

## E-Retailing Insight Multi-Channel Retailing *February 15, 2008*

### **Why Progressive Retailers Are Going Multi-Channel**

Much ado is being made about multi-channel retailing today and what it will mean to the future of the retail landscape. However, unlike Shakespeare's famous play, this phenomenon is not about nothing. On the contrary, it is an important evolutionary step that is transforming the retail industry from one of being store or brand-centric to that of being customer-centric.

Before going too deep into the virtues of multi-channel retailing and offering some advice about how to take advantage of new opportunities presented by having a thought-through multi-channel strategy, it is prudent to step through a brief introduction to the concept and answer the *what*, *when* and *who* questions.

**What exactly is multi-channel retailing?** Multi-channel retailing (also referred to as multi-channel marketing) can be defined as conducting sales and support through more than one channel to the consumer. A short list of channel examples includes traditional brick and mortar stores, mail-order catalogues, Web-based catalogues and shops, telephone sales and support, home shopping channels, trade fairs and door-to-door.

**When did this concept originate?** While garnering much attention present day, multi-channel retail is hardly a new phenomenon. One could argue that the age of multi-channel began with mail-order catalogues more than 100 years ago. And, certainly, the current limelight being cast on *integrated* multi-channel is not new. Industry analysts have been forecasting the impact of retail across channels for the past decade. What we are really experiencing today is the maturation of multi-channel into a successful strategy for providing top-notch customer service.

**Who is doing multi-channel retailing?** Virtually all retailers operate in some capacity across multiple-channels already. In fact, it is actually a natural and common way for retailers to connect with their customers. Having an on-line channel (a brochure Web site or better) is nearly as common-place today as having a phone number (and, incidentally, phone-based sales and assistance qualifies as a channel in and of itself).

At some point one might ask the question, as is posed in this document's title, "If I am already enjoying some level of success in my primary channel, why look elsewhere instead of sticking to what has worked?" The answer to this is that the landscape has changed. The balance of power has swung into the hands of the consumer and this savvy consumer expects to be serviced through the channel that she prefers. If one chooses not to operate in a customer's channel of preference, that customer probably represents an opportunity lost.

The process of shopping itself has become more sophisticated. Today's shopper has many more tools at her disposal. Email marketing, search engines, comparison shopping engines, blogs, social networking and mobile shopping - to scratch the surface - all empower the consumer to conduct product research, compare features and benefits and price-shop well in advance of making the final purchase decision. The Internet, in particular, has been a game-changer in terms of customer

education. A shopper now expects, and receives, more and better information about the products and services she wants, whenever she wants it. Compound this with the fact that the physical boundaries of selling space and store closure times have all but been erased on the Internet and it becomes clear that retailers really need to be concerned with reaching out to their customer across various media and selling channels.

To further underscore the significance of the trend, Deloitte Consulting estimates that “by 2012 nearly 50 percent of transactions are expected to be executed with the consumer crossing channels.” (Deloitte Consulting, “Reinventing Retail: A Multi-channel Transformation” (Oct 2008)). If this prediction holds true, in less than three years those retailers that choose not to go the multi-channel route can expect to notice sales revenues decline by as much as half.

Top-performing retailers of today are already tuned into this power now at the fingertips of consumers. As these retailers increasingly expand upon their ability to service their customers across channels, the competitive bar gets raised. For progressive retailers, it is not uncommon to allow shoppers seemingly countless ways to complete a transaction: research on-line and buy in-store, research on-line and telephone for assistance, research in-store and buy on-line, shop on-line and pick up in-store, shop on-line and return in-store.

One important point to emphasize is that multi-channel done right needs to be holistic. Rather than being viewed as many separate mini-businesses or business units competing with each other and cannibalizing sales from one another, the winning picture is one of a retailer integrating channels to support and promote one another to affect a better overall customer experience. An increasingly common example is that of a traditional brick and mortar retailer with an on-line channel. While the physical store is the bread and butter of the brand, when properly employed and nurtured the Internet can be a truly powerful ally in reinforcing brand awareness and keeping customers close and informed.

So how does one proceed from the first steps in a new channel to making confident strides in effective multi-channel customer service? Here are a few suggestions for getting started:

1. Create a business budget for each channel. Setting the goal posts in advance avoids the common pitfalls of spending too much or under-funding the channel. [For a more expansive discussion on this topic, please see our white paper, “e-Retailing Insights - Calculating Webstore ROI”]
2. Set objectives. What do you want to accomplish and by when? With clearly articulated milestones and time lines, it is much easier to gauge if your efforts are bearing fruit.
3. Appoint a champion and empower this person to achieve the goals set for each channel (while staying within the budget allocated).
4. Integrate rather than segregate. Treating the new channel as an afterthought or side project will limit its effectiveness and almost certainly send mixed messages to customers who are accustomed to the service and brand of the established channel.

Integrated multi-channel retail has truly come front and centre in significance to the retail industry. Undoubtedly, it is a paradigm shift from a world where single channel or disparate multi-channel once

# JAMMICRON

experts in powering online sales

ruled the day. However, there are a couple of key points to keep in mind. Retail is still about customer service, arguably more-so than ever before. Customers are still shopping, although the amount of spending dollars is now being spread over a greater number of channels.

We invite your comments on this discussion about multi-channel retailing. Please write us at [e-retailing-insights@jammicron.com](mailto:e-retailing-insights@jammicron.com). Thanks!

Copyright 2009

E-Retailing Insights is a white paper series from Jammicron Technology, aimed at helping retailers get the latest information on Internet retailing. For more information, please visit:

[www.jammicron.com](http://www.jammicron.com)