Retail Marketing Strategy

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Lecture-22

Welcome back everyone. Today we will be beginning with session 4 of the week 4 of the course retail marketing strategy. If you remember in the last session we touched upon the perspectives of multichannel retailing. I explained you what exactly is a multichannel retailing framework. So if you remember I told you that this is all about offering multiple touch points to the consumers now that can be related to searching for information and even purchasing. Now consumers are using it for which purpose is definitely going to be their call but for a retailer it is important to make sure that the process of search and purchase both becomes very smooth even when the multiple channels are being offered.

But today we will be touching upon what is an omnichannel retailing and why do we need strategic perspectives on multichannel and omnichannel retailing. Along with that we will be also looking at the difference between multichannel and omnichannel retailing and

Learning Objectives:
After going through this module, the learner will be able to appreciate:

- Why do we need strategic perspectives on Multi-Channel and Omni-Channel Retailing?
- Difference between Multi-Channel and Omni-Channel Retailing
- Benefits and Challenges associated with Multi-Channel and Omni-Channel Retailing

what are the benefits and challenges which can be associated with multichannel and omnichannel retailing facets. So before we move further let us first understand what is an omnichannel retailing.

Omni-Channel Retailing:

Verhoef et al. (2015) have defined omni-channel management as "the synergetic management of the numerous available channels and customer touchpoints, in such a way that the customer experience across channels and the performance over channels is optimized"

Source: Verhoef, P.C., Kannan, P.K. and Inman, J.J., 2015. From multi-channel retailing to omni-channel retailing: introduction to the special issue on multi-channel retailing. *Journal of retailing, 91*(2), pp.174-181.

Now we will first look at the definition by Verhoef which again was published in the paper from multichannel retailing to omnichannel retailing introduction to the special issue on multichannel retailing.

The paper has been published on one of the most landmarks and reputed journals which is Journal of retailing and is very popular with respect to the ongoing research in the retailing domains. Now as per Verhoef et al 2015 omnichannel management has been defined as the synergetic management of the numerous available channels in the customer touchpoints in such a way that the customer experience across channels in the performance over channels is optimized. Now even when you look at this definition there are three facets that you can capture. First is there is definitely going to be synergetic management of the numerous channels as well as the touchpoints which are being offered to customers. Along with that the whole idea is to make sure that the customer experience across channels along with the performance is optimized.

Now whenever we are looking at the facet of synergetic management what we are trying to say is there is definitely a higher level of synergy between all the touchpoints that are being offered. In other words you can say there is an integration which exists between the channels which are being offered. If you remember at one point I was telling you that the context should not be lost right. So whenever you are looking at omnichannel retailing the context is always retained. I also gave you the example of let's say you want to return a product and you are trying to process that request through the mobile application.

Now even when you go to their physical store you will not have to explain the complete story to them. Now this can be related to a variety of ways. Let's say if there is an issue with the refund or you want to access a particular promotional offer. Now all these context which actually we captured across all the channels it's not like you will have to repeat the whole story or many times even you will not be required to enter all the details time and again. Now all this facet of

