

Does multi channel
retailing have more
impact



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Today the most interested subject to talk about the new economy. This new economy is digital economy. Our market are characterized by hyper-competition, that disruptive technologies are challenging every business and that businesses must adept to the empowered consumer. The digital revolution has placed a whole new set of capabilities in the hands of consumers and businesses. Economy is changing vary rapidly. The retail industry has experienced numerous up-downs, store closing, bankruptcies

Despite the failure of many dot-com companies customers continue to validate the concept of e-commerce with their wallet. Online business to consumer sales in the United States totaled \$29 billion during 2000, nearly a 100% increase over 1999. In the face of increase competition from discount houses and specialty stores, department stores are waging a comeback war. In addition to location in the centers of cities, many have branches in suburban shopping centers, where parking is plentiful and family incomes are higher. Supermarkets have also increased their promotional budgets and moved heavily into private brands.

There is huge competition not only between different type of stores but competition in the different retail channels as well as. There are so many retail channels like door-to-door selling, Telemarketing, catalogue marketing, television direct response marketing, Vending machines.

New economy has placed a new whole set of capabilities to the customers and businesses like:

1. Buyers have access to net so they are click away from comparing competitor prices and product attributes.

2. Today a buyer can purchase almost everything over the Internet like: furniture (Ethan Allan), washing machines (Sears), management consulting (Ernie),

Medical advice (cyber docs), books (Amazon. com), computers (Dell), shoes (Nike),

Participate for almost everything (ebay. com).

3. Buyer's can purchase by mobile phone at any time 24 hour's a day like:

Order for pizza (Domino's Pizza), fund-transfer (phone-banking).

4. Buyer's can customize their orders like the color, shape, size, and combination the way they like. Example: Nike for shoes, GM for car customization and Dell for their computer configuration.

Retailing:

Retailing includes all activities involved in selling goods or services directly to final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing. So any organization who is directly selling their product to final consumers - whether it is a manufacturer, wholesaler or retailer is doing retailing. It doesn't matter how they are selling their goods or services by telephone, mail, vending machine, Internet, or by person.

Traditional Retailing:

Traditional Retailer means street stores, neighbourhood grocery shops that sell products from their stores. These stores mostly deal in single line products like garment shops, shoe show rooms, watch shops, liquor shops, bookstalls etc. Traditional retailers do have several natural advantages, such as products shoppers can actually see, touch, and test, real life customer service, no delivery lag time for small or medium-sized purchases and they also provide the traditional shopping experience.

The early years of retailing was mainly street-based where retailers traded from small independent stores located on the streets. The small store limited the range of merchandise that retailers could offer. Shoppers had to deal with the weather conditions as they browse along the street. There were no elevators, escalators or travelators to ease the amount of walking shoppers had to do. They also faced limited parking space on the streets.

These retailers have some general attributes like

- ; Small-scale business
- ; Mostly deal in daily consuming items, cosmetics, and high turnover products.
- ; Basically these retailers have ownership
- ; They sell their products to final consumers.
- ; They don't put much effort for advertisement.
- > They have very little capital.

- > They sell their products to the customers who visit the shop.
- > Price flexibility, customer can bargain.
- > Proper attention to each customer.
- > Easy to approach.
- > They generally do businesses with traditional way.
- > More flexible about terms.

Jeff Bezos, chief executive of Amazon. com, readily admits, “ The physical world is still the best medium ever invented.” Despite the recent explosion of e-commerce, the vast majority of shoppers will do their purchasing in physical retail locations in the near future. By the highest estimate, online retail sales in the United States will be less than 5% of total estimated U. S. retail sales. If stores continue to find innovative ways to attract customers, this percentage could very well be lower.

Multi Channel Retailing:

Multi Channel Retailing is a concept in which product are selling to the customers by more

then one channel. Retailing industry has experienced numerous bankruptcies and shop closing. This is the era of big super markets like Safe Way and Coles Myer. Pure dot com companies like Amzon. com and ebay. com directly sells to customer and as a result have already removed middle man. It is very difficult to survive for small stores and keep their business to run on

store or by one channel like only selling by catalogue or door- to- door marketing company (Eureka Forbs) Now retailers cannot depend on one way of sale like they were. Now they have to keep track of customers who like to purchase online, by telemarketing or by catalogue shopping.

There are so many ways of retailing and they can simply choose two or more from them to strong their sell. It is less risky as well as it gives better output and best utilisation of precious resources. There are so many ways to sell the product like telemarketing, online, door to door marketing, store base sell, catalogue marketing etc. Today consumer wants to purchase without going far, they want to change the way of their purchase often. Now consumers don't want to purchase where the product is but they want to purchase the way they like. Many customers don't want to go to shops sometime and just they want the product by purchasing online from the shop where they go and purchase or just they make a phone to get product.

