SEAMLESS PURCHASE - AN INSIGHT INTO THE ISSUES

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ABSTRACT

The concepts of multi-channel retailing and consumer channel choice behavior have attracted substantial academic and managerial attention in recent years. The multi-channel marketing theory states that there are opportunities for multi-channel marketers to achieve significant revenues and profitability by designing and implementing marketing programs aimed at people who would like to have seamless experience of buying through different channel. This paper reviews the academic literature on multi-channel retailing and provides insights on key issues to prioritize the right mix of multi-channel solution. The review is based on journal articles and case studies. The literature review first identifies a number of business issues like power of information, opportunities, risks and challenges, Problems with distribution, maintaining consistent image, loosing cost structure, buyer behavior, subscription commerce, customer perceived risk has been analyzed. Based on this analysis, the paper develops a research agenda for future research on channel choice behavior.

Keywords: Multi channel retailing, Cross channel retailing, seamless purchase process, channel choice behaviour

Introduction:

Today’s customer carries the store in her purse, and is armed with rich content about a retailer’s products and services that often is better than the corporate provided information made available in the store to either the customer or employees. With instant access to friends via social media consumer becomes part of a global community of people who offer opinions about every retailer’s offering. Consumers are anxious for “anytime, anywhere” retailing, which puts a heavy focus on operating business through many channel. To fulfill this requirement retailer need to align their business processes and technology across channels to ensure that customers can purchase, fulfill, and return order through separate channels. This dramatic shift in the way customers want to be marketed with the emergence of digital channels and the prominence of social media gives rise to the concept multi-channel retailing or sometimes alternatively referred as Omni channel retailing.

Omni channel retailing is defined as a set of integrated process and decisions that support a unified view of a brand from product purchase, return, and exchange standpoint regardless of the channel (in-store, online, mobile, call center, or social). Indeed, omni-channel means that all channels have converged to the point that they have become one unit. Multi-channel is different from omni channel retailing in that multi-channel consists of numerous channels that do not necessarily function as a cohesive group. (Erin Harris, Associate Editor, Integrated Solution for Retailers/Retail Solution Online, 2012)

Retailers’ biggest challenge is how to merge the different channels into one seamless experience that is more compelling than an digital pure-play. Its almost impossible to develop customer insights without some way of tracking their behavior.

There are many marketing challenges and marketing issues involved in addressing the seamless purchase process of customer. There is still a need for synthesizing existing knowledge on multi-channel marketing and outlining opportunities for future research. The objective of this paper is to review the available literature on multi-channel retailing and channel choice behavior of consumer and to develop a research agenda on multi-channel retailing.

Background

According to CMO Peter Sachse, omni-channel means “the consumer can choose whatever channel she wants to interact with you on, any device that she’d like to do that with, and [still] get a very consistent [shopping] experience.”
In late 1990s when web and email took off, brands caught the term “multi-channel” to refer their ability to market or sell via more than one channel. Gradually they saw the need and benefits of integrating those channels to ensure greater coordination. Thus, the concept of cross channel retailing was born to denote the ability to drive a single campaign with consistent message that is coordinated across channels.

Today most stores have only a few digital touch points. Even the best retailers around the world are still only modestly penetrated with capabilities such as digital access in store, and store associates who are knowledgeable about the company’s digital channel.

Consumers are more likely to choose retailers that enable them to personalize and control where, when and how they interact through their preferred channel combinations (NCR 2010 Global Consumer Research).

For decades, IKEA has not only had stores, in which around 9000 products are sold but also an annual catalogue that contains more or less the same range of products. For several years, an online shop that sells many of the catalogue products has also been used as part of multi-channel strategy. The various functions of catalogue, online ship and stores can be regarded as cross channel retailing. The catalogue is sent to house holds on an annual basis and immediately stimulates purchases. Many people also keep the catalogue and browse through it time and time again. Most purchases are then made in stores.

On its website, IKEA offers numerous services, e.g. planning tools, which customer can use to do things like design their own bathroom before they purchase it – usually in store.

To encourage customers who have found information online to visit the store, IKEA’s online shop also has an availability check for stores. Customers enter their nearest store and IKEA checks whether it has the desired product in stock. Although IKEA does not reserve the product for the customer, it provides detailed stock information, which is updated every half hour. (http://www.t-system.com/dbs.php.2012)

Conceptual Framework

Online retailers can be divided into two categories as Internet pure players and Multi-channel retailers.(Anand and Cunnane, 2010). Internet pure players are those who sell their product online such as Amazon. Multi-channel retailers are those who use the internet plus at least one other sales channel such as through shopping apps, catalogues, store format, TV shows etc. However retailers are referred as multi-channel retailer when they have a single brand across all channels.

