Multichannel retailing and consumer behaviour. Strategy design and implementation

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Abstract

This article aims to analyse and offer managerial guidance about the processes of planning, implementation and control of a multichannel strategy within the framework of Multichannel Customer Management Decision (MCMD). To achieve this objective, firstly we justify the growing adoption of a multichannel strategy by retailers and channels participants. Following MCMD framework, we analyse the consumer behaviours linked to this kind of strategy in order to deeply understand the factors which affect consumer choice decisions related to channels. Alternative channels to brick and mortar retail channel are described, such as online channel. This helps us to offer a guide to define the multichannel strategy. Additionally, we give some ideas about the implementation of this strategy. Finally, in order to get a feedback to this planning process, we suggest carrying out a control phase. The work ends with conclusions section and future research streams.

Keywords: Multichannel strategy, multichannel consumer, omnichannel consumer, customer channel choice, channel migration, channel performance.

Introduction

Retailers have several available ways to sell their commodities and services. The range of conventional channel alternatives has been enlarged with the widespread use of Internet. This fact has changed consumers' shopping patterns and the retailing industry (Ramcharran, 2013). Online sales have come to represent 10% of sales revenues in the USA (Dunne, 2013) and this figure is continuously growing. Indeed, companies like Disney or Apple have changed their channels structure, transforming digital campaigns 'from a liability into an asset' (Rigby, 2011). Despite this fact, many retailers are not technology-savvy, ignoring this reality, which can threaten their profitability and survival.

Undoubtedly, Internet is one the pillars of the actual retailing strategy because its emergence as a highly effective channel appeared obvious. Its capacity to deliver 'tangible economic gains' (Vijayasarathy & Tyler, 1997, p. 286) has been the 'primary catalyst for the explosion of interest and activity in electronic business' (Doherty & Ellis-Chadwick, 2010, p. 946). Specifically, it has become one of the most important mediums of communication and exchange, joining consumers and retailers' interests. Publications and research about online retailing has increased dramatically year by year (Schibrowsky, 2007), even establishing implications for many other disciplines (i.e., legal, computer science, sociological).

Regarding Internet retailing, some researchers predicted that this way to interact with consumer could eliminate intermediaries. For instance, Alba *et al.* (1998, p. 49) stated: 'disintermediation might be the most important structural change brought about by interactive home'. However, evidences show that Internet has not totally destroyed *bricks-and-mortar retailers* (Doherty & Ellis-Chadwick, 2010; Dunne, 2013; Levy & Weitz, 2012).

Internet and new technologies have gained market penetration and more and more people use them. For this reason some researchers highlight the idea of combining online and physical sales channels, exploiting the synergies arising from the integration of e-commerce with offline channels (Steinfield *et al.*, 2002). More effective inventories management, implementing an integration of marketing communication strategy in a simpler way, or accurate availability of information and product are clear benefits of a multichannel strategy. Therefore, currently a multichannel retailing is almost a strategy unavoidable. Retailers like Zara, Wal-Mart or Apple combine traditional physical stores with online websites. ING Direct, the famous Holland online bank, is now opening physical branches around the world. The web-based company Amazon.com has expanded to mobile channel. Increasingly, the conception of a retailer is changing to a multichannel manager, combining break-and-mortar store, website, catalogs or direct selling, creating synergies and providing a better service to their customer.

Despite the increasing importance of multichannel retailing in practice, theoretical contribution of a broad theory of how to manage several channels together and evidences about this results are very limited (Avery *et al.*, 2011). The purpose of this work is to analyse and offer managerial guidance about the processes of planning, implementation and control of a multichannel strategy within the framework of *Multichannel Customer Management Decision (MCMD)* (Neslin & Shankar, 2009). This multichannel decision framework is adapted from Blattberg *et al*. (2008, p. 659; see also Rangan, 1995). The MCMD framework identifies five tasks for a multichannel manager, in particular:

(1) *Analyse customers*: develop appropriate customer segmentation for multichannel strategy and design.

(2) *Develop multichannel strategy*: (i) efficiency, segmentation or customer satisfaction; (ii) assess competition.

(3) *Design channels*: (i) which channels should be employed?; (ii) what should be the function(s) of each channel?; (iii) should customers be 'right channeled'?

(4) *Implement*: (i) marketing programs; (ii) organizational coordination; (iii) marketing mix coordination.

(5) *Evaluate*: (i) single view of customer or customer perspective; (ii) channel accounting or firm perspective.

More specifically, we aim to provide a holistic analysis of the multichannel strategy, encompassing the business perspective (as strategy) and the consumer perspective (as behaviour). Since we base this research in a design-implementation-control scheme, we provide a literature review about multichannel retailing strategy and consumer behaviour, a description of main selling channels is performed, and we offer some implementation ideas. Finally, in order to assess the response of customers to a multichannel strategy, we have included a section regarding the control phase of a multichannel strategy.

Emergence of multichannel retailing

Over the last years, retailing channels have gained variety and complexity. The increasing use of Internet or online channel together with the search of an improvement in financial outcomes of retailers have come to change the consumer buying behaviours and retailing organization dramatically.

The traditional view of selling products through store-based and channel-specialized retailers has change dramatically and in a relatively short period of time. In particular, the analysis provided by Thomas & Sullivan (2005) found that 63% of customers were store-only shoppers, 12% were catalog-only shoppers, 12% were Internet-only shoppers, 12% were dual channel shoppers, and only 1% of the customers shopped across all three channels. However, nowadays consumers demand more than ever the advantages of digital limitless product assortments, price transparency, comments from users and experts that they can find in an online channel. But also, consumers want the advantages of physical stores, such as the immediate availability of products (for example for testing them) or enjoy the social experience of shopping (Rigby, 2011). We can say that consumers look for utilitarian values from digital channels and hedonic experiences from physical channels.

Consumer shopping behaviour is also encouraging multichannel retailing. Consumers' tendency to blend channels during their purchase experience is driven with a very particular way of choosing products that they want, where they want them, how they want them and with a variety of delivery options. According to a consumer survey, 78 % of North Americans have used two or more retailing channels and 30 % have used three or more channels to seek information and shop. Thus, retailers are compelled to adopt a multichannel view (IMAP Retail, 2010).

Well-known retailers such as Macy's, Mark & Spencer or Barnes & Noble have been selling their products through the physical store channel almost entirely. Other kind of channels have used mainly by specialist. For example, direct selling has been the alternative for reaching customers for companies like Avon, since 1886, or Littlewoods in UK has sold by catalog since 1932. Now, these traditional retailers are facing with financial difficulties and are transforming their channels structure in order to introduce the online channel.

The adoption of several channels for selling to end-consumers is not new and retailers add more paths to reach the customers. Sears has been selling by catalog and store since the beginning of the 20th century (Oharenko, 2006). Today many small and large store-based retailers are using more than one channel. On one hand, Walmart, Tesco or Carrefour have added the online shopping to the conventional store channel. On the other hand, specialists in online selling, such as Dell, have also adopted a store-based channel. Thus, the multichannel retailing is clearly an increasing practice.

