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Multi-Channel Retail

**How do retailers adopt the recent developments linked to internet and e-commerce
and the changing expectations of their customers towards multi-channel retailing?**

Position Paper

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Content

The retail sector is facing a profound transformation: different retail forms are competing each other, products are dematerialized, online retailers are competing directly with established retailers and intermediation platforms emerge, to name a few examples of the deep changes going on.

Two dimensions seem particularly important: The new forms of competition in the construction of the product and service offer on the one hand, and the transformation of the global supply chain on the other hand, where e-commerce and online sales channels are undermining the whole established way of how retailers are doing business. This new challenging competition comes along with new opportunities for customizing the product and service offer for different customer groups to better meet the customers' needs.

Traditional retailers have to adopt their strategies and business models to the new expectations of their customers, as established rules of customer satisfaction in a store environment are not valid anymore in an online sales environment. E-commerce newcomers proposed previously unknown services and ways of interaction to the customers. The customers expect to be able to use different retail channels, even simultaneously, to buy a product or service, and benefit from services such as rapid home deliveries or online tracking of orders.

The central hypothesis of this position paper is that the development of e-commerce is forcing traditional retailers, which mainly operate a single sales channel via stores, to open an additional internet channel and therefore becoming multi-channel retailers.

These developments and the trend to multi-channel retailing oblige retailers to adapt their operational structures, resources and know-how in terms of customer relationship management, logistics, supply chain management etc. Furthermore, the diverging economic models on the different channels have to be aligned, and specific regulatory issues on the different channels have to be integrated.

This paper aims to provide a broad overview of the different aspects and their interaction shaping the actual situation and ongoing trends in the sector. It could provide purpose for further in-depth analysis of each of these aspects.

The paper is organized in the following way:

In order to prepare the ground for the forthcoming analysis, an **introductory part** presents a synopsis of the major functions of retailing, the different retail types and formats, the segmentation and sub-sectors of the retail industry, its international presence and its main actors. Main regulatory issues impacting the retail activities are described as well.

The central hypothesis will then be illustrated in three parts:

Part I: Emergence & Strategy Factors of Multi-Channel Retailing
This part first resumes the emergence of the e-commerce and examines the constitutive elements of retail strategies (Retail Mix) in a multi-channel environment. The different elements such like location, product offer, service etc. are examined regarding the impact of the multi-channel strategy. Then relevant customer expectations and behavior as well as the ways how customer satisfaction can be achieved are explored. This shows how the combination of the different strategic elements of the retail mix and the customer expectations determines Multi-Channel Retail.

We show to which extent satisfying the customer expectations not only on one, but on two or more different channels is a major challenge, but represents at the same time huge opportunities for retailers to differentiate their offer with service proposals.

Part II: Resources and Constraints when adopting a Multi-Channel Strategy

As those retailers setting up an additional online sales channel have to take into consideration their actual setup of infrastructure, organization as well as experiences, they have to include these parameters as resources and constraints into their multi-channel strategy. A major constraint is the question of how to physically deliver the ordered items not only to the stores, where the customers buy them, but as well to the customers' home. Customer expectations oblige the retailers to review their processes across the different channels. We explore the different aspects and challenges in this part of the paper, in particular the customers' strategies to avoid risk and increase satisfaction by using different sales channels simultaneously and the possibilities of organizing and securing the product delivery to the customers by the retailers.

These reviewed processes are subject to conflicts between different channels, which can render the overall customer experience negative but which can as well disturb the organization of the retailer, with negative impacts on benefits and profitability. We therefore present the major aspects of channel conflicts and how these could be addressed in a multi-channel environment, for instance the internal conflicts on sales and resources or the external conflicts which may occur with customers and suppliers.

Part III: Multi-Channel Strategies and Paths

The different aspects developed in the two previous parts are then exemplified and illustrated by showing how different retail forms and sectors as well as the manufacturers address the opportunities and challenges of multi-channel retailing, responding to their specific resources and constraints. Analysis centers on how different types of retailers embrace the Multi-Channel Strategy and how shifts in consumer behavior shape their respective business models.

These aspects are then further illustrated by three representative cases of multi-channel retailers: Next, a leading UK fashion retailer, fnac.com, a leading French cultural goods and electronics retailer and Monoprix, a leading French city center food retailer. These examples demonstrate which strategies leaders in the retail sector adopt and how they deal with the numerous constraints.

These cases studies should provide answers to the subsequent question of how retailers organize the coherence between people, organization, different channels and physical constraints.

INTRODUCTION: Major Retail Sector Characteristics

In order to better understand the evolution of the retail sector, it is important to recall the major functions and characteristics of retailing in an economy as well as to inquire about the different forms and formats of retailing and their classification.

In this introductory part of the position paper, we summarize the basic characteristics of retailing with its large variety of business models, actors and regulation policies in order to prepare the forthcoming analysis.

We suggest different classifications of retail sales channels and briefly highlight the main retail actors and the internationalization strategies in the sector. Regulatory and general public policies are influencing the retail sector and its actors. The major issues of regulatory rules and their possible impacts on retailing are therefore highlighted.

This part prepares the ground to further analyze the impact of multi-channel retailing on these different aspects.

1. A Large Variety of Retail Functions & Formats

Retail Functions

Retailing covers the way of a product or service from the manufacturer to the final consumer.

A product or service can be distributed directly from the manufacturer to the final client, in a direct distribution circuit. Depending on the specific market, sector, product or service, a direct distribution from the manufacturer to the final customer is, very often, neither efficient nor possible to organize. Production of high volumes of a product in a central production facility has to be distributed in a way that every single consumer can buy exactly the quantity of the product he desires at the location where he needs it.

Therefore, retailers have to fulfill a certain number of functions in order to distribute the products from the manufacturer to the final customer (cf. Berman & Evans, 2010):

They fraction the total production of a manufacturer, transport products from the manufacturer to the consumer and stock the products to make them available when needed and where they are needed.

Moreover, they form an assortment of the different products from different producers to form an appropriate product range. They also contact the consumers, inform the producers about market needs and competitors and promote their products and services.

Generally, indirect distribution circuits are able to fulfill these functions. A retailer may buy the products from the manufacturer to sell them to the final customers (short distribution circuit), or a wholesaler may buy the products from the manufacturer, resell them to the retailer who then sells them to the final customers (long distribution circuit). These distribution circuits represent as well the traditional value chain in the retail sector.
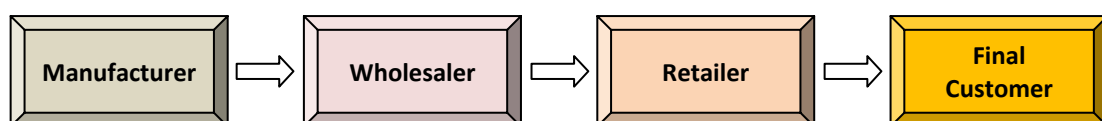
A retailer therefore acts as a service provider as well for the manufacturer or wholesaler of goods as well as for the final customer (European Commission, 2010).

Market coverage

Retailing of products can cover the whole market, which means making the product available through the maximum number of retailers (*intensive* market coverage).
Products may as well only be distributed through a limited number of retailers (*selective* market coverage). This can be the case either in terms of technological reasons, if a product requires a specific know-how to be sold, or in terms of the control the manufacturer wants to have over the distribution of his products.
If a manufacturer desires a very high level of control, as for example for luxury products, he can choose to distribute its products only through a very limited number of retailers (*exclusive* market coverage).
In each of these cases, the different actors hold a different power position within the value chain of retailing.

Retail Formats

Worldwide retailing is dominated by the traditional store retailing. 95% of food retailing and 80% of non-food retailing is realized through physical store-based retailers (Dupuis et al., 2009).

These traditional retailing activities are operated in a wide range of different forms, formats and organizational structures. It is possible to structure these different forms regarding the level of service offered by the retailer, the lines of products offered, the relative price level and the organizational form of the retailer (e.g. Berman & Ewans, 2010):

Structure by Amount of Service: Retailers offer different amount of service to their customers. Self-Service Retailers let their customers locate, compare and select the products in the stores (for example supermarkets). Limited or Full Service Retailers provide a high or very high level of sales assistance to their customers (for example department stores or luxury brand stores).

Structure by Product Lines: Retailers offer different product lines and product assortments to their customers. Specialty stores offer narrow product lines with deep assortments. Department stores offer a wide variety of product lines, but with a limited depth of their assortments. Supermarkets offer a large variety of food and non-food products as self-service. Convenience stores have a smaller assortment than supermarkets, but are typically neighborhood stores with long opening hours and higher prices. Hypermarkets usually offer very large and very deep food product assortments as well as a large choice of non-food products and services. 'Category killers' offer a very deep assortment of a particular product line, where they can offer high competence and competitive prices. Service retailers are present with a store to distribute and sell service offers (banks, restaurants, dry cleaning, travel agents etc.)

Structure by Relative price level: Retailers may position themselves on a relative price level. Discount stores generally offer standard merchandise, including international brands, at a lower price, obtained through lower margins but higher volumes. Off-price retailers offer ultra-low prices with a small range of mainly private label products. Other forms are factory outlets that offer second-choice, overstock or end-of season articles with approx. 50% rebate or warehouse clubs.

<u>Structure by Organization</u>: Retailers are organized in different ways. Independent stores, mainly family owned, are not linked to ay organization and have therefore a high degree of autonomy, negotiating directly with the manufacturer or wholesaler to buy the products they offer. Corporate chain stores, where two or more stores are commonly controlled, as well as voluntary chains or cooperatives, can benefit from a positive effect on purchasing from their buying power. In franchise systems, usually based on a unique product or service, a franchisor authorizes a franchisee to operate a business developed by the franchisor in return for a fee and adherence to franchise-wide policies and practices.

These classifications are non exhaustive and shall only provide a structure to categorize the positioning of a specific retailer in one or several terms. These different types can (co-)exist in different sectors as food (Supermarkets, Hypermarkets), non-food (DIY, Telecom) or service (Banking, Travel) specialized stores.

2. Coexistence of Direct and Indirect Distribution Channels

As introduced above, retail distribution channels can be described in different ways.
A widely used distinction can be made between direct and indirect channels, depending on the intermediation level between the producer and the final customer.
Another distinction between sales channels can be operated by differentiating between physical ("off-line") and virtual ("on-line") channels, where physical channels are those where products are physically exposed to the final customer (and who is able to buy and take them away) and virtual channels exposing the products only via internet and/or catalogues.
Depending on the nature of the existing channels, a manufacturer or retailer has to assess the alternatives to existing channels by evaluating the wide range of impacts of adding an additional channel.

Literature in Marketing, Operations, Retail Management and Multi-Channel Retailing: Reference Books and main Articles

Retailing:
Retailing literature is generally considered as part of Marketing literature. Reference books in Retailing treat the various issues generally from a strategic point of view (Berman & Evans, 2009; Dioux & Dupuis, 2009), where the main drivers and components of Retailing business are analyzed. The management issues and the use of new technologies in the retail sector as well as e-commerce and multi-channel as new forms of retailing are increasingly important.
Numerous books deal specifically with the e-commerce sector and activity (e.g. Turban et al., 2009).

Supply Chain Management:
General Supply Chain Management and Logistics Literature usually tends to analyze the technical aspects of the different supply chain functions, their optimization and key performance indicators (e.g. Ayers & Odegaard, 2007, Hertel et al., 2005).
Some authors put emphasis on the service level aspect of supply chain management and its impact on customer satisfaction. Martin Christopher (2005), one of the reference authors in SCM, states the customer satisfaction as the 'ultimate objective of a logistics system'.
Alexandre K. Samii, author of two books (2001, 2004) on service strategy and logistics strategy, centers on the service level and shows how to combine marketing mix and logistics mix in order to configure customer service, transport, stock keeping and ordering.
Other books illustrate specific retail supply chain challenges based on industry surveys (Thonemann et al., 2005) or industry and sector case studies (Fernie / Sparks, 2009).

Multi-Channel:
Multi-Channel Retailing got primary attention mainly in the field of Multi-Channel Marketing. (for example Wirtz, 2008) Numerous studies on Customer Behavior in a Multi-Channel environment have been undergone and provide valuable insights to the organization of multi-channel retailing. (for example Falk, Schepers, Hammerschmidt & Bauer, 2007).
Specific literature on Multi-Channel retailing remains rare. Schröder (2005), Schobesberger (2007) and Heinemann (2008) analyze different strategies and implications on the retailers' marketing mix. Heinemann (2008) provides a framework for an efficient multi-channel policy and discusses in numerous articles (e.g. 2009) the ongoing trends in Multi-Channel retail as well as its numerous implications for the retailers' policies. Since 2009 and with strongly growing interest in 2011, academic publications and scholarly research focuses increasingly on the phenomenon of multi-channel retailing.

3. A Sector Dominated by Global Actors

A retailer may be a major global player with several billions annual sales as well as a very small family-owned store.

The major players in the world are as follows. It is interesting to notice that these major players are all present with different store formats and concepts.

Retail sales rank (FY 09)	Name	Country of origin	Dominant operational Format	2009 Retail Sales (M$)	# countries of operation	2004-2009 Retail Sales Compound Annual Growth rate
1	Wal-Mart Stores	United States	Hypermarket, Supercenter, Superstore, Discount store, Wholesale club…	405 046	16	7,3%
2	Carrefour	France	Hypermarket, Supercenter, Superstore, Convenience, Supermarket	119 887	36	3,4%
3	Metro	Germany	Cash&Carry, Specialty, Department Store, Supermarket	90 850	33	3,0%
4	Tesco	UK	Hypermarket, Supercenter, Convenience, Department Store, Supermarket	90 435	13	10,9%
5	Schwarz Treuhand (Lidl)	Germany	Discount Store	77 221	25	9,8%
6	The Kroger Co	United States	Supermarket, Convenience, Specialty	76 733	1	6,3%
7	Costco	United States	Cash & Carry / Warehouse Club	69 889	9	8,2%
8	Aldi	Germany	Discount Store	67 709	18	6,3%
9	Home Depot	United States	Home Improvement	66 176	5	-2,0%
10	Target	United States	Discont Department Store	63 435	1	6,8%

Source: Global Powers of Retailing, Deloitte 2011

Most of the World Top retailers run significant international activities. Saturation of home markets, recession or other economic factors, increasing competition, opening of new emerging markets, homogenization of consumer needs and expectations, regulation on store developments or high operating costs in the home country are some of the motivating factors to look for growth opportunities abroad.

