

Chapter 16

Retailing and Multichannel Marketing

Supply chain (simplified)



Make

Some of the activities include:

- Making the actual product
- Research & Development
- Supply chain management (efficiency, savings)

Move/store

This level in the supply chain may (or may not) include a wholesaler like Costco

Sell

Retailers, distributors, and manufacturers will often work closely with one another to create a more efficient supply chain, which can improve sales and profitability. It can even result in savings for the consumer.

Consumers

If the consumer is not happy, no one along the supply chain is happy!

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Retailers



Definition: Set of business activities that **add value** to products and services **sold to consumers** for their personal or family use

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- **Location** → bring product/service closer to consumers
- **Wide selection** of products
- **Salespersons** can help in final choice/fit a product, e.g.:
 - Clothes → tailor to fit a suit perfectly
 - Bike → fitting and sizing

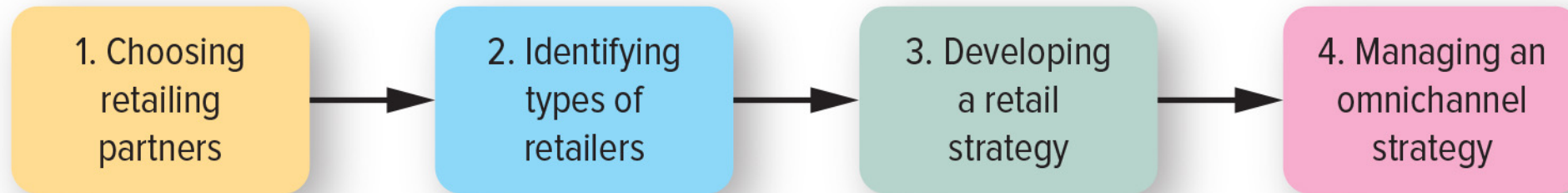
Manufacturer – retailers relationship



Which factors do manufacturers consider to establish relationship with retailers?

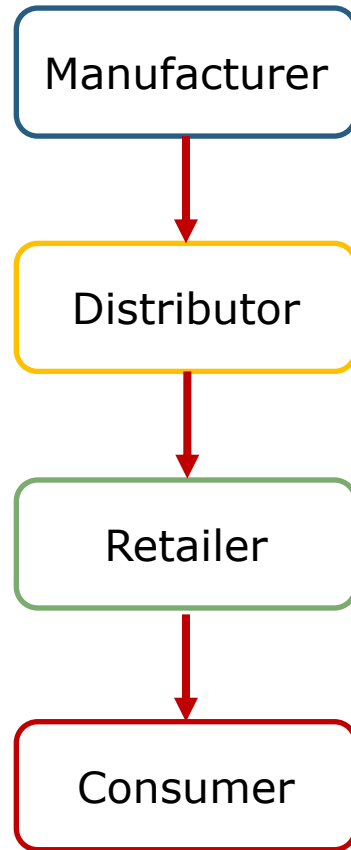
- Who fits your image best?
- What type of retailer should you pursue?
- What is your retail strategy?
- Multichannel presence – Online, brick & mortar

Factors for establishing a relationship with retailers

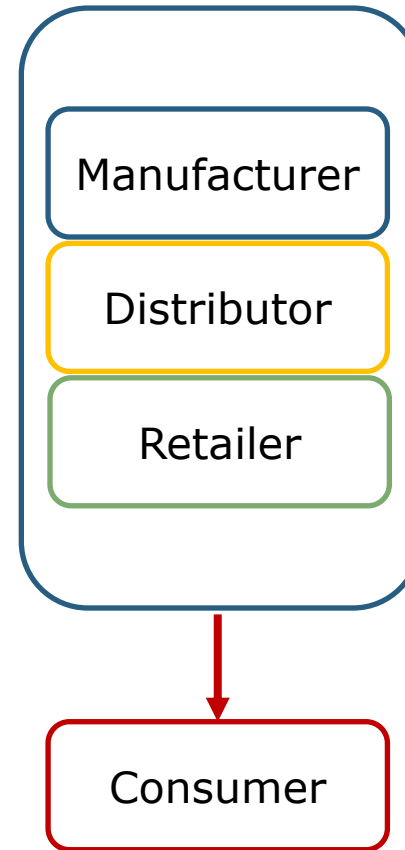


Choosing Retail Partners

1. Channel structure is important



Every entity has
its **own goals**



Entities act as
unified system

2. Customer expectation

- Does Chanel sell perfumes at CVS?

