Selling to the multi-channel consumer

strategic and operational challenges for multi-channel retailers

Author(s)
van Ameijden, D.; van Vulpen, J.; Huismans, J.; Wenting, R.; Krawczyk, A.; Weltevreden, J.W.J.; Krawczyk, A.C.
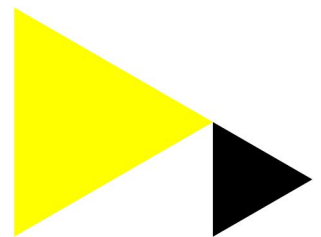
Publication date
2012

Document Version
Final published version

[Link to publication](#)

Creating Tomorrow

Selling to the multi-channel consumer
Strategic and operational challenges for multi-channel retailers

pwc

Hogeschool van Amsterdam
Economie en Management / HES

Foreword

Dear reader,

Forming the appropriate multi-channel strategy is one of the main challenges retailers face in the modern retail market. More and more 'traditional' retailers set up a webshop as an addition to their bricks-and-mortar stores to try to get a piece of the growing e-commerce market.

To help retailers address the challenges of combining a webshop with physical ('bricks-and-mortar') stores, PwC has carried out an exploratory research aimed at uncovering how multi-channel retailers optimize their business. We particularly aim to uncover strategic and operational challenges and the ways in which retailers address these challenges. Our findings are based on interviews and an online survey among 41 multi-channel retailers in the Netherlands. We included a varied group of retailers in our research effort, in terms of firm size, degree of experience with multi-channel retailing, and market segment.

In this research effort, we have cooperated with the Centre for Applied Research on Economics and Management (CAREM) at the Hogeschool van Amsterdam, University of Applied Sciences. CAREM and PwC are both actively researching the retail market, and by working together we have been able to provide a more comprehensive research effort in the area of multi-channel retailing.

I hope this publication inspires you to optimize your multi-channel business. To complement this research, PwC also publishes a global research document on consumer online search and purchase behavior. Please do not hesitate to contact me or any of my colleagues listed at the end of this document, should you wish to discuss any of the themes within this document further.

Dennis van Ameijden
Partner and sector leader Retail & Consumer market

Table of contents

A multi-channel business model is important

Multi-channel retailing is no longer a 'nice-to-have', but a necessity to adapt to a changing consumer market. Multi-channel retailing involves selling through a combination of sales channels, most commonly bricks-and-mortar stores and a webshop. The multi-channel consumer is on the rise, and only those retailers most fit to facilitate multi-channel shopping and switching behavior between channels can reap the full benefits. This section highlights several developments to explain why there is a clear business case for multi-channel retailing.

Multi-channel retailing offers growth opportunities in a difficult economic climate

E-commerce increasingly dominates the retail sector. In 2010, total retail revenue in the Netherlands is € 83 billion (CBS, 2011). Online retail generated € 8.2 billion revenue in 2010, including travel & tickets (Thuiswinkel.org and Blauw, 2011). Note that differences can be seen by product segment. For example, online sales of small domestic appliances account for 19 percent of total retail revenue for that product segment (GfK, 2011).

What can we expect from future developments? The fact is that growth in bricks-and-mortar retailing has consistently lagged behind revenue growth in e-commerce. In the period 2005-2010 the growth in online shopping continues at a fairly constant rate in terms of total online revenue and number of online consumers. Such a linear growth trajectory is bound to end as the online market matures in upcoming years[1]. We believe that, for this reason, it is important to invest in and accumulate experience in multi-channel retailing while the online market is still in its growth phase.

Figure 1. The rise of online shopping in the Netherlands continues despite the economic crisis.
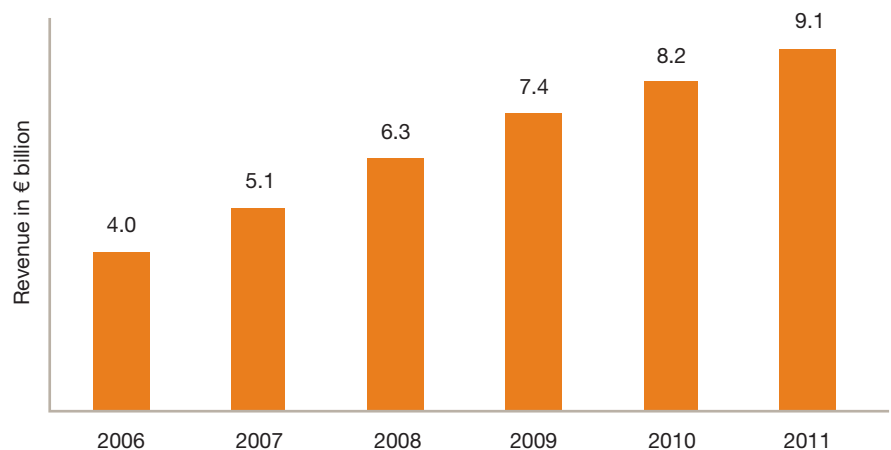
Source: Thuiswinkel.org and Blauw, 2011 (note that 2011 figures are forecasts by PwC based on figures Thuiswinkel.org and Blauw).