In fact, consumers' channel usage reveals an increasing heterogeneity and diversity (Konuş *et al.*, 2008), considering more options to buy products and services. *Multichannel retailing* (MCR) is the strategy that involves selling products or services to consumers through more than one channel simultaneously (Levy & Weitz, 2012). In a similar vein, *multichannel shopping* refers to buying through several channels in parallel. For example, for apparel and clothing a consumer visits the store, and uses Internet for booking travels. An evolution (and emerging) of that behaviour is the *omni channel shopper*, more informed and always connected, with a sophisticated pattern of buying behaviour, that uses all channels simultaneously (IDC Retail Insights, 2010). This definition should be distinguished from *multimedia marketing* (MMM), involved in the use of several channels to communicate with customers (Zhang *et al.*, 2010).

Task one: analyse customers. Multichannel consumer behavior

Firms need an understanding of the factors that affect consumers' channel choices across stages of the buying process (Neslin *et al.*, 2006). Shopping in retail environments is a fundamental aspect of consumer behaviour and is influenced by complex and varying psychological processes (Dholakia *et al.*, 2010). For example, consumers shop to pursue a variety of goals, from basic functional drives (e.g., satisfy hunger) to more complex motivations (e.g., enhancing self-esteem, interacting with significant others or just dispelling boredom) (Balasubramanian *et al.*, 2005; Sivaramakrishnan *et al.*, 2007). In addition to these conscious motives, consumer shopping behaviour is also influenced by nonconscious processes (Chartrand *et al.*, 2008), values, emotions and experiences (Dholakia *et al.*, 2010). Thus, past behaviour is a strong predictor of future behaviour (Schoenbachler *et al.*, 2002). For example, prior research has examined how perceptions and behaviour are shaped by various elements of the retailing environment, such as store layout (Morales *et al.*, 2005), background music (Morin *et al.*, 2007), and website design (Mandel & Johnson, 2002).

It is important to understand how consumers utilize the multiple media and channels available to them, manage their complementarities and conflicts, and come to rely on particular media and channels (Kumar & Venkatesan, 2005; Neslin *et al.*, 2006; Rangaswamy & van Bruggen, 2005).

Customer segmentation is a critical aspect of effective multichannel strategy design (Neslin *et al.*, 2006). Given its relevance, several studies have used **consumers' channel usage** as the basis for segmentation (i.e., Keen *et al.*, 2004; Konuş *et al.*, 2008). Although existing segmentation studies provide useful insights into how consumers differ in their use of channels, more information remains to be known regarding their underlying motivations, dispositions, psycho-social influences, and how product category and marketer actions help explain differences between these segments (Dholakia *et al.*, 2010).

Extant research on consumer behaviour in multichannel environments has identified several motivations and antecedents to explain the adoption and use of the different channels. For instance, Balasubramanian *et al.* (2005) suggest that consumers choose and use different retailing channels under the consideration of the following five factors: **economic goals**, **self-affirmation**, **searching symbolic meaning**, **searching socialization and experiential impact**, and the **use of shopping-related schemas and scripts**. These aspects, which refer to consumers' motivations towards retailing channels, determine an accurate consumers' multichannel choice.

Channel attributes influence consumers' channel choices. Dholakia *et al.* (2010) categorize channel attributes considering several dimensions. First, one of the most basic characteristic is whether the channel is used primarily for purchase or for information. Nevertheless each channel can provide both functions. Another critical dimension by which channels can vary is whether they are physical or virtual. Third, channels vary in their degree of accessibility. With the widespread adoption of wireless Internet and mobile phones, some channels can be accessed by virtually anyone across the globe, whereas others, such as an ATM, are stationary and available to a geographically limited consumer base. The fourth dimension is in the type of communication that a channel permits. For example, some online channels such as email lists allow only asynchronous communications. In contrast, other channels such as telephones permit real-time synchronous communication with a retailer or other consumers. Fifth, channels also vary in the nature of their interface. For example some channels such as a retail store offer a fixed interface to all consumers, while the interface of other channels such as an online portal can be customized to suit an individual consumer's tastes and preferences. The sixth dimension is the level of convenience a channel provides to its customers (i.e., wide opening hours, proximal convenience, assortment). Seventh, channels vary in how easily they allow the consumer to switch from one particular channel of a firm to another or to a competitor's channel (Verhoef *et al.*, 2007). The eighth dimension is a channel's degree of flexibility in the organization and portrayal of their assortment. Clearly organized and categorized products will help consumers to process the information and adopt their final decision. Finally, channels vary in the extent to which they store a customer's behavioral history. Whereas some channels (i.e., online shopping) maintain a permanent or historical record of a customer's transactions, others (i.e., a retail store) retain little or no memory.

Schoenbachler *et al.* (2002) include the **customer's perceived risk** as a main constituent in their proposal of multichannel shopping behaviour model. Perceived risk is considered as a barrier that prevents consumers from using a specific channel (Meuter *et al.*, 2005). Perceived risk represents a function of uncertainty about the potential outcomes of behaviour and the possible unpleasantness of these outcomes (Gensler *et al.*, 2012). The perceived risk can be financial, social, or physical or some combination. It is hypothesized to be derived from several factors including the customer's familiarity with the channel, familiarity with the specific company, familiarity with the brand name, the price of the product/service, perception of security of information, perception of security of purchase, and guarantees (Schoenbachler *et al.*, 2002).

Consumers might be locked in to a specific channel, such as when the previous use of a channel increases the likelihood of using that channel again in the future

(Johnson *et al.*, 2003). The experience and time that consumers spend in shopping is higher in a multichannel setting. In particular, it is estimated that multichannel shoppers spend on average 15%-30% more time than one channel shoppers. And even more, *omni channel shoppers* dedicate to shop 20% of time more than simply multichannel ones (Retail Online Integration, 2010). **Experience effect** might thus appear as a specific type of channel loyalty. Dholakia *et al.* (2005) and Thomas & Sullivan (2005) find that prior channel choices affect subsequent channel choices in a specific usage situation positively. In fact, experts from the industry considers that multichannel shoppers offer strong loyalty in each channel and are more likely to influence others to adopt certain retailer (Retailer Online Integration, 2010).

The importance of the different channel attributes for consumers' channel choices might differ across the **stages of the buying process** depending on the goals consumers pursue in each stage of the buying process (Balasubramanian *et al.*, 2005; Huffman & Houston, 1993; Lee & Ariely, 2006). In the search stage, consumers strive for gathering accurate and relevant information that enables them to make well-informed decisions (Carlson *et al.*, 2008). In the purchase stage, consumers are aiming for buying the selected product for the lowest price (Balasubramanian *et al.*, 2005; Hamilton & Chernev, 2010). Finally, in the after-sales stage, consumers want to minimize effort using the products and services (Keeney, 1999).