As long as a retailer can leverage its know-how developed on its home market to install and maintain a competitive advantage over local retailers in a foreign country, he can expect a positive development on the foreign market. Nevertheless, some retail formats are easy to export (products where customer preferences and expectations are quite identical, e.g. perfume), some others more difficult (food products) and some quite impossible (department stores, which have to meet different consumption patterns and habits in different countries).

It is interesting to observe that size and experience do not guarantee successful international expansion: WalMart for example successfully invested in Brazil, whereas its investment in Germany was a failure. Carrefour is successful in China, but didn't succeed to become an actor on the US market.

4. A Sector Subject to Large Varieties of Regulation and Public Policies

The multi-channel retail strategies complexify to a very large extent the parameters on which regulatory measures are based upon. Geographical limitations for example become much more difficult to apply and to enforce. Different consumption and behavior patterns on different channels render the protective regulation measures difficult to justify and to apply in a uniform way.

Beside the sector-specific operational constraints retailers have to respect, public policies and regulation rules can have important impacts on retailers' activities.

All types of sales channels have to respect general retail regulations, but the impact of these regulations may vary depending on the sales channel.

The range of regulation constraints is large and objectives as well as the nature and position of the legal decision makers vary across the different issues. We will briefly recall the major regulatory constraints:

Competition
Competition policies generally regulate horizontal and vertical integration of retailers (e.g. French *Conseil de la concurrence*, European competition rules)

Relationship between producers and distributors
Law may regulate the relationships between the producers and distributors, mainly regarding the pricing and rebate practices (e.g. French *Loi Galland*). Application and enforcement of these laws seem to be difficult and results may not be clear to identify.

Privacy
The collection, stocking and use of customer data is subject to different regulatory rules in different countries. Internet sales, loyalty cards etc. all allow retailers to collect information about their customers. The related regulation applies to all channels of a distributor.

Specific products and sectors
The retailing of specific products (alcohol, pharmaceutical products, tobacco etc.) may be regulated by law. To which extend these products may be sold via an online channel differs from country to country. For example, the Netherlands are authorizing the distribution of prescription pharmaceutical products on the internet, whereas Germany and France do not authorize the distribution on an online channel.

Customer's rights & Protection
The rights of the customers are protected by different laws. Customers have for example the ability to exchange a product or to get refunded. Online channels may have different, more customer-favorable regulations than store channels (as online customers cannot see, touch and try the

products they are ordering). Regulation may oblige retailers for specific action (e.g. refunding costs for product return).

Counterfeiting
Sales of counterfeited products are largely forbidden. Recent judgments rendered online sellers responsible for the sale of this sort of products, even in case that they only play an intermediation role between a vendor and a buyer.

Internationalization
International expansion of retailers and the sales to foreign customers via the online channel may be influenced by export regulation tariffs, legal restrictions etc. (Such as a manufacturer may oblige the retailers distributing their products to limit the online sales of their products to specific countries.

Localization
Different national, regional or local regulations may interfere with the choice of a retailer to open stores in a specific location, with a specific size (e.g. French *Loi Raffarin*), offering a specific product range, and therefore reducing his range of action.

Regulatory influences differ in every country, and sometimes even in every city in the same country (for example concerning store locations and opening hours). Any strategic decision in retailing has to take into account these constraints.

PART I: Emergence and Strategy Factors of Multi-Channel Retailing

Beside organizational and technical aspects to consider on different channels, a retailer has to make sure to meet the customer expectations and to satisfy the customers on the different channels. In the retail sector, customers are very volatile and competition is very intense, as there are only few if any barriers for customers to switch to another retailer. We therefore show different expectations of the customers on the product, the service level and order fulfillment and the way how retailers can answer these expectations on the different channels. The objective for the retailers is to create customer satisfaction which shall lead to customer loyalty across all channels.

On the other hand, customers develop different strategies to achieve satisfaction by reducing the perceived risk for example by searching for different information sources and by using different channels simultaneously during the buying process.

The multi-channel strategy increases the complexity and diversity of customer expectations, but offers at the same time new opportunities to satisfy customers. These opportunities allow differentiating the retailers' offer with the adjoining services.

In order to understand how retailers can anticipate these customers' strategies and integrate them in their multi-channel proposition, we will first develop the emergence of Multi-Channel Retail and the different strategy elements of the Retail-Mix shaping the design of multi-channel retailing and explore how these elements have different impacts and importance on different channels.

The technological development of the internet and the increased access to it by large parts of the population favored the emergence of a new type of retailers in the 1990s. Pure internet retailers emerged, offering their products on their websites and proposing to deliver the products to the clients' homes, paying mostly online with a credit card.

Whereas the distant shopping as such was not new, as catalogue mail-order retailing already existed, the internet retailers offered new categories of products to a wider scope of clients, such as cultural products or consumer electronics.

The promise of these new entrants was to sell their products at a low price level, as they did not have to bear important costs of stores, sales personnel or telephone call centers. Their price level was competitive even including the postal and packaging costs.

Customers expected low price levels from these pure internet retailers which could offer branded products at a discounted price. Furthermore, delivery to the customer's home in a short delay was an important sales argument.

The newcomers invented quickly new ways of doing business, by leveraging the internet's technical possibilities to develop personalized messages and offers for each customer, pushing the one-to-one marketing approach very far. Personalization, combined with value adding information on the products or related subjects such as community contents increased the attraction of this sales channel.

Traditional store based retailers identified these pure online retailers as an upcoming competition, especially as they could offer lower prices and home delivery service. To face this new competition, traditional retailers started online activities by themselves. By doing this, they expected as well to realize new growth potentials with the internet users as a new customer group. At the start, the online channel was seen and compared to as another "store" within the network of physical stores.

Since the last few years, the e-commerce realizes important annual turnover growth rates of about 30%, where most other retail forms stay stable or even decline.

It is therefore interesting for a store retailer to invest in the creation of an additional online channel. Developing a new channel is costly, but the costs of a channel can diminish only because of the existence of another channel, as synergies in terms of image, logistics, infrastructures and marketing policy can be realized (Vanheems, 2009).

Retailers which decide to open an e-commerce activity beside their existing store sales channel, have to make sure that the co-existence of the two sales channels works without any drawbacks. These retailers have to address a number of questions (Berman & Evans, 2010):

- How should the product assortment strategy be adapted to each channel? Are there specific products to be offered regarding every channel? How much merchandise overlap should exist across channels?
- Should prices be consistent across channels (except for shipping and handling, as well as closeouts)?
- How can a consistent image be devised and sustained across channels? How can you avoid that customers get confused?
- What is the role of each channel, as customers use different channels at different steps of their purchasing process?
- What are the best opportunities for leveraging a firm's assets through a multi-channel strategy?
- What is the risk of cannibalization between channels and how can this be prevented?
- What multi-channel cross-selling opportunities exist?
- Do relationships with current suppliers prevent the firm from expanding into new channels?

Although the set-up of a multi-channel strategy adds complexity to a retailer's organization, multi-channel retailing offers a lot of opportunities by combining the advantages of the different sales channels. Multi-channel buyers spent more than single-channel buyers of a same brand (Vanheems, 2009). It is therefore interesting for a store retailer to open an additional online sales channel.

To answer these abovementioned questions, we will highlight the main influences and differences of these two sales channels on the different elements of the retailers' strategy mix. We will confront the strategy factors of traditional store-based retailing to the online retailing.

1. A New Retail Mix to Design the Multi-Channel Strategy

The Retail Mix consists of the mix of variables, including location, merchandise, communications, price, services, product range and the personnel, which form the overall strategic marketing components of a retailing activity, traditionally in the center of a marketing oriented analysis of retailing.

It is the right mix of all these factors which determines if a retail concept is viable and successful or not. For traditional retailers, adding a new online channel means to redefine the mix of these strategy elements.

It appears that the online sales channel is not only a new channel, but rather a new business model, where experiences from the traditional *brick and mortar* store channel may not be valid any more (Heinemann, 2008). Decisive success factors in a store like store location, sales personnel and processes and material management in the shop are not the important success factors in an online sales channel.

Development of internet and multi-channel retailing does not call into question the retail mix variables as such, but does impact the way how these variables are apprehended and linked up as well as the relative importance of each of the variables. We analyze the major issues of the variables of the Retail Strategy Mix, focusing on the impact of a multi-channel strategy.

Product Mix:

The product mix is the major variable determining the activity of a retailer. It establishes if a retailer is a food, non-food or mixed retailer, if he is specialized in selected product categories or a generalist.

If a store based retailer opens an additional online channel, he has to decide which product mix he will offer on this new channel. He can offer the identical product mix, a combination or part of his existing product mix or a completely different product mix on the new channel:

- Offering the identical product mix.
- Offering a selection of the products available in the stores.
- Offering an enlarged product mix and therefore offering products or additional services not available in the stores (because of space or personnel restrictions).
- Offering only a complementary product assortment of products not available in the stores on the online channel
- Offering a completely distinct product mix, which leads to a different retail concept.

These different options regarding the product mix offered on the different sales channels reflect diverse strategic choices about how much the online channel is linked to the store channel. All these options enable the retailer to enlarge its market coverage by reaching clients in geographically distant locations from the store. In addition, the website can become a marketing tool for the existing store customers.

A major difference between a physical store and an online sales channel is the increased flexibility of the product offer. New products can be added or other products removed immediately on the website, without any physical product handling.

Location:

A physical store's success is to a very great extend influenced by its location. A store based retailer has to decide whether his store will be located in areas with high population density or in rural zones. He must choose between city-center and suburban locations as well if he wants to be in an isolated position or close to other retailers, even competitors, in order to benefit from the customers'

footfall. To determine the catchment area of a specific location, the populations' socioeconomic data, transport access, mix of competitors, costs and regulation issues have to be analyzed in order to determine if the location can attract the shop's target customers.

These parameters, decisive for a physical store, have generally no influence on an online sales channel, as access to the websites is independent from a geographical location. Nevertheless, in a multi-channel setup, the proximity of a store to the customers can be important for exchange and after-sales services.

Merchandising:

Presentation of products and product assortment inside a shop, the organization and presentation on store shelves and the promotional tools applied in a shop are influencing the buying decision of the customers during their visit of the store.

The virtual merchandising on a website has to take into consideration the same objectives: How to influence the buying decision of a visitor? Elements like the graphical and functional organization of the website become decisive on the online channel, as well as the type, amount and quality of the information provided on the products and services.

Promotion & Communication:

Communication policy for a store retailer can be adapted by a variety of communication means: Advertising, TV spots, newspaper, radio, mailing campaigns etc.

Multi-channel communication policy can either be distinctive for every sales channel or partially or completely harmonized.
Partial harmonization can use the same graphics standards and logos but propose different offers from different channels. Complete harmonization would apply all the means of communication to all channels, and even 'direct' customers from one channel to another.
Direct marketing tools can in fact be applied either on physical or virtual channels: creating "events" to boost customer frequency on the website or footfall in the stores, mailing campaigns (off- and/or online), special price offers, bundled offers or special delivery conditions.

Pricing:

Pricing policy applied in a store has to take into consideration the environment (socioeconomics of the catchment area) and the price levels of the local competitors.

The price policy of a multi-channel offer has to take into account several parameters: The global price transparency on the internet makes prices comparable even between different channels of the same retailer. For example, a local pricing policy which can be applied in a store is incompatible with the global price transparency in an online channel and the exposure to price comparisons.
The specific cost structures of the store and the online channel generate different profitability levels. Specific offers may exist on different channels to address specific customer segments or a specific competitive situation. Different means of payment may impact the price policy across the channels.

Service:

Services offered in a store can have multiple facets: After sales and repair services linked to the products sold, home delivery services or additional services to the customers (credits, tickets etc.).

Online clients can either benefit from specific services or from the same level of services (adapted to the online channel), depending on the adopted multi-channel strategy. In general, the service level is decisive on an online channel, as no personal interaction is possible.

Delivery and payment options are also service parameters, which will be further detailed in the forthcoming chapters.

Personnel:

The sales personnel play a decisive role at store retailers. They welcome clients, provide counsel and advice and can influence sales. Their behavior and attitude contribute in an important way to the atmosphere and ambiance of the store and its concept. The management and the salary policy have therefore an indirect influence on the store.

This important parameter in a store is irrelevant on an online channel. But in a multi-channel environment, the personnel play a decisive part, as they must be able and motivated to assist clients using different channels in parallel.

Logistics:

Whereas the main focus in a store based sales channel is on efficient, lean and quick logistics processes optimizing the material management in the stores, the logistics processes in an online sales channel have to be customer oriented, as the customer is directly impacted by questions of product delivery.

Product availability, stock level information, picking, packing and delivery on time at a low cost are the main drivers for online sales channel logistics. This process of order fulfillment is often referred to as the most crucial process in online retailing (de Koster, 2002) and is therefore of vital importance in a multi-channel strategy.

The abovementioned points show that different retail strategy patterns are relevant to a different degree to a store channel or to an online channel. They play a different role and have to be addressed in a different way on each channel when setting up a multi-channel strategy, whilst guaranteeing a homogenous positioning of the retailer's brand.

2. Acclimating and Rethinking Customer Expectations and Behavior

The abovementioned emergence of the multichannel retailing was quickly adopted by the customers. Their expectations and behavior made use of the possibilities provided by different channels. Several customer survey results confirm this: 88% of all internet users carry out online information research about a product before buying them at a store. 70% of consumers want to have the choice between off-line and on-line. Over 40% of customers are choosing a retailer depending on whether or not he proposes multiple sales channels (all in Heinemann, 2008).