1. To some extent a substitution effect exists between online and offline retail, that is consumers can only spend their euros once. However, the rise of e-commerce does offer companies the opportunity to increase market share where they outperform competitors on their multi-channel strategy. Note that over time, more and more purchases are likely to be online rather than offline. In fact, some sources predict in 2020 as much as 25 percent of all consumer purchases in the Netherlands may go via the online channel (ING, 2011).

Notably, growth in consumer spending in e-commerce tends to outpace growth in traditional bricks-and-mortar stores (Thuiswinkel.org and Blauw, 2011). According to our survey, four out of every five multi-channel retailers increased online revenue in 2010, and seven out of ten expect to do so in 2011.

We note that bricks-and-mortar retail revenue growth follows GDP growth closely. By contrast, e-commerce revenue growth seems less hindered by the crisis in 2009, and amounts in 2011 to 10 percent (Thuiswinkel.org and Blauw, 2011). Interestingly, as online revenue attains significant size over the years, the gap in revenue growth between the two channels seems to be closing. Nevertheless, we expect revenue growth in online retail to continue to outpace growth in bricks-and-mortar retail for the upcoming years.

Multi-channel consumers spend more than single channel consumers

The average multi-channel consumer spends more than a single channel consumer. This is partly because multi-channel consumers have on average higher income and spending pattern than other consumers. The exact increased amount in spending of multi-channel consumers ranges from two to ten times as much as single channel consumers (Forrester, 2011).

In the Netherlands, the average online consumer is expected to spend on average € 116 per order, and € 531 in total in 2011 (Thuiswinkel.org and Blauw, 2011). The number of online consumers is expected to increase from 7.6 million to 8 million in 2011. Of course, the online market for retail differs significantly per segment. In the Netherlands, travel e-commerce is the largest segment with € 1.8 billion revenue, followed by telecom (€ 540 million revenue) and fashion (€ 300 million revenue) (Thuiswinkel.org and Blauw, 2011).

Figure 3. Top-3 segments in online retail in the Netherlands (by revenue and growth in 2011).
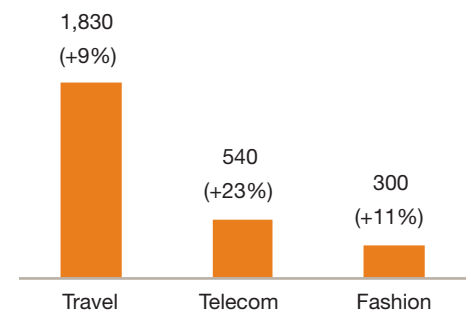
Source: Thuiswinkel.org and Blauw, 2011