Perceived price can also affect consumers' channel choices (Venkatesan *et al.*, 2007). The higher the perceived price in a channel, the less likely consumers are to choose that channel (Verhoef *et al.*, 2007). So consumers aim for minimizing the cost to buy a product (Balasubramanian *et al.*, 2005). Hence, one might expect that a channel's perceived price is the most important channel attribute in the purchase stage (Gensler *et al.*, 2012).

Perceived convenience, which refers to the perceived ease and speed with which a consumer can gather information, purchase a product, or conduct transactions, has in general a positive effect on consumers' channel choices (Frambach *et al.*, 2007). This channel attribute seems especially relevant for consumers' channel choices in the after-sales stage (Keeney, 1999).

Finally, **perceived risk** can result from a poor product choice due to the consumer's inability to judge the quality of the product accurately when using a particular channel (Gupta *et al.*, 2004). It can also result from an expected loss of money by a consumer (Sweeney *et al.*, 1999). Losses might, in particular, occur when consumers actually spend money (i.e., purchase and after-sales stage). Thus it is expected that risk is more relevant for consumers' channel choices in the purchase and after-sales stage compared to the search stage (Gensler *et al.*, 2012).

Overall, as prior research reveals, the consumer behaviour with regard to retailing multichannel choices is influenced by several antecedents and motivations (i.e., shopping motivations, consumers' attitudes, prior experience, channel attributes) (see figure 1).

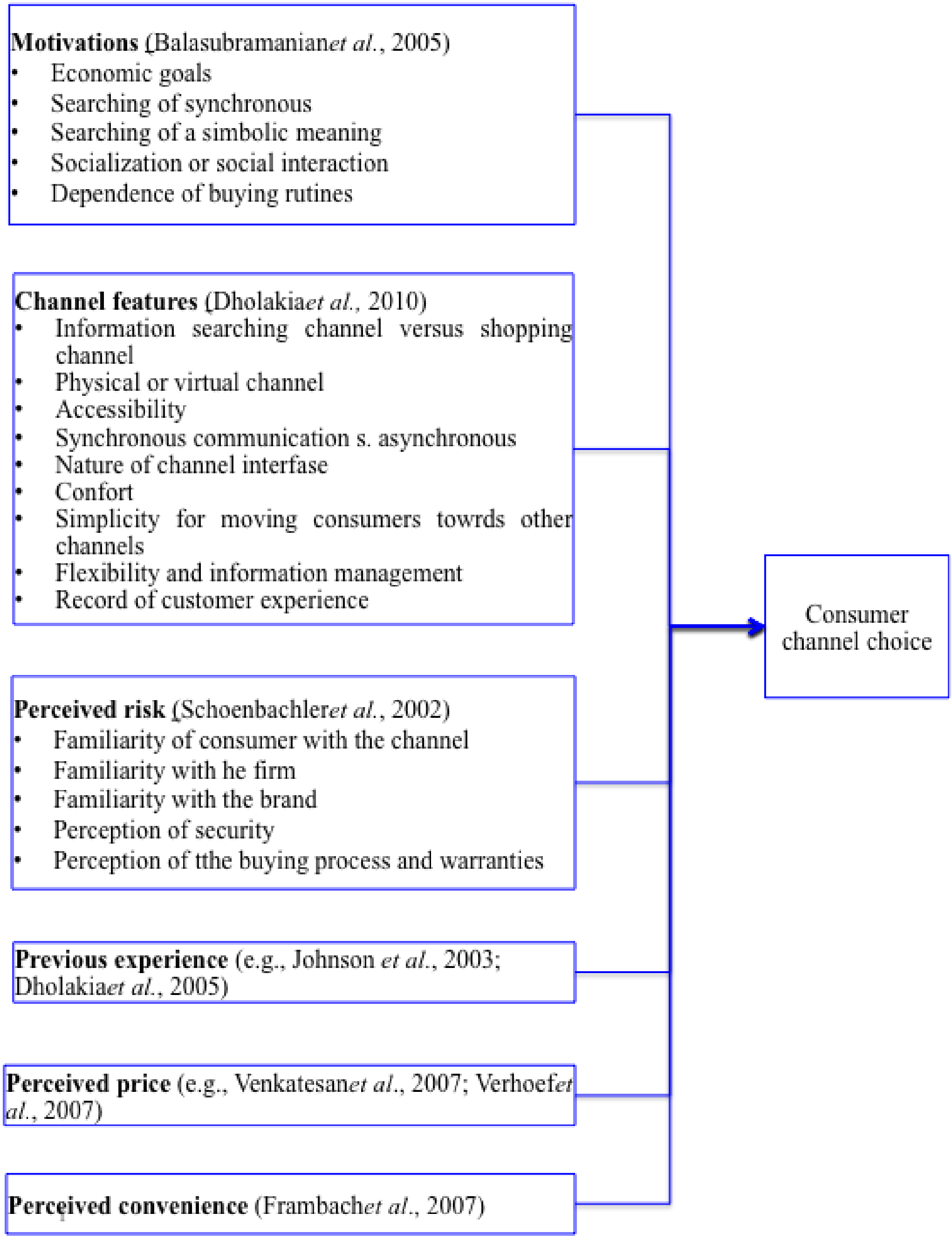

Figure 1 - Antecedents of consumers' channel choices

Finally, related to this first task that pursues analyse customers, it is interesting to highlight the importance of testing the degree of customers' technology acceptance and adoption. In other words, a way to identify those factors that cause people to accept and make use of systems developed and implemented by others, in this case multichannel retailing. Davis (1989) proposed the **Technology Acceptance Model (TAM)** to explain the potential user's behavioural intention to use a technological innovation. TAM is based on the theory of reasoned action (Fishbein & Ajzen, 1975), a psychological theory that seeks to explain behaviour. TAM involved two primary predictors, perceived ease of use and perceived usefulness and the dependent variable behavioural intention, which the theory of reasoned action assumed to be closely linked to actual behaviour. Specifically, the Technology Adoption Model (TAM) helps us to identify factors that cause people to accept and make use of multichannel retailing. According to O'Cass & Fenech (2003), TAM has been successfully applied in a range of marketing contexts, including online retailing, to understand and explain consumer information systems adoptions (Ha & Stoel, 2009; Soopramanien & Robertson, 2007).

In particular, Ha & Stoel (2009) integrate e-shopping quality, enjoyment, and trust into a technology acceptance model (TAM) to understand consumer adoption of e-shopping. E-shopping quality for apparel products consists of four dimensions: web site design, customer service, privacy/security, and atmospheric/experiential. A structural equation model reveals that e-shopping quality determines perceptions of usefulness, trust, and enjoyment, which in turn influence consumers' attitudes toward e-shopping. At the same time, consumer perceptions of usefulness and attitude toward e-shopping influence intention to e-shopping, while perceived ease of use does not influence attitude toward shop online. Additionally, shopping enjoyment and trust play significant roles in consumers' adoption of e-shopping.