Opportunities of Cross channel retailing

Multi-channel consumers spend more than those that of single channel consumers. According to an consulting firm, MBS Multimode estimates that multi-channel consumers spend two to five times more than single-channel customers (Del Franco and Chiger, 2002). Shop.org’s research study found that 78 percent of online shoppers buy through a merchant’s physical sores, and 45% of online shoppers buy using the catalog channel. Similarly, 23% percent of catalog shoppers also make purchases on a retailer’s Website (Chu and Pike, 2002).

Sears found that one of every ten appliance purchases in a sears store is influenced by the retailer’s Web site, Sear.com. 30-40 percent of Sears.com sales orders are picked up in Sear’s stores. An added benefit to sear is that 21 percent of consumer who pick up goods in stores state that they by other items on the same trip (Garbato-Stankevitch, 2002).

Online pure player can be competitor for store based retailers and traditional mail order companies because they only focus on online business. Online pure player have an expertise over the behaviour of online buyers. They have some innovative business models. But multi-channel retailers do not need to worry, because their hold in both online and off line store based format are quite strong. For multi-channel retailers it is difficult to remain competitive if they solely compete in the field of online retail.

The return policy, the transportation cost and the sales channel are the important challenges for online pure players. Buyers do no instantly receive the goods, they cannot hold them in their hands before making their purchase and substantial delivery and return costs are incurred. Cross channel retailers use several integrated sales channels to balance out the weaknesses of the one channel against the strengths of another (T-system Ltd., 2012). Different customer segments prefer online shop, mobile shop, catalogues and stores. Offering multiple overlapping channels addresses consumers with different needs- both different consumers as
will as consumers who want to different purchasing needs fulfilled through multiple options in different situations (Schramm-Klein 2003; Zentes/Morschett/Schramm-Klein 2011).

Another benefit a retailers can take into account is the logistics where the customer do not need to post the product for return he can return the product at store. In this way the fulfillment costs are reduced.

Risks and challenge

In the retail arms race, e-commerce is winning. The smart brick and mortar players recognize the inevitable rise of online shopping and are adapting the new realities. Active shoppers are also more likely to abandon an online purchase to avoid sales tax, and they are three times more likely to have downloaded or printed a coupon from internet to use in a store (Reda, 2003). Another study found that multi-channel shoppers reduce multi-channel retailers’ profit levels by consuming a disproportionate amount of presentation and customer service resources (Saunders, 2002). Consumers channel preference is becoming more fragmented and it is becoming increasingly more difficult for firms to satisfy their wants and needs. Even within the domain of e-service there are multiple options- Web self-service, E-mail service, and live chat service- with each having advantages and deficiencies appealing to different customers (Mello, 2002). This leaves firms with the quandary of trying to maintain strong relationship with customers who prefer different channels and different methods of resolving problems with those channels. In addition, very little is known about the impact of a customer service failure in one channel on the customer’s likelihood to continue to use or abandon a firm’s other channels.

It is difficult to evaluate multi-channel marketing efforts due to cross pollination of channels by shoppers and the inability of firms to quantify customer behavior across channel (Hood, 2002-2003; Lenskold 2002). As a result, firms using traditional financial methods of evaluating channel success by looking a one channel at a time may fail to recognize the benefits one channel’s efforts have on the sales of its other channels.

Power of information

Customers now have access to databases and tracking technologies that allow them to have knowledge about products, inventories, profit margin and competitive offering. They are no longer at the mercy of retailers who see rules and price (Lowe and Bonchek, 1999)

Customers not only use the online channel to make purchase, but also to a great extent, to find information. Customer find out about product in a store, obtain advice, look at the product and then buy the products via the often cheaper channel of the internet and the vice versa is also true.

The increasing cross channel link between the search for information and the purchase highlights the central importance of consistent product information across all channels. This is particularly the case if you do not want the channel hopping to irritate and annoy customers and make them cancel their purchase.

Multi-Channel retailing creates links between the various channels throughout all stages of the purchasing process so that they can offer customers a seamless process across all channels. To develop ideas on how to link the channels, it is useful to analyse the individual steps of the purchase process (Morschett/Schu 2011). Although the Internet did not create the trend of buying on price it has accelerated the trend. The majority of shopping focused heavily on price shopping. (Merric, 2000). The internet has accelerated the trend toward a more informed, savvy consumer market place.

Distribution

Distribution on e-commerce presents another challenge for those new to multi-channel marketing, particularly for the store based retailer. Successful front-end customer marketing does not necessarily translate into back-end fulfillment success. Loyal store customers are not necessarily forgiving of e-commerce fulfillment problems. Online customer today expects real-time inventory and shipping information on orders. Even catalog merchants that are familiar with direct fulfillment are challenged by internet orders. The system can do history checks as the order is placed, Internet orders come in complete, without the interaction with the fulfillment system (Aron, 1999)

Consistency in Image
The advertisement efforts should be integrated across channel and the focus should be on customers, rather than channels. All the promotional efforts should be consistent across channel.