Figure 2. Revenue growth in e-commerce continues to outperform growth in traditional retail in the Netherlands, albeit at a declining rate. [2]
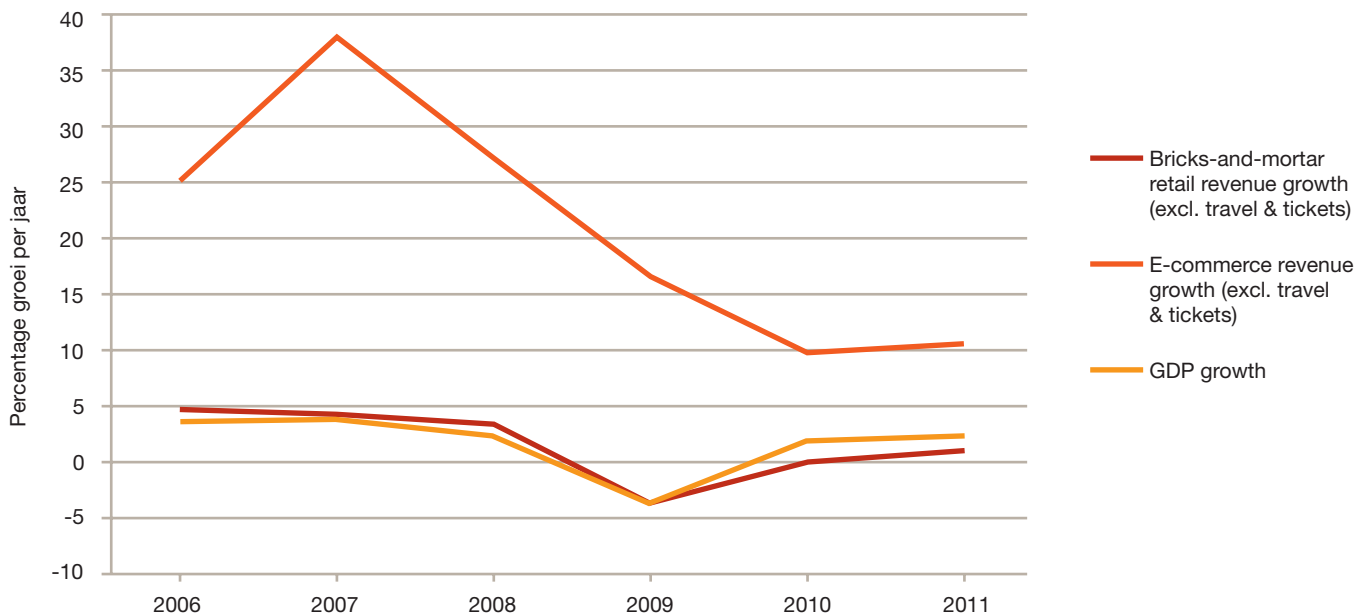
Source: Thuiswinkel.org and Blauw, 2011 (note: 2011 figures are forecasts).

2. Travel & tickets sales are excluded in this graph to make a comparison possible between online and bricks-and-mortar revenue, as the latter is based on total retail revenue figures which exclude travel & tickets.

A multi-channel operation increases a retailer's position vis-à-vis competitors

Multi-channel retailing is one of the ways retailers keep up with increasing competition. By adopting a multi-channel strategy, retailers distinguish themselves from pure players. 22 percent of retailers in the Netherlands are multi-channel retailers (Figure 4). One of our earlier research reports (PwC, 2007) indicated that top performers distinguish themselves from low-performers by achieving revenues more evenly across different channels. More and more traditional retailers face competition from e-commerce, and vice versa. Although revenue growth rates seems positive for participating in e-commerce, retailers that venture into the realm multi-channel retailing face both familiar competition from other retailers, as well as new competition from established pure players with strong brand names on the internet, such as Bol.com or Wehkamp. As the number of multi-channel retailers increased to more than 28,000 in the first quarter of 2010, the number of webshops also continues to rise as well (Source: CBS, Weltevreden et al., 2011). Whether or not retailers open a webshop, they will need to deal with increased competition from internet retailers.

Figure 4. The bricks-and-mortar retailers still outnumber the multi-channel and web-only retailers.
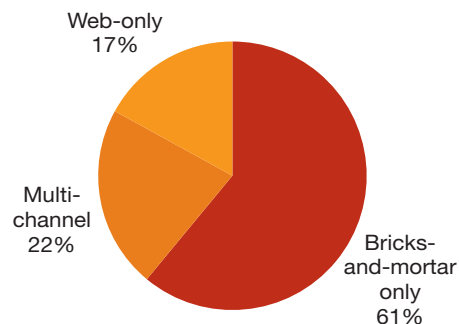
Source: Weltevreden et al., 2011.

Research question and methodology

What can we learn from best practices in the sector? In this paper we present the results of our survey and interviews with multi-channel retailers in the Netherlands. Here, we define multi-channel retailing as using a combination of a physical (store) channel and a webshop, possibly complimented with mail order, telephone and mobile internet. Therefore we did not include pure players such as web-only retailers. Our research focuses on the following question: "How can retailers optimize the benefits of a multi-channel retailing business model?".