Online shoppers transfer their perception and experiences from a physical store to the website of the same retailer brand and vice versa. This fact enables retailers to use a positive store brand image on the internet, but bears as well an important risk: Customers tend to transpose a bad experience in one channel to the other channels of the same distributor. As soon as their expectations are not fulfilled, they may adapt their purchasing habits, in the worst case stop buying with this retailer at all (Heinemann, 2008).

Obtaining customer satisfaction and customer loyalty is crucial for a retailer. As multi-channel retailing offers multiple possibilities to increase customer satisfaction, but exposes at the same time

to the risk to dissatisfy the customer by poor channel interaction, it seems important to summarize the concepts and different aspects of customer satisfaction and behaviour:

a) *Customer Satisfaction*

Customer satisfaction is achieved when customer expectations are met and then result in customer loyalty (Homburg et al., 1999), as customer satisfaction influences positively customer retailer loyalty (Wallace et al., 2004).

Achieving customer satisfaction in retailing is particularly important as the past experience influences the future buying behavior (Schoenbachler and Gordon, 2002) and is the prerequisite for establishing customer retailer loyalty (Wallace et al., 2004). Moreover, as seen above, customers may transpose a bad experience in one channel of the retailer to the retailer brand as a whole.

Attaining customer loyalty has become crucial in the retail industry where margins are low, competition is high and customers are volatile. Therefore, retailers have to understand the customer buying process and deliver solutions that satisfy their customers and increase loyalty. As the costs of customer acquisition are high, customer loyalty is a crucial parameter for a retailer (Wallace et al., 2004).

Proposing multiple channels is an important opportunity to enhance loyalty, as the higher service leads to higher levels of customer satisfaction and thus higher levels of customer loyalty. Retailers need to understand the customer expectations as the factors influencing the customers' buying behavior in order to best respond to those expectations and create customer satisfaction.

This understanding is necessary to enable a retailer to create customer satisfaction with a multi-channel approach.

b) *Customer Expectations*

Customer expectations are a key to multi-channel retailing as they have a large impact on strategic and operational decisions made by multi-channel retailers. They concern all parts of multi-channel retailing and the order fulfillment. Expectations can emerge from customers' needs or from their past experiences. However, customer expectations can also be created by competing retailers, who offer different, new or higher levels of service.

Customer expectations in Multi-Channel Retailing can be divided into the expectations towards the purchased product itself and the expectations towards the surrounding parameters of the purchasing process, including customer service, the ordering process and the order fulfillment process.

Expectations towards the purchased product are mainly related to the price/performance ratio of the product, meaning that customers have a certain expectation towards the quality of a product depending on the price they pay (Yong et al., 2003).

Expectations towards the customer service level concern different dimensions as developed for example in the SERVQUAL model (Parasuraman et al., 1988). Following this model customer satisfaction is achieved by meeting expectations on the following factors:

Tangibles:	General appearance of all physical aspects surrounding the purchase process, such as sales personnel and facilities
Reliability:	Performing the service thoroughly
Responsiveness:	Proactive helpful instant service
Assurance:	providing a feeling of security and credibility
Empathy:	Willingness and Readiness to respond to customer needs

Customer Expectations towards the order fulfillment

"Order fulfillment includes all of the activities from the point of a customer's purchase decision until the product is delivered to the customer and he or she is fully satisfied with its quality and functionality" (Pyke et al., 2001). Based on this definition the order fulfillment can be characterized as a service, which has become a key component of the product offering (Agatz et al., 2008).

The customer expectations towards the order fulfillment increase constantly and comprise speed, variety, convenience, quality and service (Lummus and Vokurka, 2002), accurate delivery, product availability, ease of return (Schlesinger et al., 2001), on-time delivery, product representation, customer support and order tracking (Yong et al., 2003). Customer expectations with the order fulfillment comprise product availability, speed of delivery and ease of access and return of products (Lang, 2010). It is important to recall that customers are risk-averse (Schröder and Zaharia, 2008), i.e. reluctant towards any risk related to the product, payment or delivery (e.g. incorrect delivery, divergent product characteristics, technical product problems or invoice mistakes).

Customer Expectations created by the Retailer

Retailers strive for competitive advantages over their competitors in order to attain customer loyalty. Achieving this objective is particularly challenging in online retailing, where customers are "only a click away from your competitors" (Peters, 2000: 66) and increased service levels can create this competitive advantage. As retailers increase their service offers and the internet creates transparency on these offers, customers expect an increasingly higher level of service outputs (Wallace et al., 2004).

This is particularly true regarding the service level of the fulfillment process, where customers' expectations towards order fulfillment rise constantly (Lummus and Vokurka, 2002). Customers expect every online retailer to provide the same level of service as the highest service offer (Peters, 2000). Features such as the free pick-up of return products have become the expected standard. Another example is order tracking, which has been introduced by the US retailer Office Depot, and then has been quickly adopted and is now required by customers (Lummus and Vokurka, 2002; Thirumalai and Sinha, 2005; Peters, 2000).

c) Meeting customer expectations to attain customer satisfaction

Customers have different strategies in order to achieve a maximum level of satisfaction. The retailer has to anticipate these strategies when planning to maximize customer satisfaction.

Customers Strategies to achieve Satisfaction

Reducing and eliminating risk by information search
As described above, customers perceive risk when purchasing a product, which can be influenced by different factors as for example the level of familiarity with the brand, the company or information provided on the internet. Customers attempt to eliminate or reduce this risk by searching for information, one of the main customer strategies to achieve satisfaction. Customers look for information on the product and the order fulfillment trying to eliminate insecurity on some of the factors influencing risk perception, e.g. price, product availability and familiarity with the product brand or retailer brand (Schoenbachler and Gordon, 2002).

Meeting expectations by using several channels in the buying process
Customers decide on which channel to use for the purchase according to their perceptions of which channel meets best their expectations. The channel of purchase can differ from the one used for information search, as customers may spread information and purchase stages over the different

channels of a multi-channel retailer according to different shopping motivations (Schröder and Zaharia, 2008). Consumers may have a look at a product in a retail store but could buy it on an online channel. In fact, the different steps of the customers buying process may be completed using different channels, as illustrated hereafter (Heinemann, 2008):

Adapted from Heinemann, 2008

However, Schröder and Zaharia (2008) found that most customers use the same channel for information search and the ultimate purchase.

The motivation to buy in a particular channel is strongly dependend on the past experiences made with purchasing via that channel (Schoenbachler and Gordon, 2002). This comprises also the order fulfillment experienced when buying through a certain channel. If the retailer performs badly the customer has an incentive to switch channels or even the retailing company (Xing and Grant, 2006; Heinemann, 2008).

When choosing a channel for the purchase process, customers consider the factors above in order to minimize the perceived risk. Thus, they tend to choose the channel with the lowest risk and the highest utility for them because the utilization of this channel is most likely to result in satisfaction.

The use of different channels by the customer in the buying process represents a major challenge for the retailer. Customers expect at least the same level of service, counsel, and information on every channel. They expect to be able to have identical customer loyalty programs across all channels, to be able to pay and pick up in the shop a product ordered on the web site or to be able to return and exchange a product bought on the web. This *channel hopping*, which is a legitimate desire from a customer's point of view, may prove to be very difficult to implement for the retailer (Vanheems, 2009).

Retailers Possibilities to Satisfy Customer Expectations

In an increasingly transparent and competitive market, retailers have to find ways to satisfy customer expectations in a way that customers remember their brand name, repeat shopping and become loyal customers of the retailer.
The decision to go multi-channel is one way to satisfy customer expectations, as it enables the retailer to offer a greater portfolio of services.

As for the customers themselves, minimizing the perceived risk of a customer by providing assurance is a major objective in retailers' efforts to maximize customer satisfaction. Therefore companies need to focus on the factors influencing risk perception and anticipating the before mentioned customers' strategies, regarding e.g. familiarity with the brand and the company, product guarantee as well as the security of the purchase and the information attained in advance (Schoenbachler and Gordon, 2002).

Social Networks can play an important role in reducing the risk perception. They represent a quite recent way for raising awareness for a company or particular brand and interacting with the customers, much more than the social media like blogs and forums were able to do.
Companies can create own profiles on Social Networks (for example Facebook, Twitter), on which they display products and information regarding the company or brands. Users can express their affinity to a brand or company by pressing a "like"-button and joining a virtual community.
The profiles may be directly linked with the online shops of the companies (e.g. "f-commerce" with facebook), which lead to a very large potential for retailers to employ cheap or free marketing. Specific promotional actions can be undertaken, especially linking the social network with the physical stores, when used on mobile devices. Specific applications are proposed by the social networks to use the network as advertising and promotional tool benefiting from targeted customer approaches.
Social media seems to drive loyalty and being effective to convert sales with 71% of online shoppers brought in via social media completing a purchase after a transaction has been initiated (SagePay, 2010). For example, over seven million people stated they like Zara (www.facebook.com/zara).
The use of social media will definitely become a major part of the marketing instruments of retailers and producers. It is nevertheless crucial for the retailers to integrate the fact that they cannot control the information published by the consumers and therefore they are exposed to the risk of unfavorable communication and information on the social Networks.

Factors crucial to satisfying expectations towards the ordering process are the ease of use of a channel, the product selection, the availability of product information and the web site performance (Yong, Gruca and Klemz, 2003; Bressolles, 2006).

Retailers have a very high potential in satisfying customer expectations with the order fulfillment. Especially in online retailing, fulfillment has been shown to be strongly positively correlated to customer satisfaction (Cheng and Chang, 2003). Customer satisfaction with the order fulfillment depends on whether or not expectations are met by retailers (Thirumalai and Sinha, 2005). According to Xing and Grant (2006) retailers must achieve high levels in the dimensions timeliness, availability, condition and return in the physical distribution process to attain customer satisfaction. Yong, Gruca and Klemz (2003) list the factors influencing satisfaction with the order process:

On- time delivery	Expected vs. actual delivery date
Product representation	Product description / depiction vs. what you received
Customer support	Status updates and complaint / question handling
Order tracking	Ability to effectively track orders.

Customers can perceive risk related to the product, meaning the insecurity whether the delivered product matches the description. This aspect is especially important in online or catalogue retailing where the customer cannot physically examine the product before the purchase (Agatz et al., 2008).

Although multi-channel seems to have positive impacts on customer satisfaction, there are a number of possible drawbacks retailers have to take into consideration:

By setting up a multi-channel strategy, retailers should be aware of the risk of confusing the customers (Schobesberger, 2007), as customers are overstrained by the offer, especially when the same target group is served with different products via different channels. Therefore, individual reactions have to be taken into account while building multiple channels (Tsay and Agrawal, 2004). For the retailer it is difficult to understand the customers' requirements. Consumers have different purchase preferences, for example housebound costumer will value the fact that they can order from an online or catalog channel directly to their home. But another customer who needs or want a product immediately will go to the stores as soon as he can to get it (Avery et al., 2009).

The risk perceived by the customers may be different regarding the channels. According to Schröder and Zaharia (2008) customers are reluctant towards risks related to the product, payment or delivery (e.g. incorrect delivery, divergent product characteristics or invoice mistake). The perceived risk can be higher in online channels, as customers are unsure, whether the product is delivered safely and in time, although they can collect more information on the internet reducing the perceived risk.

Risk can be addressed by providing assurance and information. The provision of information also reduces *customer confusion* which may be a result of the different channels. A good customer service is crucial to ensure assurance and information at any time. A physical presence of the retailer through a store reassures customers who are hesitant to use other channels (Avery et al., 2009). The online channel may give an overview of physical stores in the neighborhood to enable customers to closely examine a product. Information should be displayed to reduce customer confusion. Eventually retailers have to address the conflict potentials referring to the fulfillment process by preventing from negative experiences designing a fulfillment system which meets channel characteristics on the one hand and customer expectations on the other hand.

PART II: Resources and Constraints when adopting a Multi-Channel Strategy

Defining a multi-channel strategy mix taking into consideration the interaction of the different channels on the one hand and the expectations of the customers on the other hand is a crucial and demanding task for a retailer.

Moreover, the reality of business implies that the given setup of a company's organization, equipment, market positioning, financial situation etc. has to be taken into account when redefining its strategy.

The development of an online channel adds a whole set of complexity to an organization traditionally oriented to store retailing. Adopting a multi-channel strategy obliges the retailer to understand how an additional channel will be able or not to use existing resources, processes and infrastructures or to which extend existing resources have to be adapted or created. Moreover, the retailer needs to understand the substitution between the different channels.

Operations represent a major organizational and financial challenge, as home delivery for example requires complex and costly processes to enable delivering a customer's order to its home. These operational constraints open at the same time an avenue for retailers to differentiate their service offers to the customers.

On the other hand, operating different channels simultaneously creates an important conflict potential when it comes to sales, benefits or resource allocation between different sales channels. The possible drawbacks of conflicts have to be anticipated in order to avoid any negative impact on the customer satisfaction and more generally on the firm's results.

We put forward the major operational challenges for a retailer and the different forms of organizing the product delivery to the customers. We then analyze the possible forms and impacts of channel conflicts and how these can be avoided.

1. Operations: A major Challenge for Multi-Channel Retailing

The retailer's operations have to provide the service levels customers are expecting on every single channel.

In general, the operational organization of a store-based retailer is mainly focused on efficient store replenishment, lowering costs and shortening the product turnover time.

To offer an online channel to its customers, a retailer has to be able to manage its operations in a very different way from its physical store activity. E-fulfillment may be considered as one of the most expensive and critical operations of Internet retailers (de Koster, 2002), logistics and stock management becoming core competencies (Benghozi, 2001). Keeping stock of a high number of different references, making it available, picking and packing, sending and delivering quickly at a low cost are the numerous constraints to respect.

In the following, we present and discuss the main operational issues, which are decisive for the overall performance of multi-channel retailing. We illustrate the various levels of complexity of the solutions to be found to successfully operate different channels in parallel.