Like some times you go and purchase pizza from shop but sometime when you have guests

At home u just call and ask them to send pizza at your house. Providing accessibility and convenience is the solution but achieving profitability in the process can frequently seem impossible. Well, one of the biggest irritants to consumers these days, you go online, you find what you like, then you go into the store to touch it and buy it, except in the store it's 10 or 15 bucks more. And you can bet we'll see less of that as multi-tiered retailers learn more about consumer attitudes and about the combined online-offline total shopping experience.

Multi-channel retailing is potentially a fantastic concept. Tying in customer activity on a Web site with stores and call centers could make a vast improvement to customer satisfaction, because shoppers get to choose, at their convenience, whether to shop remotely or at a store. If customer satisfaction improves, so will revenues.

Now the days have gone for the seller who heavily depends only on there one source of sell.

This we can see by the failure of pure dot companies in last decade and they are countless, and it shows that now customers preferences are changing, competition is going very high so one can not sit easily depending on stores or only for online sites.

Types of Channel:

Online Channel: Internet today functions as an information source, an entertainment source, a communication channel, a transaction channel, and even a distribution channel. Now company or retailer can open his site and can offer his best offer to customers.

They can show their product details, price and other information. If someone wants to purchase that product he can purchase online only. There are so many pure dot companies who are selling online their product to customer.

Like Dell is selling his computers online, Dell manufactures a PC only after receiving a web site order from a customer who designs the desired computer on Dell's configure choice board and who pays in advance by clicking in his credit card-Number.

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Telemarketing: It involves the use of the telephone and call centers to attract prospects, sell to existing customers, and provide service by taking orders and answering questions. It helps to increase revenue, reduce selling costs and improve customer satisfaction. Retailer can use call center for inbound telemarketing (receiving calls from customers), and outbound telemarketing (initiating calls to prospects and customers)

In 1998 , telemarketers sold \$482 billion worth of products and services to consumers and businesses. The average household receives 19 telemarketing calls each year and makes 16 calls to place orders.

Catalogue Marketing (sales people with wings): it involves sending an offer, announcement, reminder or other item to person. Using highly selective mailing lists, direct marketers send out million of mail pieces each year- letters, flyers, foldouts, CD's etc. It can be used to advantage with present customers (selling them additional items from your line), in prospecting for new customers (generating inquiries for additional information).

It is very effective medium of sell; the \$87 billion catalog industry jumped 8% annually from 1993 to 1998 (Kotler, MM). The direct marketing association estimates that there are currently up to 10000 mail order catalogs of all kinds. The success of this channel is depends on the company ' s ability to manage its customer lists carefully so that there is little duplication and very little return.

Door-to-Door Marketing: This is one of the old and original channels of marketing. People are hire to sell the product or service by approaching door

to door. Sales are made at customer's place, customer can purchase product at his house.

Vending Machine: It is used for a variety of merchandise, including impulse goods like cigarettes, soft drinks, coffee, candy, newspapers, magazines, and other products like hosiery, cosmetics, hot food, mobile recharge kit, and paperbacks.

Television Direct Response Marketing: Some television channels are dedicated to selling goods and services. Home shopping Network, which broadcasts 24 hours a day, consists of the program's hosts offering bargain prices on such products as jewelry, lamps, dolls and power tools. Viewers call in their orders on a toll free number and receive delivery within 48 hours. Million of adults watch home shopping programs and close to half of them buy merchandise from a home shopping program.

Advantage of Multi Channel Retailing

1. Increases Sales Volume:-It increases sales as we add new channels to our business. Every

channel will contribute their part of sale, which ultimately increases the sale. As if we add new channel sell by mails we get more customer because end of the day you get more customers, more orders by mail so your sales get increases.

2. Increases Profit:- As we add new channel our sales get increases and as sales increases it means our profit will increases faster. We get benefit for higher sales volume and we get advantage on bulk purchases. So it is likely

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that as you add a new channel to business you increase your profit more frequently.

3. Increases customer inflow:-As channel get increases ultimately our customer inflow will increases because now we get extra customers from new channels. As customer inflow increases it is likely that our sale will increase and more customer come to know about our shop or business.

4. Utilization of resources:- As channel get added , we get more sale , more inquiries , more customer inflows so ultimately we can utilize our all precious resources. We can utilize all our men power, utilize capital and ultimately per customer inflow rate will come down which indicates maximum utilization of all resources.

5. Win Competitors:- When we add some channel which is not used by competitors, become a cash cow because we get extra advantage over our competitors. We can sell our product by new channel, which our competitors are not using. New channel will give new customer inflow and increases sell. Nike and Adidas both are the leaders of shoe market but Nike has extra advantage over Adidas is that customer can order shoe online and customer can customize his shoes as well, so as Nike getting more sales than Adidas from few years. If customer doesn't find shoes to a near by shop he can purchase online as well.