Our exploratory research is based on interviews and survey results of in total 41 multi-channel retailers in the Netherlands. Some make use of franchises, others do not, and some are part of international retail giants. We included retailers active in various product segments, from fashion and food to books and consumer electronics. We also made sure to include retailers with varying degrees of experience with multi-channel retail. During our research, retailers told us about the key challenges and opportunities they see related to multi-channel retailing. We analysed the way these companies have learned and benefited from meeting these challenges and opportunities. We distinguished the results in three overarching recommendations which support retailers to achieve success in multi-channel retailing:

1) Embedding multi-channel retailing in your overall strategy

2) Integrate the channels and facilitate the multi-channel purchasing cycle

3) Setting up an effective back-office is essential

Each of these messages is discussed in more detail in the following chapters.

1. Embedding multi-channel retailing in the overall strategy

Successful multi-channel retailers have embedded multi-channel retailing in their overall strategy, and underpinned the business case for multi-channel retailing with a realistic transformation roadmap. In our interviews, retailers indicate that a well-thought through multi-channel strategy helped them establish goals and avoid pitfalls. In this chapter we explore the most common motivations and challenges in executing a multi-channel strategy.

A successful multi-channel strategy is more than just pursuing growth

In our survey, we asked retailers about their strategic motivations for multi-channel retailing (Figure 5). Retailers indicate that the most important reason for multi-channel retailing is to increase sales and to enlarge the existing consumer group. Interestingly, the third most mentioned motivation for retailers to pursue multi-channel retailing is to generate more visitors to the bricks-and-mortar stores. Moreover, 45 percent of retailers aim to increase market share through multi-channel retailing. As such, retailers appear to be keenly aware of

the possibilities for synergy between the channels and an increase in competitive position vis-à-vis single-channel retailers. Notably, our survey also indicates that a majority of multi-channel retailers are positive about 2011: 71 percent expect a revenue growth this year, while 11 percent expect a revenue decline.

Multi-channel strategy should reflect challenges in the front-office and back-office functions

We asked retailers about their main challenges with regard to multi-channel retailing in the upcoming year. The most mentioned challenge is improving

Figure 5. What are the main motivations for a multi-channel strategy?
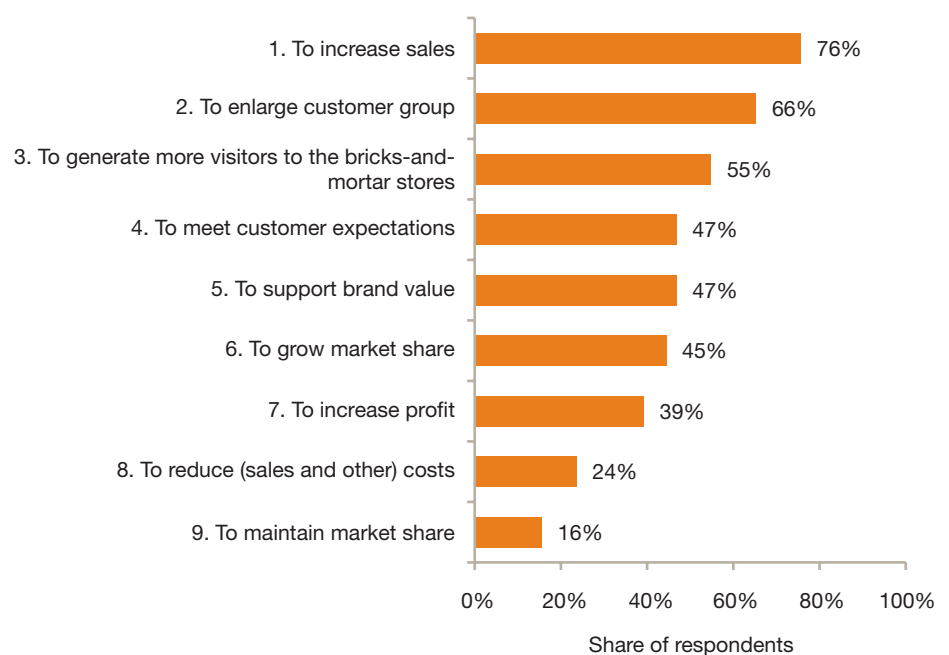
search engine optimization (68 percent), followed by social media (45 percent) and integrating online and offline sales channels (39 percent) (Figure 6). About a quarter of retailers are concerned with expanding abroad by making use of its multiple channels. 24 percent multi-channel retailers struggle with differences in product assortment online and offli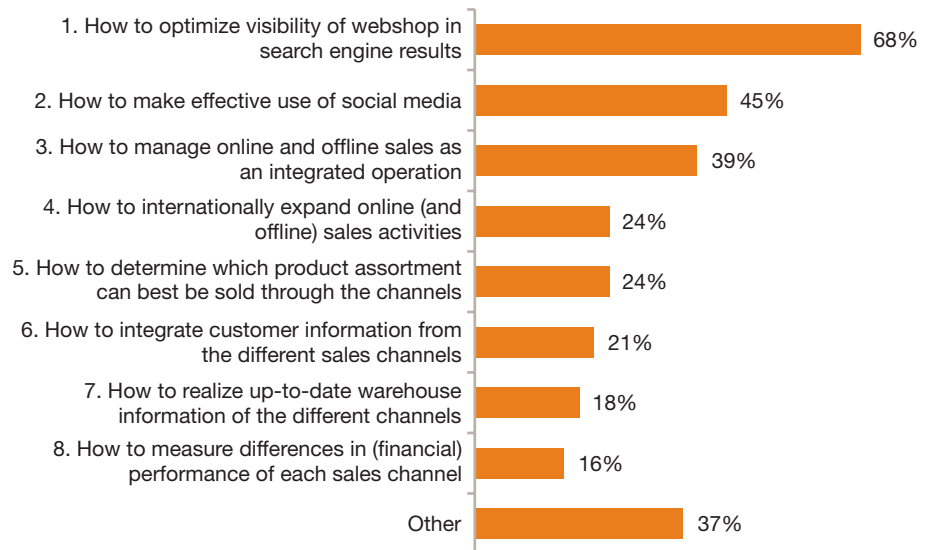ne. Interestingly, only 21 percent of retailers aim to improve on integrating customer information across the channels in the coming year.