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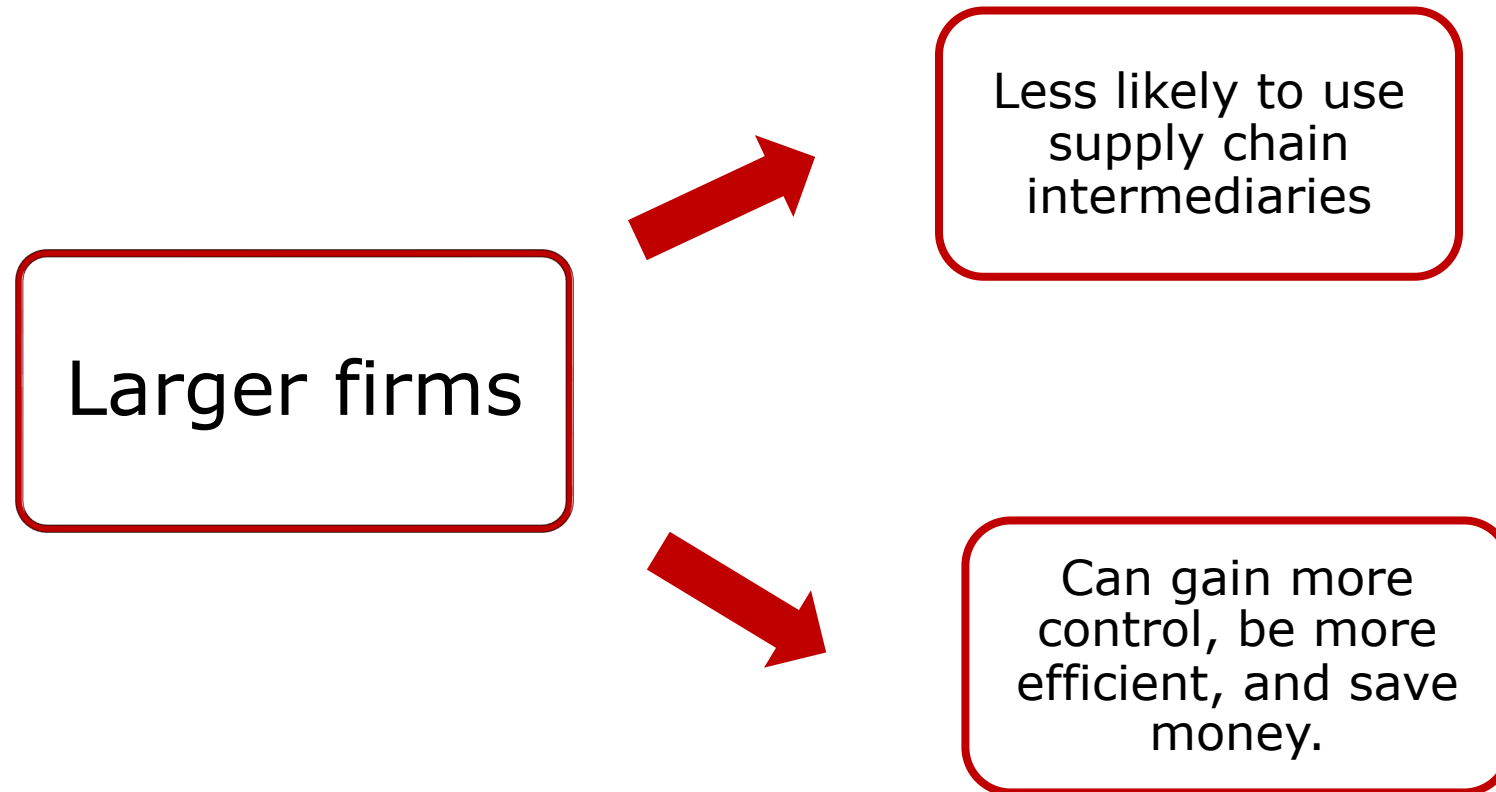
Doesn't allow any online sales except from [specialized.com](https://www.specialized.com), where everything is sold at MSRP

