Chapter 16

Retailing and multichannel marketing
Supply chain (simplified)

Some of the activities at this level include:
- Making the actual product (the most obvious)
- Research & Development (R&D)
- Brand Management
- Formation of sales force (manufacturer “reps”)
- Marketing research
- Supply chain management (efficiency, savings)

Make

Move/store

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.

Sell

Consumers

If the consumer is not happy, no one along the supply chain is happy!
Consumer research! Quality! Reputation! Business ethics!
Supply chain (simplified)

Make
- Making the actual product (the most obvious)
- Research & Development (R&D)
- Brand Management
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- Supply chain management (efficiency, savings)

Move/store
- This level or step in the supply chain may (or may not) include a wholesaler like Costco

Sell
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Consumers
- If the consumer is not happy, no one along the supply chain is happy!
- Consumer research!
- Quality!
- Reputation!
- Business ethics!
Definition: Set of business activities that **add value** to products and services sold to consumers
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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 perfectly
  – Bike → bike fitting and sizing
Manufacturer – retailers

Which factors manufacturer 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
1. **Channel structure** is important (we have seen it in Ch. 15!)

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, where everything is sold at MSRP
• Brand will look less valuable
• Don’t upset “local bike shops”

PROTECT BRAND AND THEIR (OFFLINE) RETAILERS
3. Channel members characteristics

- Larger firms
- Less likely to use supply chain intermediaries
- Can gain more control, be more efficient, and save money.
4. Type of distribution

- Place product everywhere is possible

- Exclusive/Selective
  - Luxury goods use only few high end retailers! (Recall brand value!!)
  - Control inventory easily
  - Less competition!
Retailers add value using the four Ps: Product, Price, Promotion, Place

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! (so online we can find low selling items)
• Retailers add value using the four Ps: Product, Price, Promotion, Place

2. Price

  – It sets the image and perception of consumers

• Retailers add value using the four Ps: Product, Price, Promotion, Place

3. Promotion
   – Facilitate sales
   – Affect firm image
   – Different forms
     • Offline/online
     • Coupon
     • Credit cards
     • Social media
     • Mobile
     • ...
Retailers add value using the four Ps: Product, Price, Promotion, Place

4. Location, location, location
   - Being is a good location give competitive advantage
     - Starbucks is in every “good” location, how competitors can find a competitive place where to open their stores?
How would you choose a good location if you have to open a business?
How would you choose a good location if you have to open a business?

**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, Wendy’s finds good locations?
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– (Big) Data analysis, e.g., using ArcGIS Online, a technology platform for visualizing data in the form of maps
  • How far customers are willing to travel to get to a Wendy’s from home, work and a retail shopping center
  • 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 year lifetime of the investment they make in physical space.” Jack Kilmartin, CEO
Confirmed: Starbucks knows the next hot neighborhood before everybody else does
Retail strategy: location

Full article available at: http://qz.com/334269/what-starbucks-has-done-to-american-home-values/
• Today is more common than ever
• Retailers use multiple channels to reach customers!
• At least two: Online and offline
• Can you think about other channels?
• Today is more common than ever
• Retailers use **multiple channels** to reach customers!
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What are the challenges associated with having multiple retail channels?

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

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

Data will help better handling

• Complains
• Returns
• Targeting
• Sales
• ...
What are the challenges associated with having multiple retail channels?

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2. Brand image

– Must be consistent across the different channels!

http://blog.hubspot.com/blog/tabid/6307/bid/34227/15-Businesses-to-Admire-for-Consistent-Stellar-Branding.aspx#sm.0001v6vjhu8bzcnuqbx2ni2fqmlh4
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3. **Pricing** (it’s complicated)

– Should be consistent across channel...but competition can be different, e.g., online vs offline
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**
where 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 2 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 mCommerce
    • 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, search engines like Google are getting in on the retail action
Online vs offline retailing

• 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
http://online.wsj.com/video/digits-ebay-to-buy-gsi-commerce/EDAD494D-8293-4E0C-B796-45C82E144066.html
http://online.wsj.com/video/digits-ebay-to-buy-gsi-commerce/EDAD494D-8293-4E0C-B796-45C82E144066.html

• Why did eBay acquire GSI Commerce?
Retail strategy: eBay case

http://online.wsj.com/video/digits-ebay-to-buy-gsi-commerce/EDAD494D-8293-4E0C-B796-45C82E144066.html

• Why did eBay acquire GSI Commerce?
  – Will help eBay compete better with Amazon.
    • Improve shipping
    • More products/selection
    • Improve/revamp image
    • Better payment service
We classified this strategies into the four Ps: product, price, promotion, and place.

Manufacturers must look at the
1. Channel structure
2. Customers expectations
3. Channel member characteristics
4. Type of distribution

Consumers desire a seamless experience when interacting with multichannel retailers. Four factors to control/manage channels are CRM, Brand Image, Pricing, Supply chain.