Product Availability

Product availability is one of the most important parameters for customer satisfaction (Browne, 2009) and decisive for sales in all channels, but creates costs of stock-keeping and stock-risk.

A store customer usually can compare the products present in the store. Availability is indicated through the simple presence of a product in the store shelve. A customer can ask the sales personnel if there is any stock of the product or when it will be available again.

An online client needs to have all this information indicated on the website together with the product information (Yong et al., 2003). The online channel offers the possibility to display the remaining stock of a chosen product, or even, in a multi-channel context, the remaining stock and the location of the store where the product is available for testing, purchasing or withdrawal.

Displaying the availability of products or the delay of their replenishment is an important marketing tool influencing customer satisfaction and impacting the sales, but it must be precise and coherent. There is an important risk of customer dissatisfaction by using the wrong or inappropriate information.

Customers expect this information on product availability, maintaining correct information therefore is decisive for the retailer. Wrong information leads to customer frustration and eventually to the loss of the customer, as clients transpose the bad experience in one channel to the whole retailer's brand.

Stock keeping

Stores are usually delivered either directly from the manufacturer or from several logistics platforms with cross-docking function (eg. one central warehouse for non-food products for all the country, several regional warehouses for food products for the regional shops).

In contrast to store retailing, in the case of online orders, display of the products and stock are disconnected. As online orders may consist of different products, composing the orders from different warehouse locations may prove to be difficult and inefficient in terms of cost and delivery time. A central warehouse and fulfillment center may therefore, at a first view, be more adapted to the online channel.

However, multi-channel retailers may as well pick the items for an online order directly in the stores, which is possible when the number of orders and the number of different product references is limited (de Koster, 2002).

For an online order, the retailer has some flexibility where from he delivers the products to his customers, as he can use multiple stock locations and therefore offer a wider product range than the one contained in a single warehouse, as multiple channels may share their inventories. In-store inventories can therefore be available for online customers' orders (Agatz et al, 2008).
Centralizing stock allows easier monitoring of the stock levels for different products. If a retailer is serving its online clients (totally or partially) from stock in the stores, the overall stock level on these different locations is difficult to monitor. This is the same problem for multi-channel retailers who offer the possibility to their customers to order online and withdraw the product in a nearby store.
As information on product availability is a crucial parameter for the customers buying decision, the accuracy of the stock level information is very important.

Stock management becomes more complex with an online channel than in a sole store channel because of the customer returns, which may be unpredictable.
An additional issue adding complexity is price management. When store prices differ from the online prices, it becomes difficult to determine a stock value and to handle the different sales prices, as turnover may be transferred from one channel to the other.

A centralized stock allows an easier monitoring of the stock levels for different products. If a retailer is serving its online clients (totally or partially) with the stock in the stores, the stock level is difficult to monitor. This is the same problem for multi-channel retailers who offer the possibility to order online and withdraw the product in a nearby store.

Order taking and fulfillment

In an online channel, the customer enters the type and number of products he wants to acquire and enters the payment information (usually done by credit cards), the online channel therefore becomes a self-service channel (Falk et al, 2007). All this information entered by the customer triggers the order preparation and fulfillment process.
Retailers once delivering their stores from centralized distribution centers (often with complete boxes or pallets) have to re-think the way orders are prepared, as their organizations are not designed for small individual customers' orders. They must therefore be reorganized to treat these orders (de Koster, 2002), implementing a process of single item picking and packing.
As mentioned above, another option for the retailer is to pick the items in the stores, where the products are available on the shelves, and to prepare the order in the shops.
Furthermore, orders may be consolidated from multiple stock locations (for example from a warehouse and a store), which needs a specific process. The more complex the fulfilment process is organized, the more difficult it becomes to respect the quality and efficiency of this process.

Store retailers used to deliver their stores from centralized distribution centers have to completely re-think the way orders are prepared.
Two situations may exist depending on the volumes treated by the retailers:

1-Retailers used to handle smaller volumes (with small shops) and replenishing shops with articles per unit are used to pick products per unit. But they are not used to sort and pack per unit, as they only ship a whole box with the different articles to a shop or a department of a shop. In this case, a multi-channel retailer has to implement a pre-sorting after the single-item picking process to sort products delivered to the customers and to the shops.

2-Retailers used to handle big volumes and replenishing shops with complete boxes of articles are confronted with the need of preparing orders where single articles have to be picked. To pick single articles instead of complete boxes induces to handle open boxes in the picking process and products which may not be individually wrapped. Conditioning and handling of the articles becomes crucial. The process of single item picking and packing must be implemented.

A pure internet player, newcomer in this business, has to build the complete logistics process from the scratch. These newcomers are not penalized by an existing logistics organization which may be difficult to adapt to the new environment. On the other hand, they cannot rely on any existing know-how on how to handle single customer order fulfillment and have to start with a clean sheet of paper.
A newcomer could also be tempted to contract with a logistics service provider (LSP) to organize and handle the fulfillment. At the beginning, mainly smaller local LSP offered this service, but the big players on the market rapidly entered this market too. Although most LSPs didn't had any experience with BtoC order fulfillment (as did for example the traditional mail order retailers), they learned this by copying, inventing and improving existing processes, or learned when becoming outsourcing partners for existing players. Usually these businesses started with quite low volumes to treat, which allowed for some time to adapt and optimize the fulfillment processes.

As mentioned above, another option is to pick the items in the stores, where the products are available in the shelves.

Delivery to the customer

Besides the availability of the product, the different delivery options for a product are an important parameter for the online channel client. Different delivery service levels offered like delivery in 24 hours, delivery to a pick-up point, national post service etc. are becoming a product differentiation factor of the retailer.
Delivery to the customers' homes, which is a distinctive element of an online channel, implies to deal with cost and organizational issues. The usually small transactions have to be managed and delivered in an efficient way, while respecting the promised delivery timing.
The costs of the home delivery can be totally or partially paid by the customer. This becomes an important parameter of choice for the client, as no direct delivery costs appear in the store channel.
On the other hand, the costs of delivery can be used as a marketing tool for special offers ("your next order free of charge") or minimum order amounts ("delivery free of charge for every order above 100 Euros").
Delivery becomes therefore a service parameter, a price parameter and a promotional parameter.

Nevertheless, there is a risk that delivery of the products will be unsatisfactory, as a specialised delivery service is mandatory to handle and deliver products to the customer. Moreover, the online channel of a retailer is depending on a (usually external) transport provider, where he has only limited control of its service quality (reliability, delivery on-time, friendliness of the delivery personnel), but with an important impact on the shopping experience and the shopping satisfaction of the customer.
The promised delay for delivery as well is influenced by the performance of the transport provider.
As mentioned above, this adds a potential risk to the retailer, as dissatisfaction is transferred by the customer to the retailer's brand.

Reverse Logistics

Store customers can usually see, touch and try the goods before purchasing. Returns are limited and very often linked to an exchange of the product, where the returned product is put back into the shelves. Defect products are reimbursed and either discarded or sent back to the manufacturer.

As online customers cannot see, touch and try the products, online retailers usually offer good conditions for the customer to return the products they don't like (due to legal and regulatory obligations, but as well as part of their customer service offer) to reduce the risk for the customer, as seen in the previous part.

Regulation on product returns

Multi-Channel retailers are very often confronted to a different regulation for the different sales channels. Regulation differs slightly in different countries, but the main rules may be summarized as follows:

The main regulation issue concerns the return of purchased products. In any channel, products with any material or manufacturing defects must be exchanged or reimbursed by the retailer.

For any other return of a product, for example because of the fact that the customer doesn't like it or was wrong about the color or size, specific regulation prevails depending on the channel:

For products purchased in a shop, there are no legal constraints for a retailer to accept a return. Accepting a return of a product, inducing an exchange or even a reimbursement, depends on the retailers' customer policy.

Products purchased on any distance shopping channel (catalog mail-order, telephone or internet) can be returned by the customer for any reason. The delays and specific details are fixed by regulatory rules.

In France, the legal delay for the customer to return a product is 7 days. Nevertheless, the member companies of the French distance shopping association FEVAD agree on a 15 days delay for the customer. If the customer sends back all the items of his order, the retailer has even to reimburse him the costs for sending and returning the products. If the customer only returns part of the products he ordered, the return is at his charge. Most returns lead to an exchange of the product.

Different regulations may exist regarding the use of information about the customer. French regulations prohibit the use of customer information on different channels of the same retailer if the channels are operated by distinct legal entities, as for example different subsidiaries of the same group. Retailers have to adapt to this legal framework.

A major concern is not to frighten customers that they would have to keep a product which they do not like or which does not fit and therefore reassuring the customer by reducing his perceived risk. Especially textile and fashion products need to be tried by the person who wants to wear them (in some countries return rates are about 50%, meaning one out of 2 delivered products will be returned).

Online sales operations need to integrate and organize the whole process of reverse logistics: Product returns, crediting of customer accounts and reimbursement, product check and re-packing.

Return handling must be quick in the eyes of the customers, either to get a product exchange or to get reimbursed and the customer account re-credited. The process must as well be efficient as it is a very manual process and impacts the stock management of the returned products (Min et al, 2006). A physical store channel can be an easy way in the customer's eyes to return the products.

Supplier Management

Supplier Management becomes important when adding an online channel as the information provided by suppliers regarding replenishment and re-assortment of products will be immediately integrated and visible on the website of the online channel.

Another important aspect of supplier management can be the direct delivery of specific products from the supplier to the final customer ("Drop shipping"), which is mainly used to ship heavy or bulky items.

Retailers using different collaboration methods (VMI (Vendor Managed Inventory), CPFR (Collaborative Planning, Forecasting and Replenishment) with manufacturers to optimize their supply chain and assure maximum product availability, may have to adapt their interaction. Sales forecasts, real-time data or batch data exchange may generate different results in the store and online channels.

Information handling

Another major challenge in crafting successful multichannel strategies is to build an integrated information technology (IT) infrastructure so that data across channels can be linked and analyzed in a holistic manner. Even though retailers differ in their preferences on whether to integrate or separately manage many key functions, there is a general consensus on the need to establish centralized data warehousing capabilities.

Centralized data warehousing becomes a requirement to assure real-time availability of customer data in every channel and therefore harmonizing the customer contact, linking the information of product availability to all channels.

2. An Effective Typology of Multi-Channel Fulfillment Systems

To operate the multi-channel strategy, retailers have to set up a fulfillment system to deliver products to the customers. This fulfillment system, organizing the process from order intake to delivery to the customer, has to match the business model and to reply to the operational challenges. Industry players are using different fulfillment systems, and several authors suggest typologies of fulfillment schemes, focusing on the locus of order preparation (de Koster, 2002; Durand, 2008).

Multi-channel retailing per se intends to offer the clients the choice where and how to order and where and how to get the products delivered.

The major choice for the client is to shop in the store or shop online. If shopping online, the client can furthermore opt for direct home delivery for their purchases completed on the online channel or choose to pick up the purchased items in a physical store of the retailer. This in-store pick-up is a delivery option only multi-channel retailers can offer and which may be chosen by 30-40% of the customers at some multi-channel retailers (Berman & Thelen, 2004).

The retailer has to set up a fulfillment system able to respect the client's choice of the delivery mode, either by creating a new logistics infrastructure, or using the existing one, by adapting the existing processes. Depending on the fit of the existing infrastructure to the needs of the new channel, it can be a very valuable resource and ease the set-up of a multi-channel strategy.

A client going into a store in order to buy a product, searches, compares, picks the product out of the shelve and pays the product. Single-channel store shoppers may therefore not be affected by the multi-channel fulfillment organization.

To illustrate the different use of existing resources in terms of infrastructure and processes to serve the customer, we will present different possible fulfilment organizations.

a. Direct Home Delivery

Direct home delivery can be completed either by the retailer's own delivery organization, a delivery logistics provider or via an external pick-up point network[1]. Before entering in this 'delivery pipeline', products have to be picked, prepared, packed and expedited, which can be done either in a central warehouse or distribution center, in a store, or in multiple locations (central warehouse and one or more stores).

a.1 Direct Delivery from central warehouse

Picking, preparation and packing of ordered items can be done from a central warehouse stocking the products (Figure 1.1). This central warehouse can either be a purpose-built entity to serve exclusively the online channel or the existing warehouse for the store operations (in which case the processes in the warehouse have to be adapted).