- Brand will look less valuable
- Don't upset "local bike shops"



PROTECT BRAND
&
THEIR (OFFLINE) RETAILERS

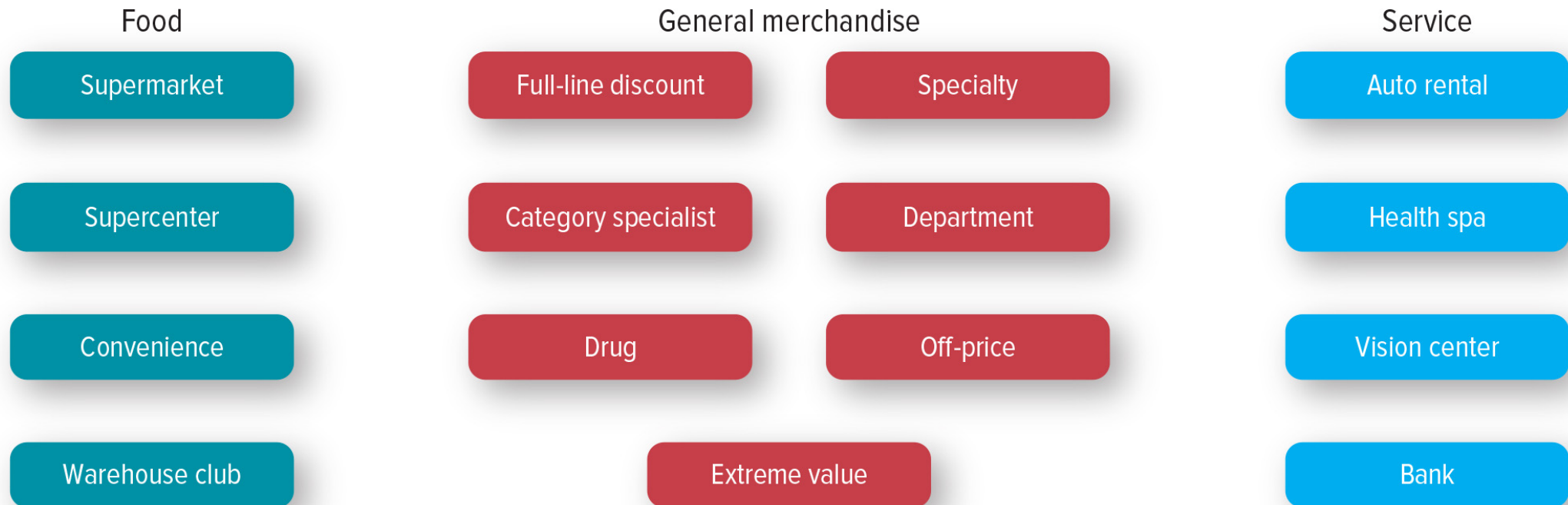
3. Channel members characteristics



4. Type of distribution

- Intensive distribution → Place product everywhere possible
- Exclusive/Selective distribution
 - Luxury goods use only one or very few high-end retailers! (Recall brand value)
 - Control inventory easily
 - Less competition

Identify types of retailers



Food retailers

Supermarkets	Supercenters	Warehouse clubs	Convenience stores	Online grocery retailers
Limited nonfood	Supermarket combined with a full-line discount store	Limited assortment and little service, low prices	Limited variety Speedy check out	Customers willing to pay more to order online and have groceries delivered
Differentiated by number of SKUs (Whole Foods, Trader Joe's)	Walmart, Meijer, K-Mart, Target	Costco, Sams, BJ's	7-elevn	Instacart, Amazon Prime Fresh

- **Department stores:** broad variety and deep assortment
- **Full-line discounts:** Broad variety at low prices
- **Specialty:** Limited merchandise with service in small stores
- **Drugstores:** Specialty for pharmaceutical and health
- **Category specialists:** Big-box or category killers with narrow but deep assortment
- **Extreme-value:** Full line, limited, very low prices
- **Off-price:** Inconsistent assortment of brand-name merchandise at low prices

Service retailers

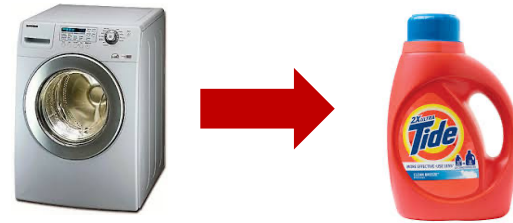
Firms that primarily sell services rather than merchandise are a large and growing part of the retail industry.