Based on our survey, it seems most retailers do not consider optimization of warehouse and customer information across channels as major challenges. Instead, most retailers indicate to struggle with optimizing marketing and sales across the different channels. It is important, however, not neglect back-office functions in the multi-channel strategy. We discuss the importance of an effective back-office operation further in Chapter 3.

Figure 6. What are the main challenges faced by multi-channel retailers?

Challenge	Percent
1. How to optimize visibility of webshop in search engine results	68%
2. How to make effective use of social media	45%
3. How to manage online and offline sales as an integrated operation	39%
4. How to internationally expand online (and offline) sales activities	24%
5. How to determine which product assortment can best be sold through the channels	24%
6. How to integrate customer information from the different sales channels	21%
7. How to realize up-to-date warehouse information of the different channels	18%
8. How to measure differences in (financial) performance of each sales channel	16%
Other	37%

"*A number of years ago, everyone simply started doing e-commerce. Now, everyone considers whether or not they should. People are asking the right questions. What is the added value of e-commerce? I do not see e-commerce taking over high street retail. E-commerce is more functional, you see a lot of mums shopping online for their kids, and regular retail is more social and emotional.*"

Linda de Graaff, Marketing Director at WE.

Company size and experience determine which challenges are important

The challenges multi-channel retailers face differ according to their level of experience with e-commerce (in terms of years) and company size (Figure 7 and 8). As a general rule, less experienced multi-channel retailers still struggle with search engine optimization and product assortment issues, while more experienced multi-channel retailers struggle with integrating the channels. Interestingly, our survey results suggest that more experienced retailers also outperform less experienced retailers in terms of total revenue growth. Differences in performance between retailers of different sizes are less pronounced.

Figure 7 shows less experienced multi-channel retailers are more engaged in assortment choices, while retailers with more experience selling through different channels indicate to struggle with integrating consumer information and making use of social media. The survey further shows that - on average - larger retailers tend to be more experienced retailers: 73 percent of retailers with more than 10 stores indicated to have more than 3 years of experience, compared to 56 percent for retailers with 10 stores or less.

When we compare challenges faced by multi-channel retailers by company size, we find that search engine optimization is predominantly an issue for smaller retailers (Figure 8). Assortment choices seem to be related to experience level rather than company size. However, larger retailers did indicate more often than smaller retailers to struggle with integration of consumer information, integration of operations across channels, and making use of social media.