Figure a.1: Direct delivery from central warehouse

a.2 Direct Delivery from a store

Picking, preparation and packing of the ordered items can be done inside a physical store out of the shelves. In this case, operators pick the products into a specific order preparation cart from the shelves and then pack and send the completed order to the customer (Figure 1.2).
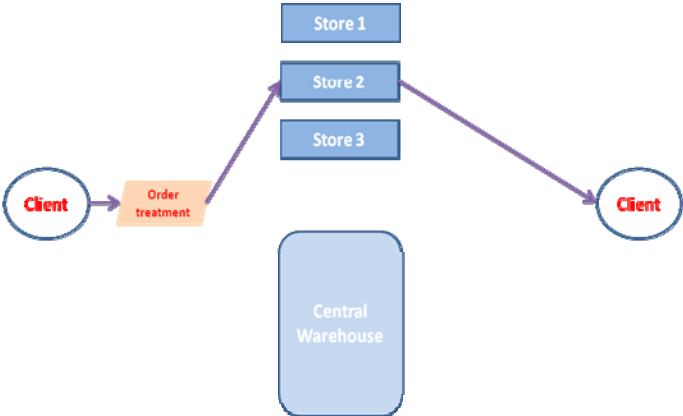

Figure a.2: Direct delivery from a store

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[1] We consider a delivery via an external pick-up-point network (usually neighborhood shops linked to a network which offers the retreat of parcels for the clients of different retailers) like a home delivery, as the fulfillment process is quite identical, with a delivery of (sometimes pre-sorted) parcels to the pick-up point network's injection hub. Although this is influencing the ease of access, this way of delivery cannot provide a contact with the retailer as in his own store.

a.3 Direct Delivery after multi-stock consolidation

If the desired articles of an order are not available in one place, picking of the ordered items has to be done in a central warehouse as well as inside a physical store from the shelves. The picked items have then to be consolidated, prepared and packed in one site (Figure 1.3). In some cases, the multichannel

retailer may opt for sending the order in two different consolidation.
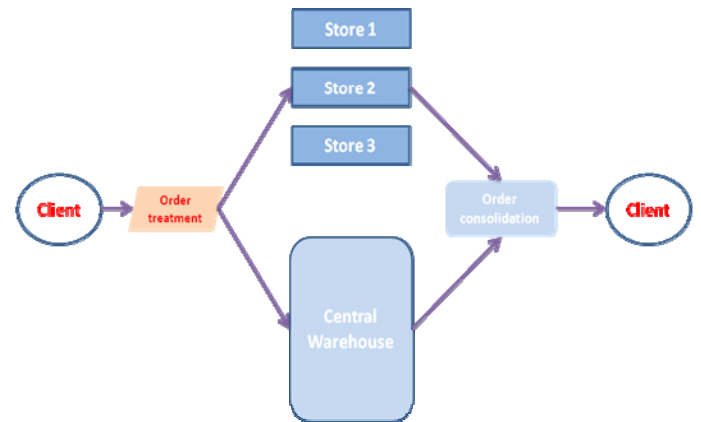

Figure a.3: Direct delivery after multi-stock consolidation

b. Client Pick-up in the store

A customer ordering online may choose to pick up his products in one of the retailer's stores. In this case, products have to be picked, prepared, packed and kept ready for pick-up in the store.

b.1 Direct in-store order preparation

If all the products of the customer's order are available in the store chosen by the customer to pick-up, the picking, preparation and packing of the order can be done immediately in the store (Figure 2.1).
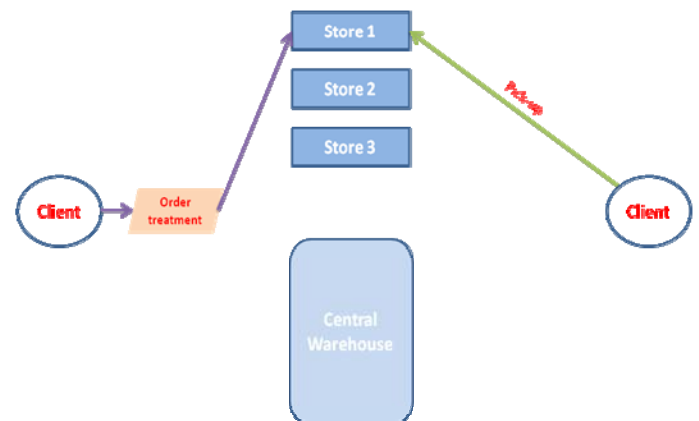

Figure b.1: Direct in-store order-preparation

b.2 In-store order consolidation from multiple stocks

If some of the products of the customer's order are not available in the store chosen by the customer for pick-up, the unavailable items must be ordered from the central warehouse (or other stores) to complete the order. The preparation and packing of the order can be done only after consolidation of all items in the store (Figure 2.2). (A specific case of this in-store order consolidation can be a complete order
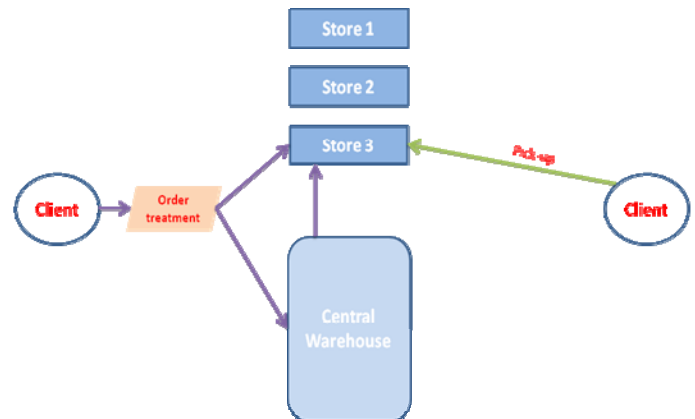

Figure b.2: In-store order consolidation from multiple

preparation in a central warehouse sent to the store only to be picked up by the customer, without further adding any product in the store).

3. Channel Conflicts and Cannibalization: Organizing Channel Co-existence

The second issue to be addressed in this part concerns the conflicts between different sales channels.

Simultaneously operating several sales channels inevitably increases the risk of conflicts between channels.
For example, store personnel fear an additional online channel as a competitor. Especially if the personnel are partially interested on the turnover they realize in the shops, a loss of turnover would mean as well a loss on their payroll.
This example illustrates the organizational and managerial complexity created by a multi-channel organization.
The same problem may occur with distribution partners. For example, insurance companies which sell through independent agents linked with an exclusivity agreement have to deal with the agents' opposition if the insurer starts a direct online channel. Retailers organized as franchise networks face identical issues. As the franchisees usually benefit from a geographic exclusivity, the 'competition' of an online sales channel working on a national scope may raise important conflicts between the franchisor and the franchisees.
Multi-channel retailers have to assess these conflict potential in order to avoid any malfunctioning or counterproductive actions from the different channels. Questions like how to allocate sales realized through the shops or the online channel have to be answered.
It appears that most multi-channel actors still do not have found a 'perfect' solution. Some sectors may still not have really addressed these issues who may even delay the emergence of a multichannel strategy because of the threat this may present to the existing channels. The actors are very discreet on these issues and do not communicate on their solutions, if they have any.

Cannibalization of retail channels, that means the growth of one channel to the detriment of another channel, is a danger very often expressed, but studies show that the overall amount spent with a

retailer by multi-channel shoppers is much more important than the amount spent by single channel shoppers (eg. EEC University of Köln, in: Heinemann, 2009). So the benefits for the global sales of a company seem to outweigh the cannibalization effects of a new channel.

Moreover, multi-channel customers are more loyal and more profitable than single-channel customers. Customer studies suggest that a new virtual channel of a retailer brand cannibalizes mainly competitor's virtual channels (Vanheems, 2009).

Several surveys have shown that different channels trigger the others and vice-versa (for example Schröder, 2005):
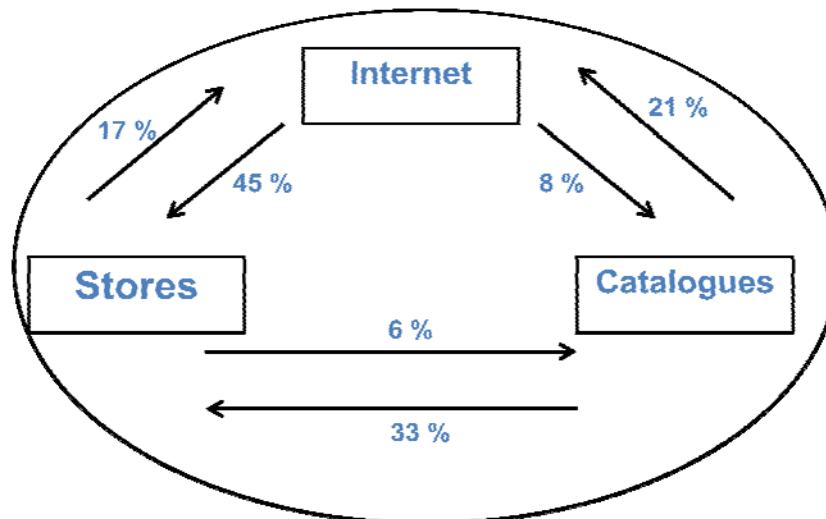
The risk of not addressing the issues of channel conflicts and cannibalization is that each channel may try to work only for its own benefit, while even working and acting against the other channels. This may cause an important disorientation of the customers who expect to be able to use each channel of the same retailer as they want to, according to their preferences and motivations.

In the following, we will provide an overview of the different possible channel conflicts in multi-channel retailing, and how retailers can anticipate and solve them.

As outlined above, e-commerce and multi-channel offer interesting opportunities for retailers because they create the potential of increasing the companies' market penetration by reaching new customers and better serving existing ones. However the coordination of old and newly opened channels is a challenge.

Conflicts between different divisions that manage a company's different channels may arise (Agatz et al., 2008). "Battles are often fought between retail store divisions and direct channel divisions within the same firm" (Avery et al., 2009: 4). These internal challenges also concern functional divisions, in particular both marketing and operations management as they are "tightly intertwined" (Agatz et al., 2008: 339).

However, retailers can also experience conflict potential on the external up- and downstream of their supply chain, with their suppliers and even their customers. These conflicts concern the interaction between supply chain members and therefore with the different actors of the retail value chain.

Conflicts seem to be closely connected to resource allocation. It seems difficult for retailers to allocate the internal resources like e.g. capital, personnel, product and technology in a way that the

allocation is perceived as fair and accepted by everyone, thus preventing conflicts. When actors of the different channels and managers have to draw from the same base of limited resources, managers may have conflicting interests over issues like budget allocation, revenue objectives, pricing, customer assignments and timing and nature of advertising. However, "any business trend that influences end-customers preferences" and channel members ability to effectively serve end-customers "will directly affect the organization and management of distribution channels" (Frazier, 1999).

In the following we provide an overview of the different concepts and impacts of channel conflicts.

Types of channel conflicts

As stated above, channel conflicts may occur inside a retail company between the different channels (Webb and Lambe, 2007). But there are also other conflicts outside the company between the company and third parties: suppliers, manufacturers and intermediaries (Tsay and Agrawal, 2004).

According to Frazier (1999), conflicts are more likely to appear the closer channel members are working together. This would imply that it might be better to focus on different target markets in different channels. In addition, conflicts are most likely to appear when every channel is taken as a proper profit center which leads to opportunistic behavior and puts the channels in competition against each other (Heinemann, 2008).

Channel conflicts in multi-channel retailing can be divided in internal and external conflicts, although they may be closely interrelated as internal channel conflicts can affect external relations and vice versa (cf. Webb and Lambe, 2007).

a. Internal Channel Conflicts

Internal conflicts can be quite complex and are often very difficult to solve. Introducing multiple channels and the respective distribution systems needs a lot of coordination and represent an organizational challenge. The coordination of several different distribution channels is difficult in terms of financial expenditure or human efforts, and enhanced through competition between the different channels (Schobesberger, 2007).

A prominent issue of internal channel conflicts is cannibalization, meaning lost sales in one channel due to the fact that customers choose a newly launched channel. This source of channel conflict holds true for the different channels of a multi-channel retailer.

Other reasons for conflicts amongst the different channels are internal competition on resources, unclear decision-making authority, goal incompatibility and others.

Cannibalization

Cannibalization appears when consumers switch to a newly launched channel buying the products previously bought in a traditional channel. Channels compete against each other for customers when sales shift from existing channels to new channels (Avery et al., 2009).

The extend of this cannibalization effect is linked to the product category, the product availability in each channel and the customers' habits (Schobesberger, 2007). Heinemann (2008) agrees that the intensity of channel conflicts depends on the type of product sold in different channels.

The cannibalization effect is clearly linked to the customer decision on which channel to buy, and can lead to internal conflicts.

The extend of cannibalization is further influenced by additional factors: Weak differentiation in terms of products and service offer or the same customer target of different channels favors cannibalization (Deleersnyder et al., 2002). Specific direction of cannibalization can occur in some cases, e.g. products which need to be touched, felt or smelt may favor cannibalization of the online channel by the store channel (Avery et al., 2009).

For the case of an internet retailer opening a store, the cannibalization effect seems to be rather temporary, the channels becoming complementary after a lap of time (Avery et al., 2009).

As stated above, different studies and retailer's experiences suggest that the overall sales of a retailer increase when opening an additional channel. Avery et al. (2009) suggest that having several channels tends to increase customer satisfaction and loyalty while cannibalization only appears with existing customers.

The negative effects of cannibalization, such as lost sales for one channel, should therefore not be overestimated, as they are not that large in the first time and more than compensated in the long-run. Schobesberger (2007) and Deleersnyder et al. (2002) support the view that channels can support each other.

Reasons for the supporting effect between channels are branding effects that increase new customers' awareness of the retailer and remind existing customers of the existence and growth of the retailer in question, leading to repeat purchases. Another reason can be reassurance created through brick & mortar stores, allowing the customer to examine the product more closely.

Schobesberger (2007) adds that this supporting effect can be ensured by appropriately designing the instruments of sales policy in the different channels.

Competition on resources and decision making

Opening an additional channel requires a higher coordination effort. Competition for resources emerges between the channels enhancing the danger of goal incompatibility.

Channels should probably not be integrated completely in terms of goals, activities and target markets as this represents one of the major drivers for channel conflict (Frazier, 1999). Thus, if an online store aims the same customer segment as an existing store, cannibalization effects can occur and lead to conflict between the people in charge of the two channels.

Conflicts between channels can arise because of disagreements on decision making areas (Moore et al., 2004), for example pricing decisions or supply-chain related decisions that have to be made and which can lead to conflicts:

An example of this decision making conflicts is a situation where the stores had pricing autonomy before the launch of an online channel, and if prices are now set centrally in order to harmonize prices with other channels (Müller-Lankenau et al., 2004).

Another example may be a multi-channel retailer fulfillment system based on in-store-picking which can create situations in which only one product is left in the shelf of the store, and a picker and a customer want it at the same time (De Koster, 2002a). Conflict potential arises between the online channel and the store, as the online order has to be transacted quickly but the store customer has to be satisfied. Thus not only the resource allocation, but also unclear decision making authority can lead to channel conflicts.

To prevent these sort of channel conflicts, channels should be integrated to assure effective coordination and communication (Webb and Lambe, 2007) in terms of sales forecasting, inventory allocation, pricing and promotion decisions (Avery et al., 2009).

Goal incompatibility

Different channel members may have given and therefore follow different goals, so their actions may result in conflict and dissatisfaction (cf. Moore et al., 2004).