bringing in this synergy or offering a seamless experience is to make sure that the performance over channels is optimized which means the best combination is being offered to the customer.
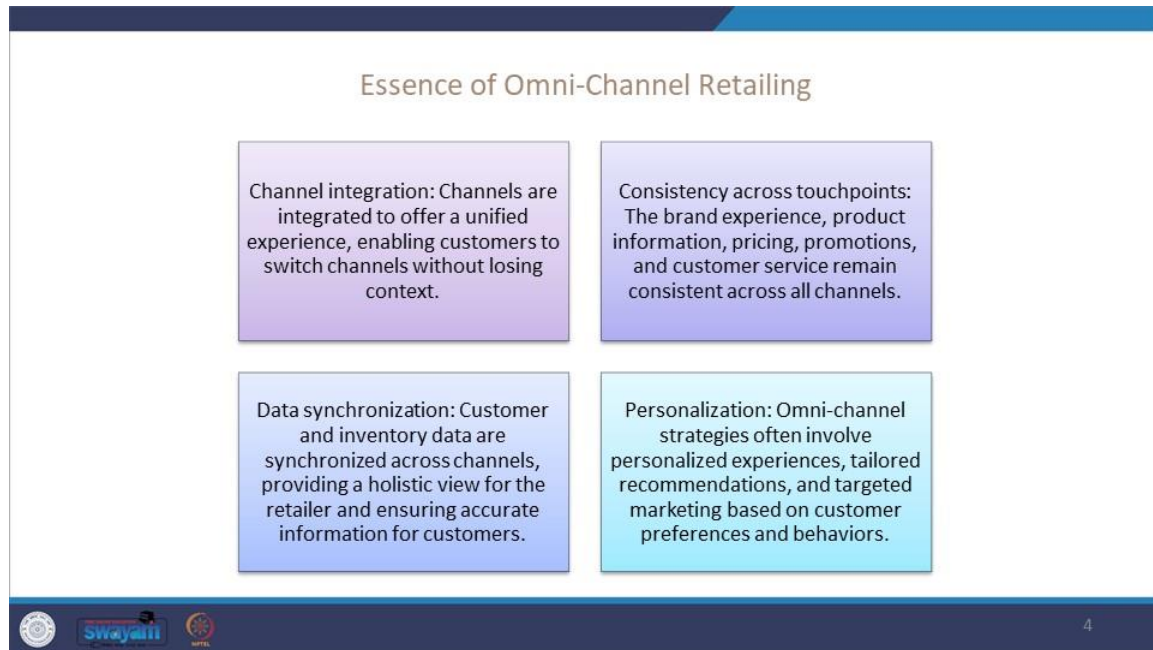
So that the value which they are deriving from all these channels is actually maximized. Now we will look at the essence of omnichannel retailing. The first is channel integration which is the channels are integrated to offer a unified experience enabling customers to switch channels without losing the context. Now again we got to the same thing about not losing the context. Now that is where the beauty of omnichannel retailing lies which means whatever footprints you have or whatever interactions that you are having with a particular organization or let's say their particular channel will be recorded across all the channels that's how the facet of not losing context comes in picture.

Apart from that there is again going to be a consistency across touch points. Now this again is going to be related to brand experience which means how you are treated or the experience which is being offered to by the retailer is going to be consistent across all the channels. The product information, pricing information, access to the promotional offers and the availability of customer service is again going to be consistent across all the channels. Even the pricing and all the promotional offers are going to be very same. Another biggest advantage of omnichannel retailing is definitely data synchronization which means that the customer and inventory data are going to be very much synchronized across all the channels which again will provide a very holistic view for the retailer and ensuring accurate information to the customers.

Apart from that one of the key advantages of data synchronization is that you get very enriched data about how the customer behaves or how he is interacting with different channels. Now that again is going to be a treasured mind which can be used for dealing with customers in the best possible ways or working towards enhancing their experiences which they have with the retailer. Now another benefit that comes from omnichannel retailing is personalization. Omnichannel strategies often involve personalized experiences definitely because you are able to dig deeper

into or utilize the synchronized data which is available for the access and which again helps you offer tailored recommendations and allows you to also tap into the power of targeted marketing by deeply analyzing the customer behavior as well as preferences. So as far as this particular discussion was concerned we looked at few key points which capture the essence of omnichannel retailing.

The first was channel integration which means the context is not lost. The channels are properly integrated with one another. Another thing is there is definitely going to be consistency across all the channels or touch points which are being offered. There is not going to be any difference with respect to the information about pricing or promotional offers which are being made available to the customer. The data will also be synchronized in the best possible ways in order to make sure that a retailer can reap out the benefits of personalization as well as going for a targeted marketing approach by utilizing the understanding of customer preferences and behaviors.

I really hope that you have now fully understood the meaning of omnichannel and multichannel retailing and also the essence perspectives that we shared about them. But you might be wondering why we need to have strategic perspectives on multichannel and omnichannel retailing or why we really need to understand what does this mean simply because the impact that they have on retailers as well as how consumers buy and purchase is very much influenced by whether it is a multichannel environment or whether it is an omnichannel retailing environment. So we will be now looking at the mechanics of the strategic perspectives that we need to look at when it comes to the multichannel and omnichannel retailing dynamics. Now the first is it has definitely emerged as a established norm or maybe you can say it is emerging as a norm which means let us say even if you had retailers earlier who were only selling products to brick and mortar retailers they have now started launching their online channels or mobile applications right even when they don't require it simply because consumers today expect brands to not only offer access to their brick and mortar retailers, but also allow them to buy through mobile applications or websites right or other channels which they can offer which means offering more channels to the consumers or a basket of channels to the consumers as emerged as a norm. Another thing which can be aligned with this established or emerging norm is the fact no retailer would like to be left behind because one enhanced benefit of offering multiple channels is that you can have a wider reach of the customers or you would be able to expand your customer base because those customers who are only comfortable buying online will also start buying from you if they were not buying earlier.