Soopramanien & Robertson (2007) model how socio-demographic variables, attitudes and beliefs towards Internet shopping affect both the adoption decision and usage of the online shopping channel. Previous research about shopping through Internet focuses on whether to adopt online shopping but this paper extends this research by delineating non-adopting individuals into non-browsing and browsing. They demonstrate that there is a fundamental behavioural difference between three forms of behaviour: that is, those that purchase online, those that browse online but then purchase in-store and those that do not shop online at all.

Task two: develop a multichannel strategy

Traditional retailers store-based and catalog-based are adding new sales channels, evolving towards multi-channel retailers, with special emphasis on electronic channels. However, the adoption of a multichannel strategy is a gradual process that goes from one format to the fully functional multichannel, through intermediate situations in which there is a head channel (Levy & Weitz, 2012). Retailers are more likely to pursue easy-to-accomplish, low intensity and informational integration when developing an online presence and few retailers offer complex channel integration capabilities (Steinfield *et al.*, 2005). Specifically, the traditional store channel remains as the central channel from which the retailer links other channels (such as online one), and sometimes each channel keeps all functions autonomously.

The **development of a multichannel strategy** can be considered from several perspectives. From a **strategic point of view**, is a business growth strategy (Levy & Weitz, 2012) addressed to current and new consumers using new retail formats. From the **consumer perspective**, the basic objective of the strategy is to maximize multichannel customer perceived value (Payne & Frow, 2004). Finally, from the point of view of the **decisions of retailing**, the development of a multichannel strategy allows to overcome the limitations of unique formats.

Beyond the benefits of each channel, a multichannel strategy involves three major **advantages**. First, it helps to overcome the limitations of existing formats, increasing assortment through optimal management that improves the supply at a lower cost and more effective inventory management. Second, it also allows increasing customer satisfaction and loyalty, more convenient shopping and accurate delivery to customers with smaller increases in spending, which can generate an increase in customer spending share for the company (IDC Retail Insights, 2010). Retailers can get more knowledge of customer buying behaviour, especially through analytics that provide online trading (Neslin *et al.* 2006, Stone *et al.*, 2002). Finally, it is an option to expand the company's market to new segments and geographic areas.

These benefits translate into a better understanding of customer buying behaviour, more lasting relationships (Payne & Frow, 2004), as well as the development of a spanning capability to coordinate operation between different channels (Day, 1994) that can provide a competitive advantage. In mature sectors such as retailing, is one of the alternatives to increase competitive advantage. However, the cost advantage that could mean for the company this growth option implies also some **disadvantages**, such as cannibalization problems between channels and damage synergies (Avery *et al.*, 2011; Falk *et al.*, 2007). More specifically, Avery *et al.* (2009) found that when a retailer opens physical stores, this new channel catches market share from online and catalog sales in the short term. However, this new channel offers complementary effects with the other channels in the long term. Cannibalization is more accentuated in catalog channel and complementarity in online channel.

Developing a multichannel strategy requires overcoming certain issues, such as to provide an integrated experience across different formats (Zhang *et al.*, 2010). Since each channel offers unique benefits, customer profiles using each are not identical, establishing a continuum between the homogenization of the supply and maintenance of a differentiated offering for each channel (Zhang *et al.*, 2010). Specifically, the aspects that define multichannel strategy are the centralized database, brand image, assortment, pricing policy and reducing migration between channels. However, as we have noted previously, cost derived from operate through several channels can do multi-strategy unfeasible (Levy & Weitz, 2012).

In practice there is no consensus about the optimal strategy for an integrated multichannel management. As a way to get this channel integration, some retailers decide to increase collaboration between channels by changing management responsibility from staff that is only dedicated to online programs to offline programs (Gill *et al.*, 2013). However, to fully exploit the potential of multichannel marketing, retailers must use Internet channel not only to inform customers about their company and offering, but also to sell products and services and to provide additional features, which support channel switching or interactive communication (Müller *et al.*, 2005). Moreover, little is known about the level of diversity in multichannel retailing strategies and the drivers behind retailers' strategic choices (Müller *et al.*, 2005). In this section we offer a classification of the strategies deployed in the European retail grocery industry in terms of two factors that are assumed to influence multichannel strategies choices: individual retailer's general marketing strategy and national market structures (Müller *et al.*, 2005). In particular, Müller *et al*. (2005) define six classes of multi-channel strategies found after analysing 25 European retail grocers with an important physical presence (i.e., physical stores):

- *Online advertising approach*: characterized by very limited use of the online channel's marketing potential because it does not offer products to sold on-line and no value-adding features online (e.g., Aldi, Lidl).

- *Online information center*: grocery retailers that offer slightly more value-adding features online, focused on passively provide information to visitors to the websites (e.g., Spar, Safeway).
- *Online service center*: grocery retailers that do not sell any product online but make extensive use of its interaction and customer-retention potential, for example offering a database of recipes (e.g., Real, a German hypermarket chain).
- *Focused multichannel grocer*: grocery retailers that sell product only online and characterized by a limited amount of value-adding features (e.g., ASDA).
- *Service oriented multichannel grocer*: grocery retailers that sell product only online and offer extensive content and customer retention building features (e.g., Intermarché).
- *Service oriented multichannel megastores*: strategy follows by retailers that extensively uses online channel, offer online grocery shopping but with different regional scope (e.g., Auchan, Carrefour, Sainsbury).

Task three: design retail channels

In the context of the configuration of distribution channels, data on changes in the sales through different channels confirm that companies are expanding their range of options.

Payne & Frow (2004) identify six main types of channels. However, it can be added automated retailing (Levy & Weitz, 2012), conforming the following seven categories:

- Direct selling: including field account management, service, and personal representation
- Outlets: including retail branches, stores, depots, and kiosks
- Telephone: including traditional telephone, facsimile, telex, and call centre contact
- Direct marketing: direct mail, radio, traditional TV, etc., but excluding e-commerce
- e-commerce: email, the Internet, and interactive digital TV
- m-commerce: including mobile telephony, SMS and text messaging, and WAP and 3G mobile services.
- Automatic retailing (vending)

All these categories of channels can be represented on a continuum of forms ranging from purely physical to completely virtual. Anyway, new terms are coined for channels covering similar features, for example, ‘smart shopping’, including newscasts, websites and bookshelves (Atkins & Kim, 2012). Also, evolution is continuous, increasing existing channels, especially since the new channels derived from social media (i.e., Facebook, Twitter, Foursquare). Next, we analyze the situation of the various alternatives to physical channels, with particular reference to online indications for future developments and impact on the configuration of a multichannel strategy.

The conventional and most frequent channel used by retailers is the store. However online channels and catalogues count up a significant quota. More detailed data of these channels are next offered.