Figure 7. The challenges retailers face in relation to their level of experience with e-commerce.
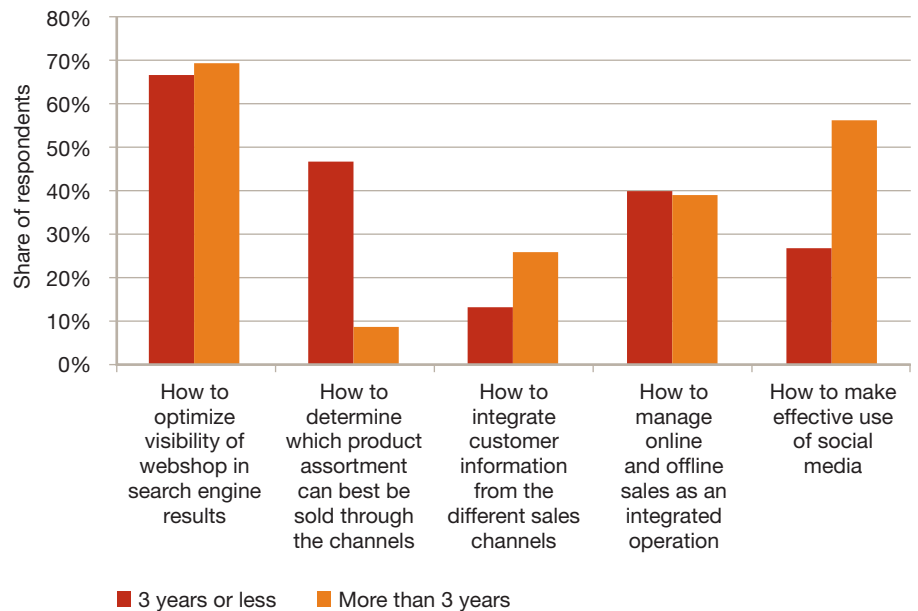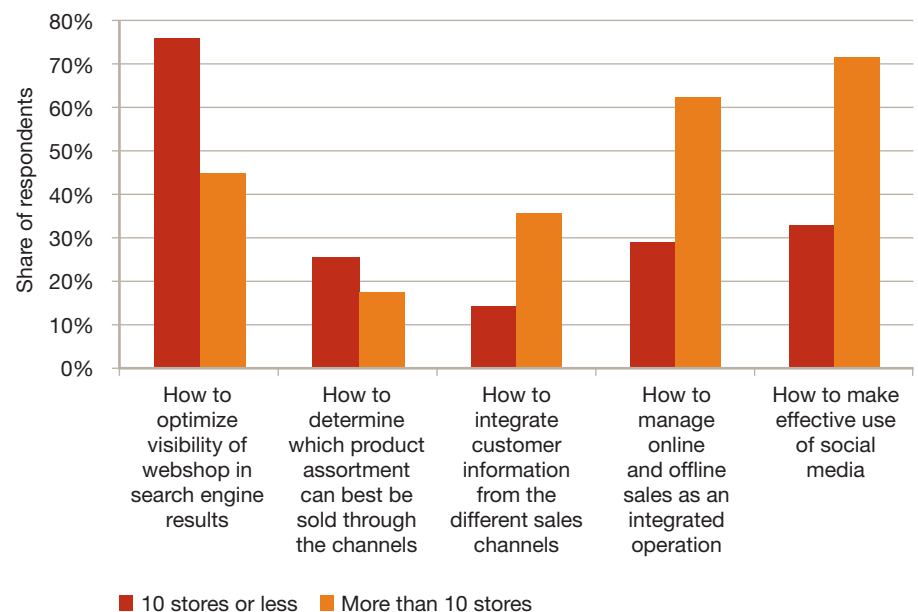

■ 3 years or less ■ More than 3 years

Figure 8. The challenges retailers face in relation to their size (number of stores).

■ 10 stores or less ■ More than 10 stores

# 2. Integrate the channels and facilitate the multi-channel purchasing cycle

Based on our interviews with retailers, we believe successful retailers are characterized by their ability to create synergy rather than cannibalization between the channels. We discuss the main ways in which retailers mitigate the cannibalization risk. In addition, we show that retailers can employ various methods to facilitate switching between channels to better facilitate and attract multi-channel consumers. The multichannel purchasing cycle describes the search and purchase behavior of consumers via multiple channels. For example, a consumer looking to buy a photo-camera may search on the internet, than speak to a sales expert at a physical store, and finally purchase at a webshop. Finally, our survey results indicate that measuring consumer purchasing behavior both online and offline is an important success factor. Using consumer information more effectively across channels is an important next step in many retailers' strategies.