6. Increases Market Share:- As we add channels, we get new market segments and market share will increase by adding channels. Compaq is selling it's computer not only through dealer but also online. As it's nearest competitor Dell who is selling only online , Compaq has more customer

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segment 1. Who purchase online and 2. who purchase from dealers so automatically Compaq market share got increased where Dell can sell only online and the customer who don't want to purchase online has to move to Compaq or other brand who are selling through dealers.

7. Add new product line:- It is likely that one can add new product line in business as channels get added. Now we can add new product and sale those product that was difficult to sale with old channel.

Multi Channel Retailing V Traditional Retailing

Cyber Dialogue estimated that while 1998 online retail sales were \$11 billion which included ordered and paid for online, sales ordered online and paid for offline amounted to \$15 billion and sales researched on the internet but ordered and paid for offline were about \$51 billion. This shows that people are getting more sales and more shares that have more than one sale channel. In above case 15 billion sales were made on net but were paid offline, what it shows that now more customers are willing to search on net for there requirements and as they get what they exactly require (4P's- Product, Price, Place, Performance) they tend to buy offline or online. Conventional retailers who are offering online channel getting more customers (customers who know shop + customer who came to know about shop on internet).

Now most of the customers are so busy that they can't move to Queen Street and search for their requirements by roaming around shops for comparing prices and products . Rather doing this way they move to the Internet and search for their product and in seconds they get idea about

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different companies and their offerings. After they select their product and the shop who's offer is best they move to shop and purchase from that store or they can order online or by phone as well. Internet has increased the customer traffic on stores.

A study about the new retail shops opening and closing shows that the shops who have single channel tend to close more than the shops who have multi channel (Online). Store opened in 1999 the majority 60. 2% opened with online channel and 39. 8% opened without online channel. Same year the majority 60. 3% stores closed were without online channel and the 39. 7% were with online channel.

These figure shows that there are more chances to servile for multi-channel rather then single channel store. This proves that multi-channel retailing is far better then traditional retailing. Multi-channel retail counter have more sale and more customer inflow then traditional retail counter that's why the trend is moving to multi-channel retailing from traditional retailing. We can assume easily that Multi-channel retailing is more powerful then traditional retailing.

Problems with Multi Channel Retailing

It is not easy to integrate with different channels. The main problem with this strategy is how to integrate with different channels. Same pricing and information for all channels will not work similarly. Online customers require much more information about products than the customers who purchase from stores and same time they have accurate price information about all marketers.

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It requires more planning, capital, inventory and management. Retailers have to manage all channels so that one channel should not compete other one. There should not be conflict between channels for resources. Hill street retailers need to think carefully about whether an Internet launch is worth the investment. Amazon. co. uk managing director Robin Terrell points out some of the pitfalls, believing it is difficult to fulfil small orders at scale. Setting up the technology is not cheap, and selling on the Internet requires a different skill set from traditional retailing.

Other problem is specific to product categories, mostly retail outlet are not falling in Category. It is really very difficult to calculate with specific channel. Many times it happens that you get a order for so small quantity which is really very difficult to cope with the expenses. It requires more capital which is very difficult many time for these retailers as they are doing business at low scale it is bit difficult to arrange that much capital. And if they arrange it increase their cost and their product become costly, which is again a problem.

It requires much technical and financial knowledge, which is not available with these people and again hiring professional people is costly. It requires more inventory as channels have added so sell is going to be increase so it requires more inventory investment.

Conclusion

Managing for competitive advantage in multi channel one should consider how they would manage the customer interactions across multiple channel. Before choosing for a new channel they should have a clear idea about their

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infrastructure, their capacity and their market segment. They should be clear that what would be the best way to interact with their prospect customers. Direct selling through online retailers, catalogue companies, home shopping television channel continuous to increase.

The technology impact on the various functions in retailing has been increasing. With increased competition in the retail space and the emergence of the Web as a strong selling medium, it is sure that retailers will have to increase their channel to get market share so as to maintain profit and survive. The expenditure on data-warehousing and data-mining tools is likely to increase as customer retention increase with added channel. It is true that adding channel in business tend to increase sales, customer inflow, profit, market share and give extra advantage over competitors but one should not overlook this as because it requires in-depth planning, research, strong capital, managing power, man power, resources and determination.

For adding new channel one should see the business environment, market trend and nature of business. We cannot add channel as we like, we should see all possibilities, pros and cons then decide what to add in our business.

Now trend is moving to multi-channel retailing rapidly not only new stores are opening with more than one channel, existed retail counters are also adding new channels to their business because they know it is really better to more channels so that they can increase their customer inflow and ultimately increase their sale.