Retailers add value using the four Ps

1. Product: Home Depot Case

- Provides customers better access to product they want!
- Provides **right assortment**



- Online store to match consumer needs
 - Easier to locate items
 - No need to have physical product in stores
 - Online we can find low selling items

Retailers add value using the four Ps

2. Price

- It sets the image and perception of consumers



Retailers add value using the four Ps

3. Promotion

- Facilitate sales
- Affect firm image
- Different forms
 - Offline/online
 - Coupon
 - Credit cards
 - Social media
 - Mobile
 - Etc.



Retailers add value using the four Ps

4. Location, location, location

- Being in a good location gives competitive advantage
 - If Starbucks is in a very good location, how can competitors find a competitive place where to open their stores?

How would you choose a good location if you have to open a business?

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Brand Image - Is the location consistent with the image you want to maintain?

Competition - Are the businesses around you complementary or competing?

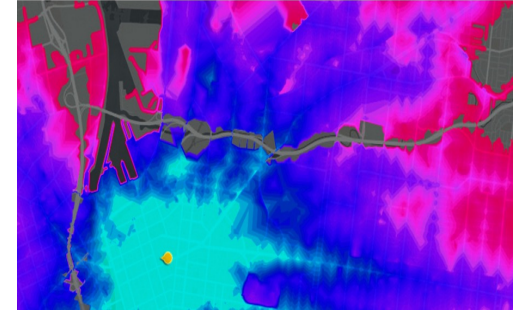
Local Labor Market - Does the area have potential employees? What will their commute be like?

Plan for Future Growth - If you anticipate further growth, look for a building that has extra space should you need it.

Proximity to Suppliers - They need to be able to find you easily as well.

Safety - Consider the crime rate. Will employees feel safe alone in the building or walking to their vehicles?

How do you think Starbucks finds good locations?



How do you think Starbucks finds good locations?

- (Big) Data analysis, e.g., using [ArcGIS Online](#), a technology platform for visualizing data in the form of maps
 - How far from home are customers willing to travel to get to a coffee?
 - Risks associated with building new stores

“Retailers not only need to know where their potential customers are, they need to know where they will be over the 10-to-25 years lifetime of the investment they make in physical space.” Jack Kilmartin, CEO