Another thing is it has definitely increased complexities one thing is understanding consumers has become more complex you don't know which channel they will be using for search which channel they will be using for purchase and how they will be switching across different channels has definitely become a huge problem for retailers apart from that there are also operational complexities which have creeped in now that can be related to aspects like logistics fulfillment customer service now you need to make sure that the customer service is available across all the channels and definitely there is a lot of consistency also across all these channels the problems of fulfillment also becomes an issue because you need to make sure that there is no understocking or overstocking across all these touch points then having right processes workflows and staff across all these channels also requires a very careful planning is definitely a challenge for all the retailers. Now another strategic perspective that we need to understand is definitely consistency so, whenever multiple channels or only channel retailing is being used there has to be consistency across all the channels whether this is with respect to product information promotional offers which are being made available to the customers as well as the pricing information as well but one benefit of consistency is the fact that you will be able to garner more of trust from the consumers because of the consistency of definitely pricing information which is identical across all the channels because customers don't feel like cheated let's say you might have a customer who purchased the product from brick and mortar retailer and the prices were high the prices at brick and mortar stores were high for whatever reasons that might exist or how much logical they might be but when a customer will identify that the prices are much lower online from the same company across their channel then they are definitely not going to like it and will definitely bring in a sense of dissatisfaction as well. Apart from this as far as strategic perspectives are concerned there also needs to be a robust technological infrastructure right because you are offering multiple channels you also look for consistency across these channels. So retailers indeed need robust technology infrastructure to support multiple channels. Now this includes having reliable e-commerce platforms point of sale systems you also need to work on your

inventory management systems so that there is no understocking or overstocking across the channels while understocking will definitely lead to lost opportunity cost of selling the products which could have been sold overstocking will definitely lead to the cost of having products which have not been sold and will also be occupying places in your warehouses.

Apart from this you also need to have very sophisticated data analysis systems if you remember when the data is very much properly synchronized then only you can reap in the medical benefits of going for a very sophisticated recommendation systems and you will also be able to understand the consumer preferences and behavior in best possible ways which again is going to be very much beneficial in up selling and cross selling to them right. Apart from this reciprocation indeed becomes a mystery when you talk about a multi channel and only channel retailing framework you might see consumers going to an online channel taking all the information reading reviews but then going back and purchasing it offline if they are buying it from the same retailer it is fine because the benefit eventually is coming to you but if they even cross switch the retailer then definitely you are not being reciprocated likewise this might happen you might see consumers who would go to a physical store they will enjoy the ambience they will take all the services from the sales staff well they will not buy from there they will come back and they will might excess lower prices online. Now in this case also if they are buying from the same retailer it is fine but if they are not buying then definitely you are not being reciprocated. This also captures the essence of free riding when consumers use different channels to maximize their benefits or to make best product choices but no reciprocation happens. Free riding actually indicates the behavior when you are riding across channels taking benefit for free but you are not reciprocating.

Apart from this there are indeed very acute challenges of retention as well you might see consumers logging to your app collecting information but after few minutes they might just vanish and you don't know where they have gone. Retention definitely becomes a key challenge that's why many times you will see recommendation systems are used when the products specifically in online channels add product to their cart and don't buy but if data is synchronized in the best possible ways I will again repeat the same thing then you can definitely have the best of strategies with respect to not only retaining customers but also upselling and cross selling it to them. Another acute challenge which becomes a part of multi channel and only channel retailing is channel conflict right. You might have a physical store complaining that all the people in our locality are buying online why does the store exist for. Now this again is a acute challenge and can also lead to cannibalization of sales.

Now cannibalization of sales can also happen when you have more of touch points in the same locality or in the same area. Now this again becomes a key challenge when it comes to omni channel and only channel retailing experience. Apart from this the another thing which definitely need to understand is staff training and alignment right. Because you need to train your staff in such a way to deliver customer experiences across all these channels. Employees need to be very well versed in the specific requirements and nuances of each channel to deal with customers effectively right.