Globetrotter is Europe’s largest outdoor retailers and one of the best examples of comprehensive cross channel retailing. The company offers a range of more than 25,000 products, which it sells via seven stores in Germany, an online shop and an extensive catalogue known as its ‘manual’. Approximately 1.2 million copies of the manual alone are printed every year. Additional catalogues, special flyers and topic related flyers also appear at regular intervals throughout the year, with a total print run of 2.8 million copies.

The manual is also available as a browsable and interactive online catalogue as well as an iPad app. Furthermore, the company’s own web TV station 4-seasons.tv, the website reiseberichte.com and outdoor community portal 4-Seasons.de offer extensive information about travel and equipment as well as reports based on the topic of the outdoors. The products displayed can often be moved to the customer’s shopping basket straight from a report. (white paper publishing, 2012)

Thus the multiple channels should serve as outlets for advertising. The multi-channel advantage, synergy, can only be achieved through integration of the channels and continued focus on the customer, rather than the channel. The successful multi-channel marketer will be the one who uses all channels to the bet advantage (Baiden, 2000).

Consumer buying behaviour
Customer in each market will define their own cross channel behaviour, compelling smart retailers to determine what is right for their business (www.ebeloftergroup.com, 2012)

To understand customer behaviour retail managers must understand how customer choose channel and what impact those choices have on their overall buying pattern. Therefore, the key aspect of customer choice includes determinants of customer channel choices, attributes of these channels, influence of marketing communication, the approach of multi-channel marketing, the impact of the multi-channel environment on customer loyalty. That is, it needs to be identified distinct segments of consumers who use various channels and combinations of channels, whether customers make channel decisions according to the channel or the firm, whether the customer fist checks out the websites, then go to the store or does the reverse, similarly, during the search stage, whether customers consider firms at all.

A Losing Cost Structure
When we are addressing the issue of the daily purchase consumers are confronted with a diversified variety of supermarkets, shopping malls, dept stores discount stores and specialist stores. Each of these store offer a particular benefit to the consumer. Large supermarkets offer a diverse range of products in a larger shopping area (department stores do the same but using a smaller space). The supermarket provides the needs for the consumer in the neighborhood with a wide range, but has a rather flat product range. The discount store offers a limited range of products with price s much lower than the normal price range. The specialist store is categorized by limited range of product while a t the same time offering extreme good service and excellent advice.

The discount store offers no name products and brand names at a discount price. The primary factors here are usually a sober and non-emotional purchasing requirement combined with satisfaction derived from a limited product range with a clear view of the products presented in a limited amount of sales space.

When a customer purchase an item from a store, odds are that it’s been marked up at least three times. Once when it changed hands from the factory to the brand, again as it passed from the brand to retail store, and once more as it goes from store to the customer shopping bag. The result is a purchase price that’s some ungodly multiple of the item’s actual cost, usually between 2x and 5x.

By taking ownership of the design and retail aspects of the business, these companies can keep hefty margins for themselves while still undercutting brick-and-mortar competitors on price. And because their stores are made out of bits instead of stone, they don’t face the costs of maintaining unwieldy networks of physical locations.

While emerging technology has been a key enabler, multi-channel growth essentially driven by consumers. The major driver is cost saving through efficiency and effectiveness. Managing channels separately may not only impair customer relationship but also result in cost increase resulting from running
separate order management and customer service operations, multiple warehouses across the different channels.

**Future Research agenda:**

The basic challenge of retailer in multi-channel environment is to understand the similarities and differences of channels and to move toward focusing on customer. Focusing on customer requires the ability to identify the customer of multi-channel retailers and know their preferences and to market based on that preference. The major predictors of customer channel choice behavior need to be identified. Though research has been done in these area but not adequate enough as it need to be updated. Mobiles, Smart phones, Palmtops are entering as new and different channel characteristics within them. Behaviors of customer on these newly evolved customer segments need to be analyzed. Empirical study with more depth analysis and information predicting multi-channel buying behavior can be explored.

**Conclusion:**

Consumer are now more tech savvy than before and empowered by knowledge and multiple channels for interaction with businesses, but at the same time they are frustrated by a confusing and chaotic shopping experience. Tomorrow’s successful businesses are those that build on this consumer mindset. They will provide a seamless retail experience across channels, coupled with relevancy and personalization, to win consumer preference and loyalty.

Seamless purchasing is turning up towards a biggest success. Order something online, collect it somewhere else and return it if necessary somewhere else is a jolly transaction attracts more and more customers towards the new models of retail industry.

As well as considering the wonderful bangs and whistles retailers can add to their web site, they should examine how they are going to ensure that the consumer when buying online gets the right goods, in the right place and in a timely fashion. Investment in logistics and fulfillment represents an important aspect of developing multi-channel marketing. Successes or failure of multi-channel marketing depends upon the organising the fulfillment and distribution of customer orders.

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