Retail strategy: Place

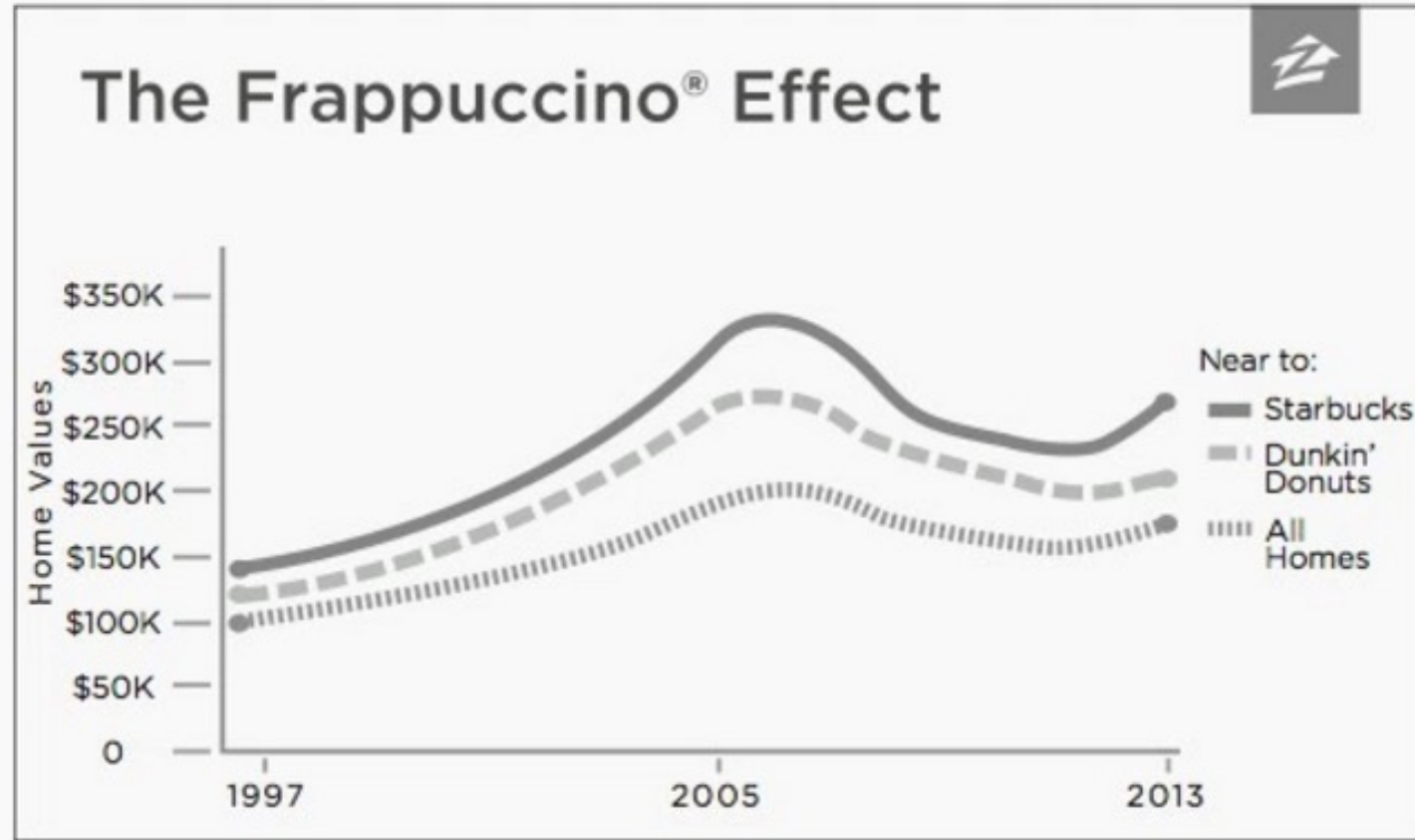
Confirmed: Starbucks knows the next hot neighborhood before everybody else does



Retail strategy: Place



STARBUCKS®



Full article available at: <http://qz.com/334269/what-starbucks-has-done-to-american-home-values/>

- Retailer physical appearance and atmosphere



Retail strategy: Personnel



Retail strategy: Processes

Value added actions taken to get a good or service to a customer



- Today it is more common than ever
- Retailers use multiple channels to reach customers
 - At least two: online and offline
- Can you think about other channels?

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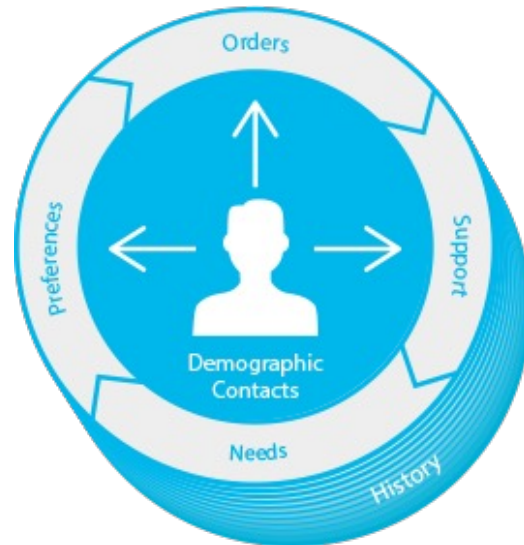


What are the challenges associated with having multiple retail channels?