So you need to have a very smart and trained staff who knows what is it that the customers will be looking for across different channels and they need to be dealt in similar ways. Apart from this providing a consistent and seamless customer experience across channels also becomes very demanding. Customer expect the similar level of service convenience and benefits across all these channels. But when it comes to execution this is indeed going to be a very acute or a grave challenge for the retailer to make sure that the consistent and the best customer experience is offered across all the channels. And this becomes more of a challenge also because of the fact that the mechanics or operation of all these channels are very much different.

Like if a customer faces a problem in physical and brick and mortar store you have people who can notice that and come forward to help right even when the consumer is not asking for it. But in online channels that is not the case that is why offering consistent customer experiences becomes a very huge challenge.

	Multi-channel	Omni-channel
Channel focus	Interactive channels only	Interactive, integrated and mass-communication channels
Objectives	Per-channel	Cross-Channel
Channel scope	Retail channels: store, online website, and direct marketing (catalog)	Retail channels: store, online website, and direct marketing, mobile channels (i.e., smart phones, tablets, apps), social media Customer Touchpoints (incl. mass communication channels: TV, Radio, Print, C2C, etc.)
Separation of channels	Separated	Integrated
Channel management	Per-channel	Cross-channel

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Now as we move forward we will be looking at the difference between multi channel and omni channel retailing. If we look at the discussion we had till now we have precisely touched upon these facets briefly, but we will again be looking at them to make sure that we actually understand how multi channel retailing is different from omni channel retailing. So, the first point is channel focus.

So, if you talk about multiple channel retailing there are only interactive channels which are indeed stand alone as well. Whereas, when you talk about omni channel what you get is interactive integrated and mass communication channels which means the channels will be integrated to the extent as we had discussed earlier that the context will not be lost. If you are going through let us say any return request or may be accessing the sales promotion offer or any other issues that you are encountering with the particular retailer it will be recorded and will be kind of available or could be seen across all the channels by the retail staff as well to make sure that your problems are resolved in the best possible ways. When you talk about multiple channel

retailing the objectives are definitely going to be per channel which means a physical store or a brick and mortar retailer is going to have its own objectives. Whereas, if you look at an online channel they might have their own objectives which could be completely different from the brick and mortar retailers as well which means there indeed going to be no synergy between these channels.

  And the another issue is they could be having you know completely different integrated marketing communication programs and they will also be not be able to repain the benefits of synergies that could be created in the marketing communications program because they are operating independently and in silos. Whereas, when you talk about omni channel retailing the objectives are definitely going to be cross channel. There is indeed going to be an integration between these channels and they will be actually supporting each other in making sure that the consumer can be smoothly moved from the stages of awareness, interest, desire, action and definitely satisfaction. Now, when you look at the channel scope in context of multi channel retailing the channels that you have are store, online website and direct marketing which could be catalogued. But when you are talking about omni channel and the channel scope lies in store which is indeed a brick and mortar retailer, online website, direct marketing along with that you also see the presence of mobile channels, smartphones, tablets, applications, social media, customer touch points which includes mass communication channels, TV, radio, print as well.

  So, if you look at omni channel retailing what you are getting is a higher or very sophisticated basket of touch points that are being offered to the customers. Along with this in multi channel retailing the channels are definitely separated which again indicates they operate in silos whereas, in omni channel retailing the channels are very much integrated all the consumer actions, footprints or communications that they have with one channel are not only recorded but are also available for access in other channels as well. When you talk about channel management in multi channel retailing it is per channel whereas, in omni channel retailing it is cross channel. But if you sum up the whole context of the difference between multi channel and omni channel retailing it simply lies in the fact that in omni channel retailing the channels operate in silos they are standalone channels they might have different objectives and they are not integrated which means there is no synergy which is created between these channels one plus one will not become eleven in a multi channel retailing framework whereas, in omni channel retailing you are definitely going to reap in the benefits of the synergy which can be creating a concurrent interaction of the consumers with these channels. So, as far as this session was concerned I really hope as I was telling you that you are now able to pinpoint the differences between multi channel and omni channel retailing apart from that I also think that you gained the essence of strategic perspectives and why we need to focus on multi channel and omni channel retailing frameworks in the current retailing dynamics.

Now, as we move forward in the next session we will indeed be learning about the key challenges in a multi channel and omni channel retailing framework. We will also be looking at emerging challenges like research shopping phenomenon, hybrid shopping and cross channel free riding and we will be finally, closing that session with the benefits of multi channel and omni channel

retailing dynamics. So, looking forward to meeting you in the next session thanking you for now wishing you a good day ahead. Thank you.