An example of goal incompatibility could be bonuses of channel managers that depend on channel sales. This procedure could drive the managers to pursue the goal of increasing own channel sales rather than overall firm sales, which may not necessarily be contradictory but can lead to disadvantageous short-term decisions. Another example is the budget that might be allocated to single channels instead of functions. Managers are tempted to take short-term decisions that increase their budget, using their information advantage in their specific channel, but don't contribute to achieving the corporate goals.

Conflicts appear mostly often due to economic facts that may push many channel members from cooperation (Frazier and Antia, 1995). Channels pursuing different goals can compete in terms of sales, prices and production. This goal incompatibility is regarded as a major source of conflict.

To prevent potential conflicts, companies may introduce superordinate goals to align channel goals (Webb and Lambe, 2007), for example set up bonus systems based on overall sales rather than on one specific channel sales.

Perceptual differences, communication problems and ideological differences

Perceptual differences may occur when members of different channels perceive reality in a different way (Moore et al., 2004). A channel manager can perceive the services and products provided on another channel quite differently than a customer does. A store manager might perceive his sales potential shrinking due to the larger product assortment provided in the online channel, leaving out of regard the advantages of the store over the internet.

Further issues of conflict may be problems in communication and information exchange between different sales channels and ideological differences linked to diverging values, beliefs or ambitions, which may occur for example between traditional store managers and the more technology oriented teams for the online channel (cf. Heinemann, 2008).

b. External Conflicts with other Entities of the Supply Chain

Since retailers are usually the last link in a supply chain before the final customer, outside conflict potential mainly exists between retailers and suppliers, in particular if a supplier employs a direct channel while also selling through a retailer. These conflicts can also be linked to perceptual differences, as retailers might perceive that suppliers give more importance to their own (direct) channels (Tsay and Agrawal, 2004b). This can refer to product availability, prices, service and quality. Retailers selling Apple computers made an experience like this in 2002 (Wilcox, 2002). "*Even though prices were the same across channels, the product seemed to be more readily available through Apple's own online and bricks-and-mortar stores*" (Tsay and Agrawal, 2004b: 43).

One of the main issues concerning multi-channel retailers are pricing decisions made by the supplier and consequently the retailer. Often, a supplier sets lower prices in his direct online channel. The

retailer now faces the decision to either lower the prices in the online channel as well, in order to remain competitive, or to maintain prices that are offered in the other channels (for example stores), in order to prevent internal channel conflicts. However, customers can perceive prices too high in stores, if lower prices are offered on the internet.
These conflicts can also be prevented or resolved by the supplier in setting equal prices.

Communication also plays a significant role between the entities of a supply chain. Providing limited or false information for example about sales data or demand patterns (Tsay and Agrawal, 2004) can lead to conflicts between the different channels.

Selling through multiple channels ultimately affects the supplier. Online orders are small in size and rather large in volume (Xu et al., 2002). Lead times are expected to be shorter. In case of a supplier delivering to a warehouse from which stores are replenished and online orders are fulfilled, there might be conflict issues related to the delivery frequency, volumes and packaging as suppliers face higher costs when meeting the different channel demands in these three aspects.

Fulfillment and delivery by drop-shipping, where the supplier delivers directly to the final customer, can lead to possible conflicts. The supplier delivering directly to the customer on behalf of the retailer, might not be ready to provide the same service level as the retailer does or promises, generating the same risks as with an external logistics service provider (LSP), like mentioned above.

However, there is also a conflict potential with third parties, if for example the delivery has been outsourced. Retailers have to pay attention to the relationship with their logistics partners (Müller-Lankenau et al., 2004).

These external channel conflicts could be prevented by enforcing the communication to address differences in perception (Webb and Lambe, 2007). Providing information about demand and delivery data reduces external conflict potentials with suppliers. Delivery problems can be addressed with appropriate agreements and compensation. Warehouse management systems and EDI with suppliers can reduce product availability problems.

PART III: Multi-Channel Strategies and Paths

As indicated above, the development of an internet channel has to take into account the actual setup of a firm. It is therefore of interest to explore how different types of retailers embraced the multi-channel, depending on their different positions before the set-up of a multi-channel strategy. We will present several types in order to understand the variety of different multi-channel retail typologies, depending on the specific retail forms: Food retailers had to choose between two distinct models of order preparation either in a warehouse or in the physical stores. Department stores had to review their product offer as they couldn't just duplicate their whole offer to an online store and had to invent new service proposals. Catalogue mail-order retailers had an undoubtedly advantage as they had strong experience in handling the orders and deliveries from individual customers. One of their major challenges was therefore to adapt their sales tool (catalogue and online) to the different customer expectations. Pure online players opening stores confronted them with previously unknown aspects like store location and store personnel. Finally, manufacturers embraced the possibilities of online retailing to address directly their end customers, in parallel to their traditional distribution channels via retailers. These vertical integration attempts cause major conflicts between manufacturers and retailers which have to be resolved.

Exploring contrasted cases helps to understand the variability of the retail context and the way different retail forms handle and master the various competitive resources we presented earlier: Next, a UK based retailer who fully integrated his different sales channels and actively promotes channel-hopping of its clients is an excellent example of how a traditional store and then catalogue retailer developed a multi-channel strategy. Two examples of French media and electronics retailer Fnac and the French food retailer Monoprix will focus on the development they had undergone to address the challenge of how to organize the order processing and delivery to their customers, showing the paths from a store model to a multi-channel model.

1. Different Multi-Channel Strategies Corresponding to Different Retail Forms

Multichannel retailing may become the dominant practice in retailing in the forthcoming years, but the ways in which retailers will implement and run this practice will diverge. Some retailers will offer very homogenous experiences across channels, so that consumers have the same experience with the brand no matter in which channel they choose to shop. Other retailers will compete not only by reinforcing each channel's advantages, but also by balancing and harmonizing the way how the channels work together in order to make sure that the overall result achieved will be superior to the only sum of the different parts.

A major challenge is to determine how to organize and manage multiple channels. Historically, retailers tend to manage each of their channels separately, as opposed to having a common management to which all channels report. A managerial approach based on the management of the individual channels may increase the risk of channel conflicts, as seen above.

The level of interaction and interlink between the different channels determines the level of integration between channels.
The different forms of multi-channel strategy depend on numerous factors as type of products, assortment, sector, competition, traditional channels' characteristics etc., to name a few.

In the following, we will explore the different multi-channel options adopted by different types of retailers, illustrating the influence of these numerous factors on the way different actors organize their multi-channel business and the challenges and advantages they encounter.
We will present store-based retailers, traditional catalogue retailers and pure online retailers. As the online channel allows manufacturers to sell directly to the final customer, manufacturers' approaches and possibilities will be presented as well.

a. Store-based Retailers

Food retailers

Food retailers face a complex challenge regarding direct sales via an online channel. Their product mix includes food products with very different stock keeping and delivery characteristics: fresh products need to be stocked refrigerated and are perishable, frozen products need to be stocked at deep freeze temperature and have to be handled and delivered at this temperature. If non-food products are part of the product mix, these must be stocked, packed and delivered without mixing incompatible products (ex. fresh food and detergents).

Compared to specialized online merchants (cultural products, consumer electronics…), food retailers have to handle client orders composed of an average of 45 different products.
This high number of products and their large variety must be available for display and choice on the website of the retailer. To make this online presentation and choice of the products convenient for the customers, only the high speed internet access provides sufficient comfort for the clients.
This technological development can be considered as a major reason for the quite late development of online food retailing, compared to the online retailing of books and electronic products.

From a customer's point of view, food retailing can be considered as a more intimate purchasing act than purchasing a technical or cultural product. Habits in food purchasing are very strong as well, as people may visit the same stores for numerous years, especially when geographically close.

Online food prices become more and more comparable to the prices in the shops, and delivery may be for free if the total amount of the order is important enough.

Online food retailing offers some advantages compared to shop purchasing: products are traceable, the retailer knows which client bought which product of which specific production run which can be an advantage in case of any product problem. Another advantage is that fresh food products are handled only by the preparators of the delivery parcels, whereas self-service fruits in shops are touched by an average of 32 different clients, so superior product hygiene is an advantage.

The major element of the logistics organization of an online food retailer is either to centralize the stock and picking operations for its online customers and therefore physically separate them from the stock of the stores (telemarket.fr) or either pick the products directly in the stores (tesco.com, monoprix.fr) with dedicated order preparators 'shopping' in the stores besides the regular store clients.

Department stores

Traditional Department Stores are facing different kinds of challenges. Their business model is to offer a large choice of products under one roof, with a high level of service and counsel provided to the customers.
The recent trends in retailing have put the traditional department store model under huge pressure: the rise of large scale speciality stores on the one hand and the online competition (generalist or specialist) forced department stores to important restructuration and repositioning projects.
Most department stores reduced the range of products offered and tried to develop a more upscale price positioning (ex. Galeries Lafayette, Harvey Nichols…). The department stores are becoming more and more multi-specialists than generalists, offering corners and in-store concepts to fashion and home decoration brands and other producers promoting and selling directly their products inside the department store.
At the same time, department stores are increasing their service offer to the customers: personalized style counsel, taylor-made garments, Spa and beauty offers, travel arrangements and delivery services.

Major department stores (Marks&Spencer, Galeries Lafayette, Bloomingdales, Macy's etc.) opened and operate online sales channels.
The different actors tend to transpose their product and service offer to a different extend on the online channel. The product offer is generally reduced compared to the offer in the stores (France's Galeries Lafayette Department Store opened an online shop in 2008 where they offered accessories as well as some luxury fashion goods, starting with a choice of 3000 products, increased since). Some brands may be reluctant to be sold online (especially luxury brands) or have specific distribution agreements forbidding online sales.

Some department stores develop tools for offering personalized services to their customers via the online channel: Buying Guides for garments and home equipment, travel arrangements, delivery services.
By doing so, they tend to transpose their marketing mix on the online channel. Moreover, department stores use social media in order to increase brand awareness.

A question might be to which extend it is possible and necessary for a department store to be present with a homogenous offer on an online sales channel. Important elements of their marketing mix are in fact linked to the store itself (architecture) and the personalized services offered by the sales personnel. One of the major motivations for department store clients is the pleasure of

shopping. Offering an online channel can definitely extend the service offer and leverage the brand awareness, but probably not provide the same shopping experience.

b. Traditional Catalogue Mail-order Retailers

Traditional catalogue mail-order companies have a very broad product range, initially textile based, and then enlarged to home textile, then home decoration, household appliances, consumer electronics etc. They are facing competition from specialized retailers as well as pure online retailers. Mail order companies built up a strong core competence in logistics and order fulfillment. They made of their operations a very decisive core competence, which e-commerce 'newcomers' have to build up.
Just like department stores, these generalist catalogue mail order retailers face the pressure of specialty stores and specialized online retailers.

A direct effect of the online channel is that customers are expecting lower prices on the internet. Internet is perceived as a less expensive, even discount oriented sales channel (Crédoc, 2010). To comply with these customer expectations and offer a competitive price level, a strong pressure on operational costs occurred.

Adding an online channel to the traditional catalogue channel has had some incidences on the activity, although their business model and especially the logistics organization with the BtoC fulfillment processes was a key competence. There is no major operational difference in the fulfillment of orders for catalog mail-order or online orders, except for the availability of delivery information for the customer and the higher speed of delivery expected by the online customers, confirming the abovementioned trend to constantly increase the level of customer delivery service:

- As the online customer is very time sensitive and doesn't want to waste any time, the traditional mail-order companies had to speed up the delivery mode and send the parcels to the customers with 48h or even 24h express delivery. Newcomer online retailers usually offered these short delivery modes right from the beginning of their activity, making an advantage out of the speed of delivery. Traditional catalogue retailers were used to an average 4-5 days delivery, as speed was not considered as decisive factor for the clients to make their choice. It was the large range of articles which was meant to be the decisive advantage.
- The online customer expects to get information about the status of his order via internet. Traditional retailers had to increase the traceability of the order treatment process. In parallel, they had to create and communicate about the 'events' like completing an order or sending out an order. This information provision increased pressure on fulfillment speed and correctness of the provided information. One can presume that the correctness of the provided information is more important to the customer than the delivery speed as such. Moreover the delivery speed depends as well on the products, as furniture usually requires more time to be delivered as consumer electronics, which is accepted by the customers.

Another impact for traditional catalogue mail-order retailers is that they can very easily add and remove products to and from their online offer, while this is impossible for the catalogue offer. This provides new possibilities in the product offer, as special offers and events can instantly be proposed on the net. If a product sells below forecast, the retailer can immediately propose a special price offer to boost the sales.
On the operations side, an internet offer usually leads to broader product range with a high rotation of articles.

c.   Pure online players

Online retailers are following two main trends: On the one hand, online pioneers like Amazon extend their product offering, becoming to some extend online department stores.

On the other hand, online retailers are opening physical stores allowing their customers either to shop, to pick up or to try and test the products offered. Prominent examples are Pixmania (Pick-up points), Dell (show rooms with online terminals for product orders), ING Direct Bank (banking centers). This online presence can improve access for the clients and reassure clients by the physical contact ability, especially for seeing and trying the products.

In these cases, the multiple channels become quickly complementary and support each other. This was a result of a research by Avery et al. (2009).

Reasons for the supporting effect between channels are branding effects that increase new customers' awareness of the retailer and remind existing customers of the existence and growth of the retailer in question, leading to repeat purchases.

d.   Manufacturers

Manufacturers and producers of goods can create direct customer strategies in order to create a direct link to their consumers, without any interaction with a retailer.

Manufacturers may open online stores and physical stores to sell their products directly, which represents a vertical integration of the distribution chain.