- Consumers desire a **seamless** experience when interacting with multichannel retailers

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 1. Integrated **Customer Relationship Management (CRM)**



Data will help better handling

- Complains
- Returns
- Targeting
- Sales

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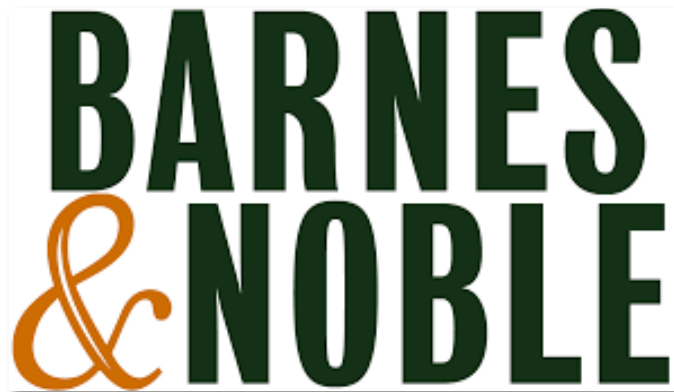
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2. Brand image

- Must be consistent across the different channels!
 - » Examples

What are the challenges associated with having multiple retail channels?

- Consumers desire a **seamless** experience when interacting with multichannel retailers
- 3. **Pricing** (it's complicated)
 - Should be consistent across channel...but competition can be different, e.g., online vs offline

The logo for Barnes & Noble, featuring the words "BARNES" and "NOBLE" in a bold, dark green, sans-serif font, with an orange ampersand "&" between them.

vs

The Amazon logo, featuring the word "amazon" in a lowercase, black, sans-serif font, with a curved orange arrow underneath it pointing from the letter 'a' to the letter 'z'.

What are the challenges associated with having multiple retail channels?

- Consumers desire a **seamless** experience when interacting with multichannel retailers

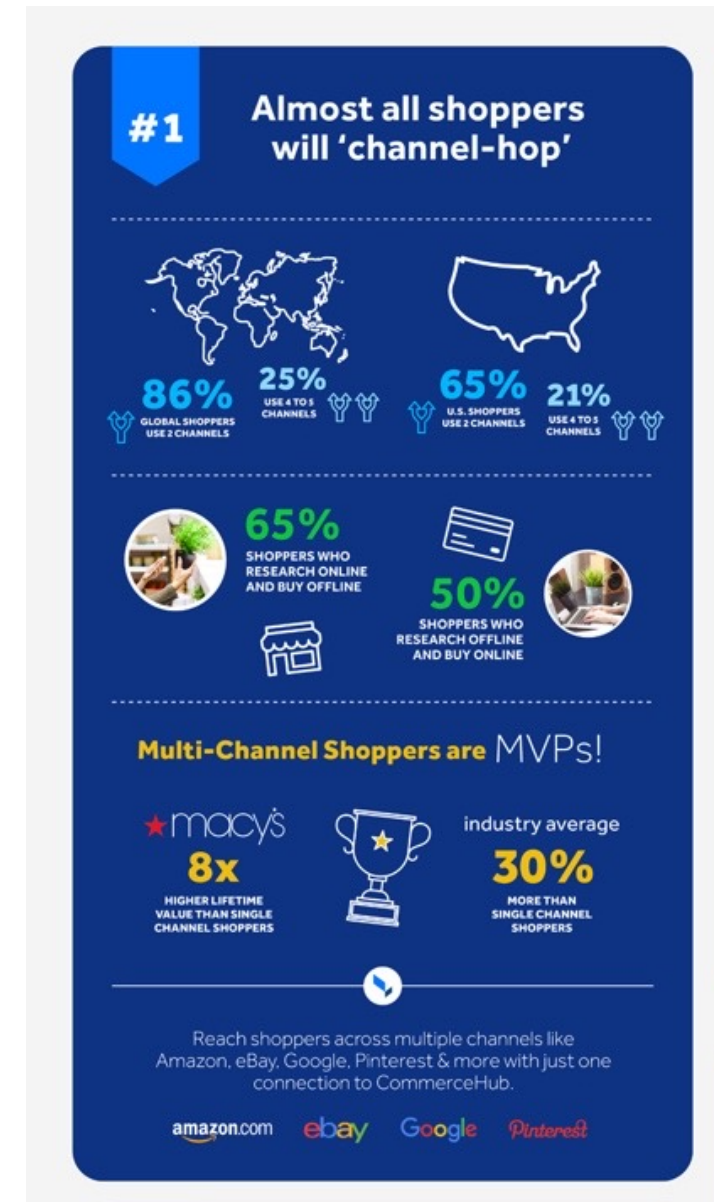
4. Supply chain

- Different channels require different organizations at each level → Difficult to provide seamless experience
- Today retailers try to integrate all operations under the same organization, e.g., same distribution center for online and offline

GOAL: Unified commerce
multiple retail channels will work with each other to provide users a seamless, friction-proof shopping experience.