Electronic retailing, also called *Internet retailing*, *online retailing*, and *e-tailing*, is a retail channel whereby consumers directly buy goods or services from a seller, without an intermediary. The process is performed over the Internet, with virtual platforms evoking a brick-and-mortar retailer. Besides that, online shopping exhibits a strong cross-channel influence. Thus, store sales influenced by online research are three-to-five times larger than total electronic sales (IDC Retail Insights, 2010).

The evolution of online sales is unstoppable, growing every year and giving rise to new businesses. The largest online retailing companies in the world are Alibaba (www.alibaba.com), Amazon.com (www.amazon.com), and eBay (www.ebay.com). As it is discussed below, B2C e-commerce sales grow every year and are forecasted to grow at greater than 10 per cent annually (eMarketer, 2013), faster than other channels. Table 1 depicts an estimation of the size of online consumers worldwide, and a forecast until 2016. USA is the main country in online shopping, followed by Japan, though China is expecting to rank the second country in the World in 2013. It is particularly interesting the growth of the Asia-Pacific region, being China the primary driver of growth in the area (see table 2 for ranking of countries). A prospering middle class and an increasing trust in online shopping are main causes of this growth.

h**Region**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Asia-Pacific	334.8	391.1	457.6	523.1	591.7	653.5
Western Europe	156.8	168.6	178.8	186.1	192.1	197.3
North America	156.7	164.2	171.3	178.8	185.8	192.6
Eastern Europe	63.9	75.2	85.2	95.2	102.5	107.4
Latin America	50.3	63.6	73.0	82.5	90.6	97.5
Middle East & Africa	30.0	40.9	49.8	58.6	65.8	73.1
Worldwide	792.6	903.6	1,015.8	1,124.3	1,228.5	1,321,4

Table 1 - Digital buyers worldwide, by region, 2011-2016 (millions)

Source: eMarketer (2013)

Also, the importance of Asia-Pacific as primary market for online shopping is evident, becoming Internet one of the main channel for e-tailing (see table 3). Expectations for Western Europe and North America are similar, with Internet as second or third shopping channel. For Easter Europe, Latin America, and Middle East & Africa, though growing, the forecasting shows a minor share respect to conventional channels like store or direct selling. Lack of infrastructures, limited services offered and the patterns of buying behaviour are possible reasons for these data.

Country	2011	2012	2013
1. US	301.69	343.43	384.80
2. China	56.69	110.04	181.62
3. UK	109.03	124.76	141.53
4. Japan	112.78	127.82	140.35
5. Germany	38.08	47.00	53.00

Note: includes travel, digital downloads and event tickets purchased via any digital channel (including online, mobile and tablet), excludes gambling; ranked by 2013: * excludes event tickets; **includes sales from businesses that occur over C2C platforms; excludes Hong Kong

Table 2 - Top 5 countries in B2C Ecommerce sales, 2011-2013 (billions $)

Source: eMarketer (2013)

Though sales through Internet have positive forecast, and electronic retailers are gaining market share, the predictions made at the beginning of the Internet era have not become a reality: retailers are not cannibalising their own customers, virtual intermediaries have not controlled the market, and the high-street still exists (Doherty & Ellis-Chadwick, 2010).

Region	2011	2012	2013	2014	2015	2016
Asia-Pacific	27.9	30.5	33.4	36.2	38.2	39.7
Western Europe	28.0	26.9	25.7	24.3	23.4	22.6
North America	35.9	33.5	31.5	29.7	28.8	28.2
Eastern Europe	3.6	3.8	3.9	3.9	3.8	3.7
Latin America	3.1	3.4	3.5	3.6	3.6	3.5
Middle East & Africa	1.6	1.9	2.1	2.2	2.3	2.3

Note: includes travel, digital downloads and event tickets purchased via any digital channel (including online, mobile and tablet), excludes gambling; numbers may not add up to 100% due to rounding

Table 3 - B2C Ecommerce sales share worldwide, by region, 2011-2016 (% of total)

Source: eMarketer (2013)

Direct selling has increased in recent years fuelled by an increasingly interesting career that requires little or no investment. The number of vendors has grown in recent years, standing at 46,090,251 professionals worldwide in 2012 (table 4). Direct selling reached 73,276 billion $ in 2012, increasing by 5.4% compared to 2011. It is a form of sale with a long tradition in countries like USA and Japan, remain marginal in Europe and Africa/Middle East.

Also, the behaviour is different depending on the product category. Cosmetic, personal care and wellness are industries of great importance for the direct selling (see figure 2). Nevertheless this channel has a big challenge to reduce high turnover of trade key pieces for a business that has its cornerstone in dealing directly with the customer. The future business also involves using all the possibilities Internet and social networks can offer as additional communication with the buyer.

Region	Retail sales (millions $)	Size of direct selling community
Asia/Pacific	73,276	46,090,251
Africa/Middle East	1,260	n.a.
North America	33,854	16,612,880
Latin America	32,594	14,579,271
Western Europe	17,743	2,574,043
Central & Eastern Europe	8,149	8,782,005
Global	166,876	89,675,927

Table 4 - Global sales and direct selling community (2012)

Source: World Federation of Direct Selling Associations (WFDSA)

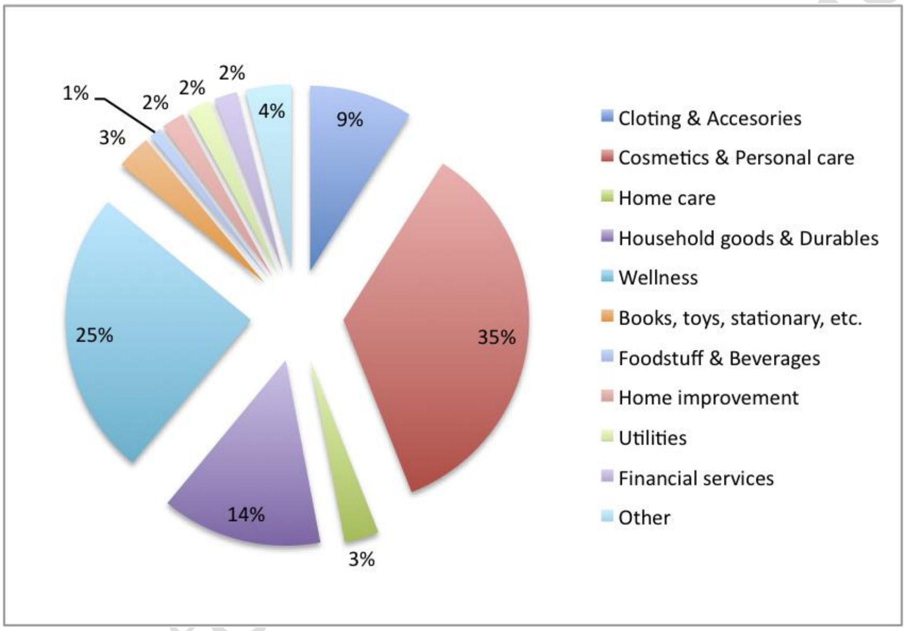

Figure 2 - Global sales of direct selling by product category

The *telemarketing*, located between direct selling and distance selling, is one of the best markets overcoming the crisis with business figures of about 7,900 million $ in Europe, through over 60 channels dedicated to 24 hours television teleshopping. The biggest market is the UK, with 40 channels and a turnover of 2,000 million $, also generating higher spending per person, about 25 & for the 16 channels in Germany, and 12 from the European average. The outlook in Spain for the coming years postulates high growth of this channel as a result of digital television and the increase in broadband connections, according to a study in Western Europe TV shopping. The duration of time devoted to such programs has increased since the advent of digital television, especially on the fringes and less attractive advertising schedules.