Manufacturer owned online or offline stores pursue different objectives: First, they allow providing detailed information to the potential customers about the entire product range of the manufacturer, the history of the brand and the company etc. As customers search for pre-purchase information in their buying process, providing first-hand information either in a store or on the internet can be an important means to reassure the customer. Second, as the customer can buy directly, there is a margin benefit for the manufacturer, due to the vertical integration bypassing the wholesaler and the retailer. Third, the manufacturer can propose product personalization features to allow the individual customer to customize a product to his specific desires (sport shoes like Adidas, sweets like M&Ms etc.), creating an intimate link to the consumer. Fourth, physical manufacturer brand stores serve as showrooms allowing discovering the products in a specific environment, permitting customers to get the feel for the products and permitting the manufacturers to communicate and reinforce their brand image.

Furthermore, the direct customer contact enables the manufacturers to collect personnel data about their consumers and to analyze their buying behavior, collect feedback about product launches and to test new product developments.

Instead of opening online or offline stores, manufacturers can as well choose a purely non-commercial relationship strategy via different online tools:

The most prominent tool for direct customer strategy is a website of the brand. These websites can serve to provide specific information on the products and the company (just like the abovementioned direct sales strategies), get in contact with the customer, and provide special promotions (eg. print-out of promotion coupons). Links to e-commerce sites or store locators as well as social network profiles can complete the offer of the website.

Another tool for manufacturers to create a direct virtual link to their consumers is a community website. These websites allow consumers to get general information about the centre of interest of the brand (eg. children's care, cooking recipes, DIY counsel etc.). Consumers may directly exchange

information among them about the use of the products, experiences with after sales services and others.

Blogs are another communication end information exchange tool used by manufacturers to directly interact with their consumers. Communicating news and exchanging comments are the main tasks.

Like retailers, manufacturer use social networks (Facebook, twitter etc.) to enhance their visibility and to create a direct link and relationship with their consumers. Social media are used as promotion and communication tools, to reinforce the brand's awareness and image and can direct the consumers to a store or online shop to buy the products.

These direct customer strategies bear the risk of conflict potential between the manufacturer's brand and the retailer (as developed above in the chapter on channel conflicts), as retailers may see these vertical integration as an important competition for their business, as they are cut from their privileged relationship with the consumers. Furthermore, manufacturers may influence the retailers' strategy by offering prices on their direct sales channels, so that retailers have to apply a comparative price level in order to stay attractive.

As manufacturers' sales mostly heavily rely on the sales via the retailers, the two parties have to find agreements on how to organize this co-existence.

2. Specific Cases of Retailers' Multi-Channel Strategies

In this last part of this position paper we will illustrate how different retailers in different sectors and different countries embraced the opportunity provided by setting up a multi-channel strategy.

These examples are intended only to illustrate the broad range of issues developed in the previous parts, not to serve as examples for a specific good or bad performance.

NEXT, a UK retailer specialized in fashion and home decoration, is often considered as a one of the most successful multi-channel retailers (Heinemann, 2009). We will present their multi-channel approach comparing the characteristics of the different channels and how they successfully managed to propose an integrated multi-channel strategy to their clients.

As developed in the previous chapters, generating customer satisfaction is to a very large part linked to the performance of the supply chain organization and the fulfillment system. We will illustrate this link by the development of the operations of fnac.com, a French retailer specialized in cultural goods and consumer electronics. Monoprix, a French supermarket chain, will be presented under this angle as well, as they experienced two different approaches when setting up their multi-channel strategy, illustrating the operational complexity of multi-channel food-retailing.

a. NEXT – Fully integrated multi-channel strategy

History

The history of NEXT, the UK based specialized multi-channel retailer in fashion and home decoration, started in 1864 with a shop named Gentleman's Tailors, in Leeds (UK). More than a century later the first NEXT store was opened on 12th February 1981; seventy shops had been opened by the end of July. This was the official birth of NEXT.

In 1984, NEXT for Men was launched and at the end of the year, there were fifty-two shops. The same year, the first mini department store in Edinburgh opened incorporating womenswear, menswear, shoes and a café.

One year later, in August 1985, NEXT launched a range of furnishings for the home called NEXT Interiors. In 1987, they launched NEXT childrenswear.

The mail order activity NEXT Directory was started in January 1988 with a catalogue book containing 350 pages. 5 years later, NEXT announced its new brand strategy "One brand, two ways of shopping".

In 1999, the NEXT Directory launched the website www.NEXT.co.uk so that customers could shop directly on the internet. Less than one year after this launch, next-day-delivery was introduced as a standard for orders placed before 5 pm on the website.

Several new larger stores also opened since the beginning of the 2000s.

In 2010, NEXT comprise more than 500 stores in the United Kingdom and Ireland and over 170 franchise stores overseas, employing over 28,000 people. The actual catalogue contains 1300 pages in the Autumn Winter 2011 offering extensive collections for men, women, children and home decoration. Consequently the entire book is available to shop from on the Internet, page by page – another first in home shopping in the United Kingdom.

NEXT is now operating through five divisions: Next Retail, operating the high street shops in the UK and Ireland, Next Directory, the mail order and e-commerce division, Next Overseas, operating the retail outlets in the United States, Asia, Continental Europe and the Middle East through franchise agreements, Ventura, the financial services and logistics division, operating the warehousing and order treatment facilities and Other Activities, including telecommunications software services and property management.

The core market of NEXT Plc is adult fashion wear with stylish products at attractive prices for people between 20 to 40 years which are sold under their own label. NEXT customers associate with the NEXT label good quality of the clothes used and good workmanship. As they are using their own brand they can react on consumer wishes very quickly and have total control over the quality management.

NEXT & its multi-channel approach

Store channel

When NEXT was created in 1982, its only channel of distribution were retail stores. Originally these stores offered a range of clothes, shoes and accessories for women but over the years the company has diversified into collections for men and children as well as a range of home decoration and furniture.

Marketing Mix

Product policy

The stores are of varying sizes and so do not all offer exactly the same range of products.

While all NEXT stores carry their trademark range of clothes, shoes and accessories for women, some are limited to this. Larger shops also offer the men's and children's collections and a limited home range.

In store, NEXT offers only its own branded products. This is in contrast to the other two distribution channels where it is possible to buy designer brands such as Replay or Firetrap.

Not all of the products offered in the catalogue or online are available in the stores. This reflects restrictions on store space to accommodate the full range, as well as mid-season range revisions that

may be made by NEXT regarding products to be sold in its stores. Electrical and domestic appliances, toys, flowers and designer brands as previously mentioned are not available in the NEXT stores.

Price policy

The products offered in the stores are at the lower end of the price scale when compared to what is additionally available from the catalogue or online. This corresponds to the target market for the products on sale in the store as this is mostly young to middle aged people shopping for casual wear on the high street. The lower price tags allow NEXT to benefit from impulse buys from shoppers in the store.

Promotion policy

NEXT has an integrated approach to its promotion strategy. NEXT retail as a whole is advertised through mass media outlets such as television and magazine adverts with a well known marketing campaign. These adverts promote all three distribution channels simultaneously.

The stores make extensive use of point of sale promotion features. Large, attractive window displays as well as special offers and promotions advertised by flyers and displays in store.

In order to further amalgamate the marketing of the various distribution channels, NEXT actively promotes the NEXT Directory catalogue in the stores. An employee stands at the shop entrance next to a small display showing a catalogue and hand out flyers to customers entering the shop which contains details and information about the catalogue and website. The employee convinces customers to sign up to the NEXT mailing list and have the directory delivered to their home.

Integration with other distribution channels

In order to integrate the three different distribution channels and provide better customer service, it is possible for consumers to mix and match which channels they prefer.

For example, a customer could place an order from the catalogue and then proceed to their nearest store to pick their items up. Alternatively, a customer could place an order on line only to find that the clothes do not fit and they need to be returned. In this case it is possible for the customer to take the items into a store that suits them and obtain an exchange or refund there. This method allows for maximum customer satisfaction as it eliminates postage costs of returning goods and allows customers to create a personal distribution channel that is most convenient for them.

This process requires that the personnel and logistics teams behind each individual channel are able to work together to ensure that the correct orders get to where they need to be quickly and efficiently.

Logistics and Supply Chain

Merchandise is delivered to each store from a central warehouse several times a week. What each store receives corresponds to how much of each product they have sold previous to the delivery. This is monitored via their check out system which monitors stock levels and prevents any stock outs. It is easy to spot trends in terms of which items are selling well and which are not. This allows each store to respond to local demand and ensure that their most popular products will always be in stock.

This is particularly important for the stores because if an item is not physically present when a customer wants to purchase it, the sale is lost. This may be easier when ordering from the directory or website as these orders are taken directly from main warehouses where all the product range is kept in stock. The chances of a store experiencing a stock-out are much higher than a particular item being unavailable via either of the other distribution channels. In this case, the directory and the website can act as a back-up to consumers in the event that the desired product is not available in store.

Sales and Returns

Sales and returns take place directly in store which does not create a logistical problem in terms of getting products safely and quickly to or from customers. NEXT offers consumers a 10 day return

policy, items purchased though any of the three distribution channels may be returned to a NEXT store.

Catalogue channel

At the beginning, the mail order business was a purely mail driven business: catalogues were sent and orders came in by mail and parcels were delivered by mail. Later, telephone became the major interaction between the clients and the mail order retailer.
Nowadays, the NEXT Directory is published twice a year in January and July and contains over 1100 pages of Womenswear, Menswear, Childrenswear fashion clothing, and Homeware with contemporary and classic styling.

Delivery
NEXT offers a next day delivery service for all orders placed before 5pm Sunday to Friday. Consumers can confirm theirs delivery arrangements and specify a time at the checkout. Their order will be delivered in special NEXT packaging.
NEXT Directory delivery charge is at £3.75 no matter how large the order (exception made for fresh flowers and selected Home items). Compared to its competitors, these delivery charges are amongst the most expensive ones in the UK market, but the next-day delivery is standard.

Returns
Returns are free of charge (exception made for large furniture items unless faulty or damaged). Clients can use the following methods:
- Returns by Courier (private persons organized in a courier network delivering clients in their neighborhood): customers have to call NEXT by phone to arrange for the courier to collect the items from home.
- Returns by Post: customers can use the despatch note label and simply take the parcel to the Post Office.
- Returns by Store: Consumers can return through NEXT's participating stores.

Online channel

Online shopping was introduced in 1999 by NEXT. The entire NEXT Directory product range is available to shop from on the internet.
In opposition with most fashion retailers' website, NEXT's one has soon been transactional, exploiting the virtues of the Internet on this highly mature and competitive market. Online retailing, and so a multi-channel approach, was necessary to adopt a market penetration strategy, and to induce consumers to purchase more.

Multi-channel Marketing-Mix

Product policy
The product policy of NEXT's website was at first the same as the retail and catalogue channels, according to the "One brand – Two ways of shopping" firm's policy, except making it three, selling clothing, footwear, accessories and home products.
NEXT pursues a strategy of selling almost exclusively company-designed clothing, accessories, and other merchandise under the NEXT name.
But nowadays the product policy has quite changed as it is now enlarged. Indeed, the website is now selling more categories: fresh flowers & wine, digital art, gift list, and prescription glasses.

Brand policy

The brand policy for the Internet channel is the exact same as for the mail ordering channel offering designer brands as well as the NEXT own branded products.

Promotion policy

The promotion policy is fully harmonized between the three ways of shopping.

Services policy

NEXT's services policy consists in a one and only integrated customer's management system which enables to benefit from the customer service even when using different channels.

For example you can order anything on the NEXT website, and if you are not totally satisfied, you can easily return it with the delivery note to the closest NEXT store.

Distribution policy

The customer's experience on each visit to the company, through whatever channel, must be a positive one and promote further business as well as a positive reputation.

NEXT manages inventory information for several stock-keeping units for each product shown online. Because with apparel, where each product can have several sizes and colors, the ideal system would show inventory status and, if appropriate, back-order delivery schedules for each stock-keeping unit. The most important thing is to let customers know when they can expect to receive an item not currently in stock.

Shop personnel

As a retailer operating stores and online business, NEXT overcame the general fear of cannibalization between these two channels by sharing e-commerce revenues, generated in each zip code with the store operating in that zip code. This enables NEXT, that sell own-branded products, to be aggressive in cross-promoting its brand using multiple channels.

Internet has a considerable impact on supply chain management; with the supply chain becoming much more tightly connected and thus needing greater coordination in terms of time and resources.

Key success factors

Ventura, the division of NEXT specialized in logistics and IT, centralizes storage management and centralized IT so that all distribution channels can run synchronized with each other. This is crucial when attempting to successfully run such different channels side by side and a very important factor in the success of NEXT's multi-channel approach.

The same can be said for the fact that more or less the same base of products is available thought all three channels. While the catalogue and the website may offer product lines that are not available in the stores, the basic ranges that NEXT is known for such as women's, men's and children's fashion collections are identical through each channel. This is important in creating a unified image for NEXT and making consumers aware that no matter which channel they chose to use, they are buying the same items from the same retailer. It is vital that the catalogue, website and stores are seen as alternative ways to shop from the same company and not as individual retailers.

The marketing of the NEXT brand is one of the most critical keys to its success. The use of integrated mass media advertising creates the image of NEXT as one complete company with several options of how to purchase products. It is important that consumers grasp this image and do not view each distribution channel as a separate retailer. In fact, the television and magazine adverts that NEXT use promote their multi-channel approach and make it clear that consumers can chose whichever channel best suits them while receiving the same products and customer service.