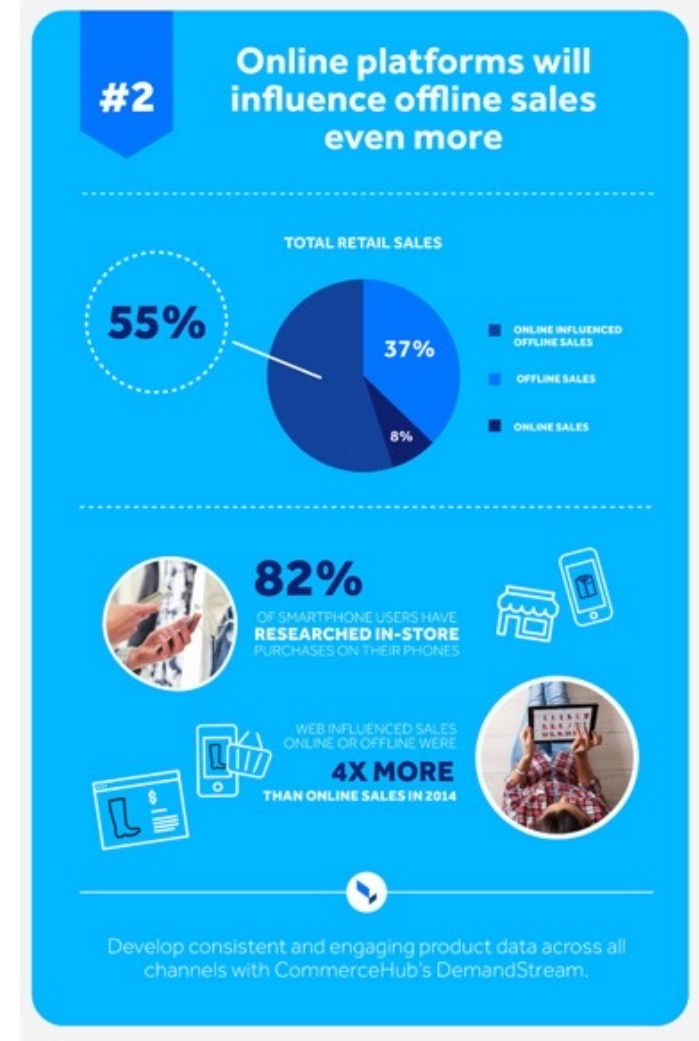
Almost all shoppers will **channel-hop**

- 86% of shoppers around the world shopping on at least two channels now



Online platforms and social networks will influence offline sales even more

- Ads should **mirror your product catalog**, which should **reflect the actual inventory** your stores carry
- In other words, **consistent, clean, and updated product data** is a necessity

