which is an online store. After it added various channels for customer to choose and access, its customer satisfaction rate was 78. The ranking was high and it reflected that customer would more satisfy if they can cross-channel shop with the retailer (Tsao, 2003). The Shop. org indicated that shoppers who use multi-channel would spend more and loyal to the store. They conducted that cross-channel shoppers would visit the retailer’s store 70% more frequently and spend 50% more than the shoppers only shop in one channel (Lee, 2001). That means these cross-channel customers are very valuable to Wal-Mart to gain profits. Therefore, multi-channel seem can attract new customers and gain their loyalty.

4. 2 The retail formats of Wal-Mart

In U. S., Wal-Mart store mainly provide offline and online platforms for customer to purchase products. Wal-Mart’s offline stores include Supercenters, Discount stores, Neighborhood markets and Marketside. They are normally provided general commodities and variety of food products. People need to go to these physical stores to purchases and pick up their goods within specified hours (Walmart Corporate, 2010c).

Walmart. com is an online store that available for customer search, purchase and order items through internet in 24 hours, 7 days a week. Then customers can pick up products in their local Wal-Mart’s physical stores. These multi-channels can let customers to buy and get products cross two different channels (Walmart Store, 2010a).

The factors affect customer loyalty through cross-channel sales in Wal-Mart

Based on the literature review in section 3, it concluded that majority of customer would loyal to the store through multi-channel mainly focus on some factors. They include how store can provide better service, reduce customers information search cost, increase retailer’s store image and build trust with them.

According to the different expectations and needs of people, different channel format of retail operations can satisfy and fulfill varied customer needs. For instance, customer can purchase online and get the items from his optional location when he wants to buy something that not available in his region.

Wal-Mart store can provide the above needs of customer such as convenience, consistency in better service and promotions, security and also faster delivery time to achieve their satisfaction and loyalty.

4. 3. 1 Convenience

No matter shop in offline or online, convenience is an important element when people decide to make a purchase with the retailer.

Customer can find thousands of items on Wal-Mart’s online store. The online store also divided into various departments like a local Wal-Mart store. Customer just needs to click on which department they like, and then it will show a full list of categories such as home, toys, baby goods and etc that available in the department. It is easy for shopper to know the product’s detail information and compare the price with other retailer (Walmart Store, 2010b). It can minimize shopper’s information search time and search more efficiency.

Also, Wal-Mart online store provide a great quantity of products same as offline store. Some products may even only sell online. That mean customer can find the same product they bought in store before. Customers can choose to order at home through internet and then pick up the items in store. It gives a convenience way for customers to repeat purchase.

4. 3. 2 Consistency in better service and promotions

Wal-Mart had integrated their multi-channel services and promotions together. They promote and offer discount for customer through online shopping. They provide online coupons and specials offer for customers to use within expiry day. Customer can get extra discounts or promotional savings. They can also purchase product free for shipping. Therefore, sometimes customer may buy products through internet is cheaper than buying in store.

Discount offer is a type of loyalty programs. Loyalty programs are firm given a series of benefits to customer and then lead to increase their store loyalty (Uncles, Dowling and Hammond, 2003).

Wal-Mart is launching this program to reward customers who use cross-channel to complete their transaction. They hope that using their different channels to offer discount for customers can attract them to retention. So cross-channel sales can increase customer loyalty.

4. 3. 3 Security

To increase customer satisfaction in multi-channel environment, retailer needs to provide high quality of trust to customer (Tsao, 2003). Customer trust is the most important element when people using internet to cross-channel shopping (Hahn and Kim, 2009).

As Wal-Mart involves their sales channels in physical store and internet, it would increase customer’s uncertainty because they need to disclose a number of privacy during the online transaction. Usually, if customer willing to purchase in retailer’s online store, they had build trust with the retailer before. So they need to transfer their trust from retailer’s physical store to online store. So retailer must give trust and confidence to assurance customer

-trust transfer from physical stores to the Internet are required. 2

Customer trust is very important when the customer choose to use retailer’s multi-chann