Moreover, the customer does not have to choose one single channel and stick to that. It is possible to mix and match them in order to create the perfect shopping situation. A consumer can place an order on line and return unwanted items to their local store and exchange them for another product. NEXT have considered the needs of all their consumers when formulating their multi-channel approach and have provided a service that allows each customer to shop in a way that suits them most. Each customer has the ability to be fully in charge of their own shopping experience, which seems to be a major key success factor of NEXT's multi-channel retail approach.

b. fnac.com - Step-by-step integration of the operations to meet customer expectations

History

Founded in 1954, Fnac, a French specialized retailer in editorial products and consumer electronics, developed important city-center stores where they proposed their complete range of products.
In 1999, Fnac launched an e-commerce site "Fnac.com". As the business model and the success of this online channel were not foreseeable, this activity was launched as an independent subsidiary of Fnac.
Fnac.com had a big advantage, as they could benefit from the notoriety and the credibility of the Fnac brand in France. At the same time, they had to adopt an identical price policy as the Fnac stores, whereas pure online sellers could offer prices far below.
Common product references were the most vital synergy between the Fnac store organization and the new fnac.com entity. To be able to communicate on the online channel with attractive prices, the fnac.com offered specific products (not available in the Fnac stores) with whom they could attract clients.
Nevertheless, at the beginning, the new online channel was seen as a competitor by the stores and the store personnel. There was evidence for conflict between the channels and the fnac.com was suspected to cannibalize the traditional store channel.
Due to the brand image, the new site encountered an important success in terms of visitors, but an important number of these visitors used the site (as well as the Fnac stores) to obtain information on the products (especially consumer electronics) and then to buy these products at pure online sellers, where the same products were offered at prices far below. The good brand image encouraged a free-riding behavior with the customers.
Products were sourced directly from the fnac.com entity, benefiting only from the contractual agreements between Fnac and its suppliers.

Supply Chain and Fulfillment Organization

The new entity rented a warehouse located approximately 40 km away from the central warehouse of the Fnac stores.
This warehouse held a stock of approximately 4000 references of the editorial products (mainly books, CDs and DVDs), which represented 50% of the total sales. For these products, fnac.com offered a 24h delivery service.
The editorial products ordered by a client, but not held in the warehouse, were provisioned by two ways:
Usually, these products were ordered from the manufacturer or wholesaler, with whom fnac had an agreement. Fnac.com ordered the product and at reception, prepared the order and grouped the products coming from different suppliers, packed them and sent the order to the customer. In this case, fnac.com fulfilled a cross-dock process at its warehouse. This process led to total delivery time of approximately 4 days.

For all customer orders asking a 24h delivery, staff people were sent to the fnac stores in Paris (or to external suppliers) to 'pick' the products directly from the shelves in the stores. At some times, a team of 15 people were employed only to pick in the stores to offer a 24h delivery service.

By using the stock in the stores, fnac.com was able to offer a credible 24h delivery service without having its own complete stock of products (only 4000 references were held in the own warehouse). 50-60% of all orders were 24h delivery orders, as the only stock of fnac.com could have only been able to deliver 30% of all orders in 24h.

In the stores, the IT system 'considered' fnac.com as an important customer with a rebate on the price invoiced. Only a small commission was withheld from the stores to cover their costs. The store personnel, on the other hand, had the impression that the people picking the items out of the shelves to make them sent to the fnac.com clients, were somewhat "robbing" the stock of the stores and therefore contributing to cannibalizing the store activity with their own stock.

All consumer electronic products were 'ordered' from the central warehouse delivering the stores. For these products, only a 48h delivery service could be proposed, because of the geographical distance between the sites.

Evolution of the organization

The organization went through some important changes since the beginning of the fnac.com activity. The major steps in its evolution were the sharing of the activity between the fnac.com warehouse and the central warehouse for the fnac stores.

At the beginning of the fnac.com activity, the dedicated warehouse stocked editorial and technical products.

Phase 1: Split between editorial and technical products
Shortly after the launch of the fnac.com activity, the fnac.com warehouse became too small to handle the growth of the activity. The decision was taken to split the stock between editorial and electronic products. The editorial products remained in the fnac.com warehouse, whereas the stock of the electronic products was transferred to a dedicated area inside the big central fnac warehouse. Orders for electronic products were prepared and sent out from a new order preparation area in the central warehouse.

Phase 2: Transfer of the stock of the editorial products
To optimize the stock organization, the fnac.com warehouse was closed and the entire stock was transferred to a dedicated area inside the central fnac warehouse. With this organization, the picking inside the stores to fulfill 24h-delivery orders became useless, as the products could now be picked directly in the central stock.

Phase 3: Complete stock integration
Finally, the organization of the stock with dedicated stock zones inside the central warehouse was abandoned and the products ordered at fnac.com were directly picked from the central warehouse stock of the stores. The dedicated fnac.com stock of products existed only virtually, as part of the products was attributed to fnac.com via the WMS (warehouse management system). There remains only a small physical space for dedicated fnac.com products which are not available for the stores, and which continue to play an important role in the marketing and sales promotion of the online channel. The order preparation, packing and expedition is handled in a dedicated area inside the warehouse.

The picking of the products for the fnac.com online orders was made by the same operators who did the picking for the fnac stores delivery preparation, using nevertheless specific picking trolleys suitable for the small number of products per order in this BtoC business.

This complete supply chain integration for the store and the online activity of fnac represents the conclusion of the different phases of the integration process. The storage and order preparation activities were bundled in an entity named 'Fnac Logistics' which became a service provider for the stores and for the online channel fnac.com.

To deliver every order out of one stock enabled fnac to become a real multi-channel retailer. Customers can search and view a product on fnac.com, check if the product is available in a specific store and if not so, purchase and make deliver the product to the store. Alternatively, customers can ask for delivery at their home, paying a home delivery supplement for packing and expedition. This organization is as well favorable for the smaller stores with a smaller range of product references available in the store, where the store clerk could propose the customer to immediately order the product via internet.

c.   Monoprix & Télémarket – Supporting an online environment for Food Retailing

Monoprix

Monoprix is a French city center supermarket chain operating about 300 stores.

The history of Monoprix started in 1932 with a first shop in Rouen (France). Today, it is a joint subsidiary of group Casino (50%) and group Galeries Lafayette (50%). Monoprix is present in 85 % of French cities of more than 50 000 inhabitants. The group employs about 20 000 people and its turnover in 2008 was 3,7 bn euro. About 10% of the stores are franchised stores. Recently, new specialized formats were developed: Daily Monop' (smaller city center convenience stores with extended opening hours) and Beauty Monop' (specialized in beauty and care products).

Monoprix has an excellent brand image. The objective of Monoprix is to provide pleasure, comfort of purchase, variety of offer, innovation and respect for environment. The target customers are urban people with relatively high income. The price level is quite high (about 15% compared to some hypermarkets).

Their product range is broad (food, clothing, beauty, home and leisure products) and can account 60000 references, depending on the size of the store.

Service offer includes home delivery for your store purchases (up to 1,5 million deliveries per year), fidelity card (S'Miles) and additional services like shoe repair, rental of cleaning mashines etc. (depending on the size of the store).

Logistics operations are handled by Samada, a 100% subsidiary of Monoprix. They run 13 logistics sites and total 200 000 m2, managing 130 million packages a year for the 300 Monoprix stores, whereof 60 % are located in Ile-de-France region.

Telemarket

Telemarket.fr was created in 1985 as an independent online supermarket. It was the first actor in this category to offer distance shopping for food products. At the beginning, clients used the Minitel or telephone but then the company rapidly developed sales on the internet.
Galeries Lafayette Group, owner of 50% of Monoprix, acquired 70% of the shares of Telemarket and later on 100%, and made of Telemarket an anchor of their internet strategy.

As turnover and profitability did not meet the expectations, Telemarket was sold in 2005 to a pool of entrepreneurs and private equity funds. In 2011, Telemarket joined the cooperative "Système U" retail group.

Target Market
At the beginning, telemarket.fr delivered only clients located in the Ile de France region and in the close Oise department. Later, the delivery area and therefore the market coverage of telemarket were extended to other regions with high population density (Lille area, Marseille area…) and, due to a partnership with express delivery service provider Chronopost, to entire France within 24 hours since 2007.
In 2007, Telemarket launched an advertising campaign (traditional media such as posters) to boost its activity, concentrating on the time saving advantage of internet shopping.

Operational challenges

The website offers more than 8 000 products in very different product ranges : fresh food, frozen food, fruits and vegetables, groceries, beverages, organic products, babycare, cosmetic and hygiene, small household electrical, cleaning products and animal products.
This diversity of products induces numerous challenges to deal with: different temperatures, card box packing without mixing incompatible products (food and detergents), and product availability.
These challenges add to packing accuracy, management of peak demands, and narrow fixed delivery schedules.

Order preparation
Organizing the fulfillment process is therefore a highly complex task.
Telemarket.fr operates a central warehouse of 15 000 - 20 000 square meters in Pantin next to Paris. Since 2001, the company decided to divide the warehouse in three preparation areas: the first one at ambient temperature is for groceries, the second one, at 4°C is for fresh food, and last, the third area is deep frozen area is for frozen food. A forth area is dedicated to goods conditioned in and delivered as full parcels (water bottles, baby nappies etc.).

Each order received is automatically segmented according to the different preparation areas. Furthermore, each segment is divided according to volumes per card box and destination in the client's home.
This order preparation has several advantages: First, filling of the card boxes is optimized and the number of card boxes necessary limited. Second, common packing of incompatible products (e.g. detergents and grocery) is avoided and third, stocking of the products and reception at the clients' homes are easier.

Card boxes are identified with stickers containing the client identification and the products to be added to the box. Card boxes are transferred via a conveyor system to the different preparation areas, and finally checked (with a weight control) and expedited.
The management of the flows allows preparing an order in less than 30 minutes.

Telemarket's own fleet of small delivery vans and drivers may be completed with subcontractors to handle peak activity. Drivers are receiving training in terms of customer relationship to improve their contact with the clients during the deliveries.

Deliveries are scheduled in 12 narrow time frames during the day (depending on the clients postcode area). The vans are equipped with double temperature zones and their delivery tours are planned with a specific software tool.

Telemarket adopted standard ERP software, capable to manage their activity, integrating product referencing and the call center management. Category managers are able to impact the product referencing and follow-up the sales in real time.

Monoprix.fr

In 2008 Monoprix decided to start a new online shop under its proper brand: Monoprix.fr, which implied a different concept and a new logistics strategy.
By this time, the major French food retailers such as Carrefour, Auchan and Cora already had launched their online shop and got more and more customers on the internet. Monoprix group was conscious that they were losing possible market shares on the internet without an online channel. They thought about Monoprix.fr concept for about three years. It was just after having bought out telemarket.fr. And they developed it in order to meet the market requirements for their market: the city centers.

This strategy served as well to exploit a new growth driver for the Monoprix brand, as geographic presence in French city centers was high and the growth potential of further store opening limited.
Monoprix is an urban supermarket that corresponds to a working upper-class customer which exclusively lives in the main cities. The strategy was to develop an online Monoprix, with the same values, same products, same prices and a same global concept.

So Monoprix intended to create a real "online Monoprix". Their customer had to be able to recognize their usual retail shop Monoprix. They knew that it was a crucial point to attract customers by this way and to attract other people by highlighting their brand Monoprix. Moreover, online shoppers ask for serenity and trust, one of the strong values of Monoprix group.

A comparison of Telemarket.fr and Monoprix.fr concepts

Two different concepts

Telemarket.fr is an independent cybermarket and was created in 1985, it was the first of its category. They had to create their own reputation from the start. It was a completely independent firm which early from the start had problems to make people trust this new firm. When Monoprix lauched Monoprix.fr, immediately it had been known by its customers first (by advertising in its shops or tickets etc.)and by internet users who see advertisement on the net and are tempted to try because they already known Monoprix. Even the reproduction of the concept on the website will make people feel secure. This is particularly important as lack of confidence is still hindering many people from buying online.

Logistics
Telemarket.fr and Monoprix.fr also have different their logistics system.

Telemarket.fr had and even today has a centralized warehouse dedicated to the online orders (as they do not run physical stores).

Monoprix.fr is applying a "click and mortar" strategy. It consists in having a multi-channel strategy (Online channel and store channel). This allows a different way to manage logistics. Thus Monoprix.fr uses "picking" strategy. It consists in picking products in the nearest Monoprix shop to prepare the online order and deliver it to the customer home. This strategy is less costly for the group. There is no additional storage costs for a new dedicated warehouse for example. The consequence is that it works only for people living next to Monoprix retailers. Therefore the geographical reach is limited and living in rural ares continue to shop at big supermarkets or hypermarkets.

Monoprix realized an increase in its labor productivity; its work force represents only 5.4% of the turnover. This productivity is also due to an efficient supply chain. All the stocks are managed in real time using software of speech recognition and radio equipment for all the warehouses.

Loyalty Program and promotions

Telemarket proposes several promotional tools. A subscription to a "Market Pass" for approx. 15€ a month allows the client to benefit from as many deliveries free of chargeas he wants.

To attract new clients, they offer 20€ rebate for any first order of a total minimum amount of 120€ without delivery fees. Pregnant women can enjoy of nine months of free deliveries in return for a pregnant attestation for a shopping basket worth of more than 120€.

These promotional tools use the delivery fees as a marketing argument.

Monoprix offers the delivery costs for any new client's first order.

Outlook

As developed in this position paper, the combination of a physical store sales channel and a virtual online channel has major impacts on the customers' behavior and on the organization of the retailers, who have to adopt multi-channel strategies.

Two main developments are actually about to reinforce the incentive for retailers to adopt a multi-channel approach:

First, the increased use of social media by customers forces retailers to be present in these media and to organize customer interaction, as the social media "channel" (though not a sales channel as such) becomes an important step in the customers' purchasing process. Social media provide an important tool for fostering the image of the retailer (for example the famous "like" buttons) and for interaction with its customers. Social media sites may provide direct links to the online shops.

Second, the important increase of the use of so-called *smartphones* fosters the emergence of mobile-commerce (m-commerce), where customers can inform themselves and buy wherever they are. This development extends the possibilities for the customer to use different channels simultaneously, as he can connect to the online channel even inside a physical store of the same or other retailers, get additional product information (from the brand or from social networks) and compare pricing and delivery information. This simultaneous competition makes it even more important for a retailer to integrate its different channels and to provide information about products, prices and availabilities. Retailers will have new opportunities to target customers with mobile advertising and promotion tools.

This combination between the social, local and mobile networks epitomizes the new purchasing environment for the customers, and, at the same time, pushes the online commerce as such even further.

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