Regarding **vending**, this sales channel revenues reached approximately 17,556 million $ in 2008, according to figures compiled by Datamonitor. There exist about 3.8 million vending machines in Europe, resulting in an average of a vending machine for every 187 people, whereas in Japan, there is a vending machine for every 20 people.

Catalogue is an important channel for European and American consumers, within the category of *remote channels*.

Mobile shopping represent a further step in the digitalization of shopping, changing how, when, and what of selling. Since consumers are constantly connected, the whole retailer's business is affected by this channel. The growth potential of mobile shopping is evident: 49% of US consumers own a smartphone, and 60% of these shoppers use their phones in the buying process (Deloitte, 2012). Consumer shopping via mobile phones is expected to grow in EU reaching 6.8% of total web sales in 2017 (Forrester Research, 2012).

Task four: implement a multichannel strategy

With regard to the implementation stage, a key issue is about organization structure enhancing potential advantages from multichannel environment. In this sense, literature reveals that lack of **channel coordination** can lead to "inefficient or sub-optimal" expenditure decisions. Independent decision-making at the channel level easily could produce communications and pricing decisions that are inconsistent across channels and therefore detract from the overall clarity of the brand meaning (Calder & Malthouse, 2005). To the contrary, joint optimization decreases the firm's total marketing expenditures because each channel realizes that its efforts might cannibalize sales through the firm's other channel. Integrated multichannel marketing can improve marketing efforts through coordinated marketing programs (Neslin & Shankar, 2009). These programs can take the form of traditional integrated marketing communications tactics such as the consistent use of the same logo or value proposition in all the channels. Another promising area is cross-channel promotions (e.g., inter-channel cross-selling promotions).

Developing an integration channel management strategy gives rise to the following issues (Payne & Frow, 2004): how to achieve brand **consistency** in the formal communications programmes of different channels; how to achieve consistency in the way customers experience the company when they deal with its various channels; how to ensure the communications and services a customer receives through different channels are coordinated and coherent, tailored to their particular interests, and cognizant of their previous encounters with the company; and how to optimize the return on resources deployed across different channels.

Other crucial issue in implementation is **coordination of the marketing mix** across channels (Neslin & Shankar, 2009). In this sense, should the products and prices be the same or different in multiple channels? Research reveals that multichannel firms provide extra benefit to customers, enabling these firms to charge higher prices (e.g., Ancarani & Shankar, 2004). However, because differential prices across channels may potentially lead to customer confusion and resentment and channel cannibalization and conflict, it appears that firms typically charge the same posted prices across channels (Pan *et al.*, 2004). Nevertheless, the firm might effectively charge different prices by channel-specific use of price promotions or through shipping and handling fees (Neslin & Shankar, 2009). Another way to charge differential prices and avoid conflict is to sell similar, but not exactly the same items in different channels—a practice known as marketing of branded variants (Bergen et al., 1996). Anyway, the viability of previous practices will depend on how much of the differences in prices and products do customers notice and how deeply they care about such differences (Morwitz et al., 1998).

Steinfield et al. (2005) point out several factors that influence the use of click and mortar features by retailer:

- **Product type**. The specific types of products and services that a retailer sells can determine the adoption of strategies in multichannel context. The characteristics of products and services can influence the way a channel might be used, due to variations in such factors as the physical properties of the product, the value of the product, and the frequency with which the product is purchased. The Web enables consumers to become aware of and transact with Internet retailers who may be located anywhere. However, some products and services must be both produced and consumed locally, while others such as larger appliances may be more costly to transport.
- **Firm structure**. Retail chains and sole proprietorships may adopt different strategies, since they may manage a different number of firm locations. Adding a channel can help extend the reach of a firm beyond its traditional physical outlets, addressing new geographic markets. For example, retail chain firms are more likely to have established distribution centres, and are more likely to have experience in coordinating multiple-location operations. However, a retailer with a single location is limited in exploiting its physical presence.
- **Firm resources**. Existing information technology resources such as the number of PCs in the firm, the extent to which these PCs are networked, and other indicators of information technology stocks are important enablers for e-commerce (Zhu & Kraemer, 2002). Other resources include a firms' brand name, quality of existing supplier relationships, and possession of a range of other complementary assets, as well as capital and human resources that can be utilized to facilitate its e-commerce (Steinfield et al., 2002). In addition, companies which already engage in catalogue sales have an established infrastructure and business model which can be applied and enhanced with relative ease to handle orders in others channels (e.g., e-commerce, m-commerce).

Task five: evaluate. Assess the customer response to a multichannel strategy

Some of the advantages of the implementation of a multichannel strategy are increased reach to the target group (with more channels we can reach a higher number of customers), better customer service, higher levels of customer satisfaction (Moriarty & Moran, 1990), and even higher levels of acquisition of products (Kumar & Venkatesan, 2005). In particular, it has been proved that those customers who interact with the firm through more channels are more profitable than those ones who interact through a less number of channels (Kumar & Venkatesan, 2005). Despite the fact that some of the previously shown advantages could be decisive to integrate a multichannel strategy in the firm, we can also remark some disadvantages. For example, a multichannel strategy could lead to a channel conflict and decreasing returns as more channels are utilized (Sharma & Mehrotra, 2007).

In order to deal with the implementation of a multichannel strategy with more probability of success (Sharma & Mehrotra, 2007), firms need to develop effective multichannel strategies, or in other words, firms have to plan the process. In particular, Payne & Frow (2004) suggested several key steps to overcome this planning process:

- Develop strategic multichannel goals.

- Understand customer and channel touch points to leverage advantage.
- Undertake a review of industry structure and channel options, including a review of channel economics.
- Understand channel usage patterns.
- Develop an integrated channel management strategy.

Therefore, once the planning of the multichannel strategy and its posterior implementation are finished, the firm could get some measures in order to assess and control the performance of this multichannel strategy. To achieve this goal, some authors suggest that tracking the effectiveness of a multichannel strategy requires a set of metrics and not just one measure (Bazett *et al.*, 2005).

In order to guide the choice of these indicators, the first decision to consider is to define the perspective from which we evaluate the strategy. In other words, the multi-channel strategy can be assessed either from a customer perspective (using behavioral measures), or from a firm perspective (using observable measures), called unobservable and observable constructs respectively by Gupta and Zeithaml (2006). Firms could also consider a combination of both perspectives.