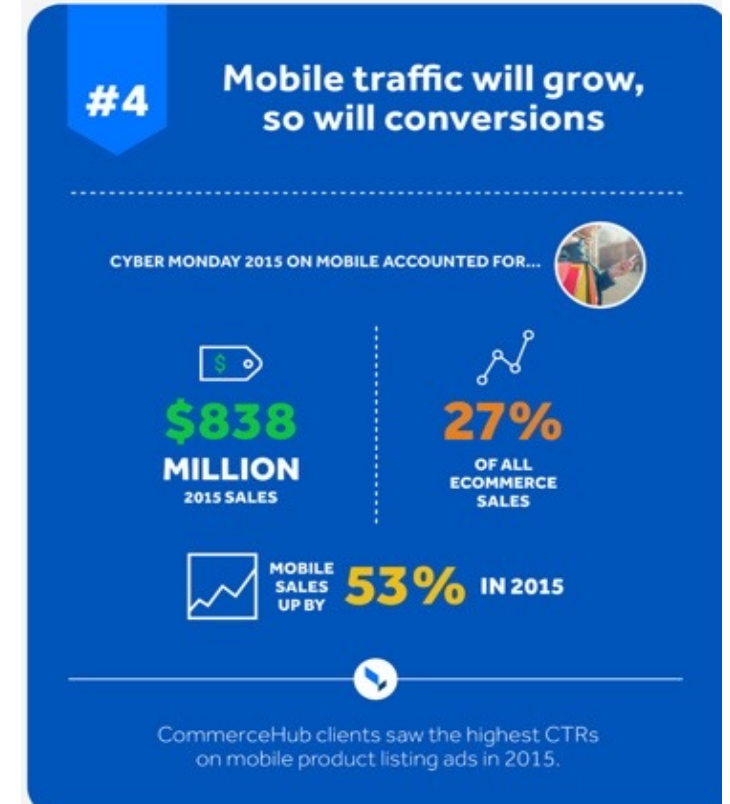


Shipping Innovations

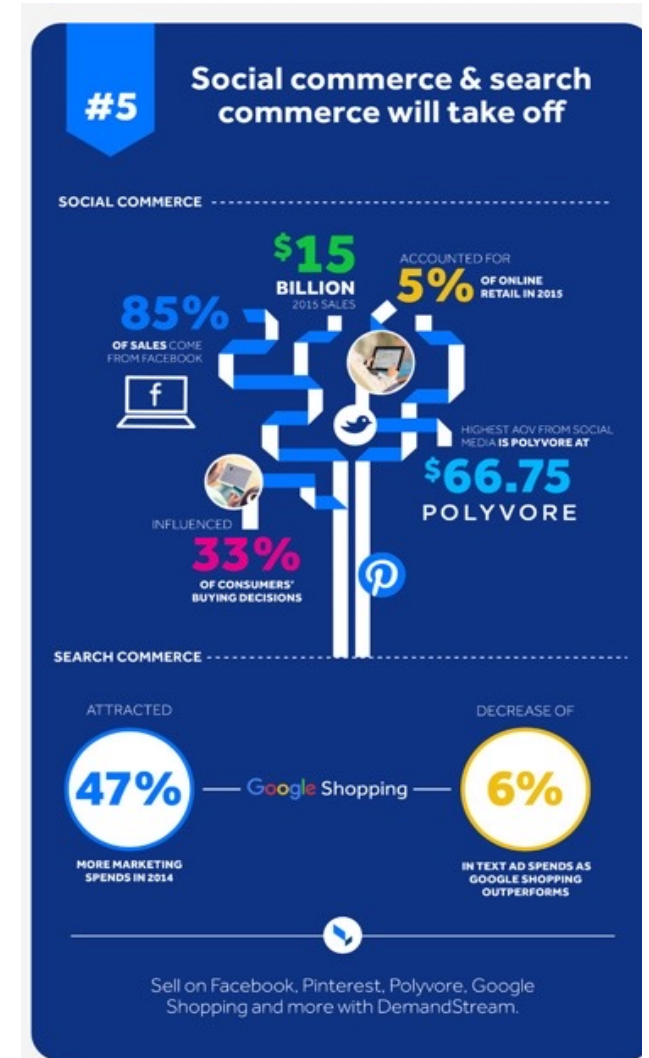
- Same day delivery (Amazon now)
- Drone delivery
- Distributing inventory geographically (Amazon anticipatory shipping)



- **Mobile traffic is booming**
 - More conversions from mobile commerce
 - Apple/Samsung/Google pay
 - Paypal
 - Etc.



- **Social commerce** and **search commerce** take off
 - Online shopping no longer restricted to retailers' websites or marketplaces
 - **Social networks** like Pinterest, Facebook, **search engines** like Google are getting in on the retail action



- Offline
 - Personal service
 - Can use cash
 - Immediate gratification
 - Touching/feeling
 - Risks reductions (test/try)
- Online
 - Wider selection
 - Easier search
 - Personalization
 - Offering
 - Discounts/promotions
 - Customer service

eBay Case

- eBay acquired GSI commerce to improve its processes and add more retailers that use GSI commerce
- GSI Commerce is a technology and services company that provides e-commerce, multichannel, and interactive marketing solutions to hundreds of brands and retailers in the U.S. and internationally.

The goal was to be able to better compete with Amazon:

- Improve shipping
- More products/selection
- Improve/revamp image
- Better payment service
- More retailers selling on the platforms

Recap