From a ***firm perspective***, a multichannel strategy can be assessed using measures about *contribution to profit*. For example, Neslin *et al.* (2006) proposed theoretically as performance measures the following information:

- *What is the contribution of an additional channel?*
- *What is the contribution of each channel?*
- *What channels synergize best with others?*

In a similar vein, Kumar & Venkatesan (2005) proposed using the following observable constructs to assess performance of multichannel shoppers:

- *Revenues*, or lifetime purchases of the customer.
- *Share of wallet*, or average ratio of the revenues from the customer to the customer's annual budget for information technology in the analysis time period.
- *Cumulative profits obtained from a customer* or past customer value.
- *Probability that a customer is still alive* or likelihood of being active.

In particular, these authors are interested in knowing if customers who shop across multiple channels are different from single-channel shoppers in terms of the previously mentioned customer-based metrics. They use a combination of test procedures, in particular, (i) they tested for each customer-based metric, whether the mean of at least one group (where the groups are determined by the level of multichannel shopping, i.e., shopped in one channel, in two channels, in three channels, or in four channels) is significantly different from the rest of the groups using a MANOVA procedure; (ii) additionally they conduct a post-hoc analysis of the difference in means of the customer-based metrics for all four groups. This analysis allows them to understand where the differences are in the customer-based metrics across the various groups. Specifically, they want to know whether customers who shopped in a single channel differ from customers who shopped in two, three, or four channels. Their conclusions highlight that at least in business-to-business settings, multichannel shoppers provide better benefits than single-channel shoppers. Specifically their results show that multichannel shoppers are more loyal (as measured by share of wallet and likelihood of being active) and more profitable (as measured by past customer value) than single-channel shoppers, possibly because they are aware of options available to them and purchase products in the mediums most convenient to them.

Weinberg *et al.* (2007) theoretically review more metrics to assess the multichannel strategy, such as return-on-investment of multichannel marketing (ROI). They highlight the role of the multichannel strategies developed through Internet and emphasize the process of the creation of metrics that measure the impacts and overall performance of multiple channels. It is not enough to create a multichannel strategy and design an organizational structure to support it. Organizations have to effectively measure multichannel performance in order to improve this strategy in the future. Thus, they propose web-based analytics to get more metrics about:

- *Website traffic.*
- *Catalogue products viewed.*
- *Number of page views per visit.*
- *Customer satisfaction with particular features.*
- *Click-thru conversion rates.*

On the other hand, we can also assess a multichannel strategy from a **customer's perspective**. In particular, Neslin & Shankar (2009) have noted that one of the requirements for successful evaluation of the multichannel strategy and implementation is to take into account the voice of customers, e.g., using data on how each customer utilizes each channel.

Noble *et al.* (2005) employed a value perspective to develop a model of magnitude differences in *consumers' derived utilitarian values across different channels*. These utilitarian values, opposed to hedonic value, are dominantly functional, instrumental and cognitive in nature and are a means to an end and are often equated to rational motives of time, place and possession needs (Noble *et al.*, 2005). In particular, they examined the influence of the utilitarian values of information attainment, price comparison, immediate possession and assortment seeking on channel information search and ultimately purchase frequency across brick and mortar, catalogue and Internet retail channels. Specifically, they hypothesize that consumer information attainment, consumer price comparison, immediate possession and assortment seeking is positively associated with channel information search. Additionally, these hypotheses are stronger in case of Internet channel, followed by catalogues and brick and mortar. To test these hypotheses they use a structural model and their findings indicate that: (i) the Internet provides greater information attainment than the brick and mortar or catalogue channel, (ii) regarding price comparison, the brick and mortar channel provides greater price comparison value than the Internet, with negative relationships in catalogue and Internet channels, (iii) the brick and mortar channel was found to provide greater possession value than the Internet or catalogue channel and finally, (iv) assortment seeking is positively associated with channel information search, with Internet being the strongest, followed by catalogues and brick and mortar.

Additionally, Merriless & Frenech (2007) modelled the *intention to use different channels* as another way to assess the performance of a multichannel strategy. *Trust in supplier, catalogue layout, price* and *guarantee* joined determine *customer satisfaction*. At the same time, this customer satisfaction determines intention to use different channels. Specifically, a two-equation model of the buying process is developed, as follows:

$$INT = f(SAT)$$

$$SAT = f(P, L, S, G)$$

Where *INT* refers to behavioural intentions; *SAT* refers to customer satisfaction; P refers to perceived fair price; *L* refers to catalogue layout; *S* refers to friendly staff telephone operators; *G* refers to guarantees.

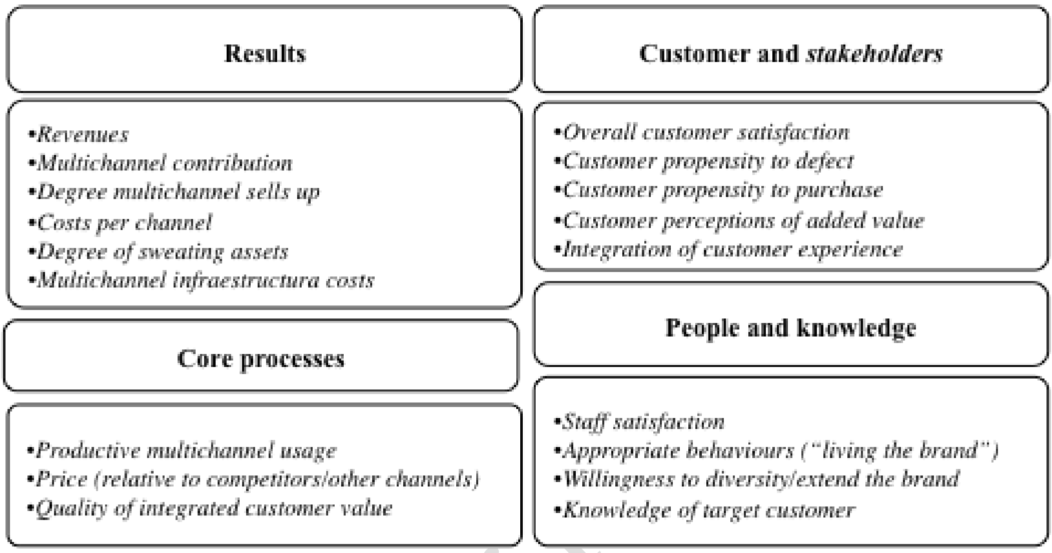

Figure 3 - Multichannel balanced scorecard

In a similar vein, Gensler *et al.* (2012) provide a more integrative approach toward *consumers' channel choice intentions* by considering all stages of the buying process (search, purchase, and after-sales), and taking into account *channel attributes*, *experience*, and *spill over effects* when examining consumers' channel choice intentions (see a review of consumer's channel choice antecedents in figure 2). They assume that consumers choose the set of channels that maximize their utility in each stage of the buying process. Channel utility is thus expressed as:

$$U_{c,i,p,s} = \alpha_c + \eta_{c,p} + v_{c,s} + \sum_{a \in A} \beta_{a,s}\, attribute_{a,i,c,s} + \phi_s previous\ use_{c,i,p,s} + \sum_{s\prime \in S} \delta_{s',s} like_{c,i,p,s'} \quad \forall c \in C, i \in I, p \in P, s \in S, s' \neq s$$

Where:

$U_{c,i,p,s}$: Utility of channel *c* for consumer *i* for product *p* in stage *s*

α_c: Constant for channel *c*

$\eta_{c,p}$: Constant for channel *c* and product *p*

$v_{c,s}$: Constant for channel *c* and stage *s*

$\beta_{a,s}$: Parameter of channel attribute *a* in stage *s*

$attribute_{a,i,c,s}$: Consumer i's perception of channel c along channel attribute a in stage s

ϕ_s: Parameter of channel experience within stage s

$previous\ use_{c,i,p,s}$: Variable indicating whether consumer i has chosen channel c for product p in stage s previously

$\delta_{s',s}$: Parameter of channel spill over from stage s' to stage s

$like_{c,i,p,s'}$: Consumer i's likelihood to choose channel c for product p in stage s'

Observable measures	**Key references**
Contribution of an additional channel	Neslin *et al.* (2006)
Contribution of each channel	
Channels which synergize best with others	
Revenues, or lifetime purchases of the customer.	Kumar & Venkatesan (2005)
Share of wallet	
Cumulative profits obtained from a customer.	
Probability that a customer is still alive.	
ROI of multichannel strategy	Weinberg *et al.* (2007)
Web-based analytics: web-site traffic, catalogue products viewed, number of page views per visit, custmer satisfaction with particular features and click-thru conversion rates	
Unobservable measures	**Key references**
Voice of customers: how each customer utilizes each channel	Neslin & Shankar (2009)
Utilitarian values of information attainment, price comparison, possession and assortment seeking on channel information search	Noble *et al.* (2005)
Purchase frequency across brick and mortar, catalogue and Internet retail channels	
Intention to use different channels	Merriless & Frenech (2007)
Channel choice: for search, for purchase and for after-sales	Gensler *et al.* (2012)
Composite approach	**Key references**
Results	Bazett *el at.* (2005)
Customer and stakeholders	
Core processes	
People and knowledge	

Table 5 - Summary of indicators explained for assessing multichannel strategy

Other authors have taken into account the two previously mentioned perspectives (i.e., ***composite approach***) and have used together perception measures and observable measures. An interesting example is given by Bazett *et al.* (2005). These authors assessed the multichannel performance from this joint perspective addressing the problem in a wider way. They developed a balanced scorecard, which combines measures that best fit the firm strategic objectives (e.g., if the firm has fixed a financial objective it could consider a measure of revenue minus direct product costs and costs of running the channels). Figure 3 shows the set of metrics proposed within this approach.

Finally, Table 5 shows a summary of the measures explained in this section. Specifically we have split this table into three parts: the first one refers to the first group of research that uses observable measures (firm perspective) to assess a multichannel strategy, the second one refers to the research that uses unobservable measures (customer perspective) to assess a multichannel strategy, the last one refers to those research that uses a mixture of both perspectives (firm and customer).

Future research directions

Formulation and implementation of a multichannel strategy is a complex issue. If it is not properly controlled, consumer satisfaction and profits can be at risk. It is necessary to deepen into organizational problems, and related resources and management capabilities of this strategy. Sinergies, complementaries, integration of communications, or data analytics are examples of capabilities required for success with a multichannel strategy. Also, experts from the industry considers that multichannel shoppers offer strong loyalty in each channel and are more likely to influence others. It is interesting to analyse the multichannel loyalty, especially respect to a single-channel strategy.

On the other hand, unifying several channels in an unified retailing strategy, breaking barriers between channels and providing superior service at more efficient costs is a very complex business transformation. Customer purchasing in a multichannel setting (usually, supported with a mobile), involves knowing in deep the cross shopping behavior generated. Research on this matter is required. Also, most of measures are designed and oriented for single-channels, not providing enough knowledge of cross-selling, unique customer behavior, etc. Thus, developing new measures to assess multichannel activity, identifying buying patterns across different channels is essential for monitoring the success of the strategy and carry out changes. Finally, since purchasing behaviour differs between product categories and consumers, segmentation analysis is welcome for a better targeting of strategies.

Conclusions

This article supports the theoretical basis related to the accomplishment of multichannel strategy from a dual perspective (e.g., organization and consumer). It offers a comprehensive framework to analyse and guide the process of developing, implementing and control of a multichannel strategy. Framed in the Multichannel Customer Management Decision model (Neslin & Shankar, 2009), it seeks to highlight the relevance of the optimal integration of channels in order to maximize profits and value (to organization and consumers respectively).

Retailers can't afford to avoid thinking about the adoption of a multichannel strategy on their businesses. Companies need to reach a comprehensive understanding of multichannel consumer behavior in order to implement multichannel strategies offering a superior value for consumers. The traditional approach to distribution strategy based on one channel (physical store, catalogue sales or direct selling, basically), have evolved into multichannel operators with a more integrated, customercentered approach. This performance was driven by the desire of consumers to communicate with retailers at any time and any place.

The reality of channel use indicates the strong growth experienced by online channels linked to new information technologies. Many affluent consumers are technology savvy, being frequent online buyers; they usually turn to their mobile to buy or support their shopping practice. These are a primary group to target a mobile and cross-channel shopping experience. But other channels have also grown, such as direct sales. In short, a multichannel reality tries to satisfy a more heterogeneous consumer in the form of access to the purchase. Anyway, though Internet is reshaping the commercial world, more that the demise of breaks-and-mortar, the trend is heading towards a complementarity between ‘breaks’ and ‘clicks’.

From a strategic standpoint, multichannel strategy can be considered a growth strategy, but also a different alternative to manage retail formats. Its benefits in terms of increased sales, more segments reached, or customer loyalty is clear, but we should also presented the problems of cost and coordination related to providing an integrated experience. The organization of a multichannel strategy requires solving the dilemma complementarity/cannibalizing for each channel giving specific advantages in terms of information and promotion, assortment or price. Manufacturers should also consider retail margins of competing products to choose to incorporate a direct channel, in addition to retailers. At the very least, they need to understand the opportunities available to them and recognize how their companies may be vulnerable if rivals seize those opportunities first.

The review on consumer choice behaviour reveals complexity and heterogeneity in the determinants of channel choice, although it is found a preference for those retailers that offer multiple paths. Motivations, channel characteristics, perceived risk, previous experience price and level of convenience determine the net income. Finally, we conclude that the complexity of the channels, with multiple interactions and online information systems, requires using scorecards to monitor tracks of activity. And data analytics is a ‘must have’ capability retailers must possess.

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