Three main elements to mitigate cannibalization

Although multi-channel retailing is often associated with cannibalization of revenue between channels, we find that today's multi-channel retailers appear to suffer less from its effects (Figure 9). Half of our respondents say the sales in bricks-and-mortar stores do not suffer at all under webshop sales. 32 percent feel they suffer in a small way from cannibalization, and 18 percent say to suffer to a large degree from cannibalization. The degree of cannibalization seems to be mainly influenced by three factors: similarity in assortment, compensation, and facilitation of switching between channels.

1. **Similarity in assortment:** Offering an equal or similar assortment via different channel can increase cannibalization between the channels. Price differentiation between the sales channels can strengthen the cannibalization effect even further.

Figure 9. To what degree do multi-channel retailers experience cannibalization?
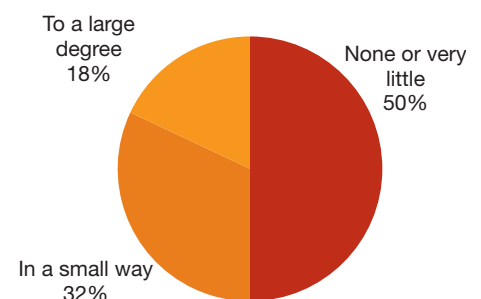
A vast majority (74 percent) trie to find complementarities between the webshop and other stores by consciously offering a larger, smaller or otherwise different assortment online than offline (Figure 10). In addition, 82 percent of multi-channel retailers say to have none to very little price discrimination between webshop and

Figure 10. In what ways do retailers manage their product assortment and prices to mitigate the risk of cannibalization?
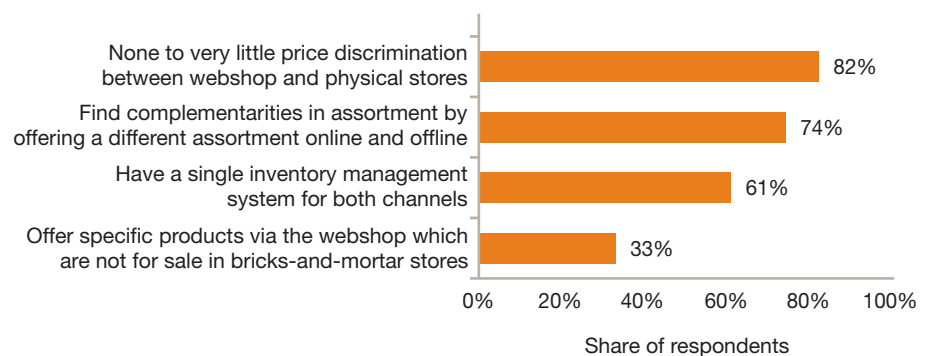
other stores. Also, a third of multi-channel retailers indicate to offer online, besides the standard assortment, also specific products via the webshop which are not for sale in bricks-and-mortar stores. 61 percent of multi-channel retailers have a single inventory management system for both channels. By using one or linked systems, retailers can (in potential) monitor at product level sales per channel and take decisive action if cannibalization occurs.

2. Compensation in the context of multi-channel: Another way in which multi-channel retailers tackle cannibalization is through compensation of bricks-and-mortar stores for (possible) loss of revenue through online sales. Over 45 percent of multi-channel retailers with two or more stores say to employ methods to distribute online revenue over the bricks-and-mortar stores. The most used method is by allowing a bricks-and-mortar store to execute the order placed online. Also, many retailers allocate online revenue to specific stores based on consumer information, for example on the revenue or number of online orders in a postal code area belonging to a store. Larger multi-channel retailers (64 percent) make use of such techniques considerably more often than smaller retailers (27 percent). Accounting for online revenue in the performance of local stores generates transparency for store managers in terms of information on added value of the webshop for the local market. As such, it is also an important incentive to be used to propagate web sales via the store and integrate the channels further.

3. Facilitate switching between channels: Successful multi-channel retailers facilitate the switching between channels. The switching behavior is stimulated by the development of linkages between the channels. Many retailers start with offering a recognizable shopping

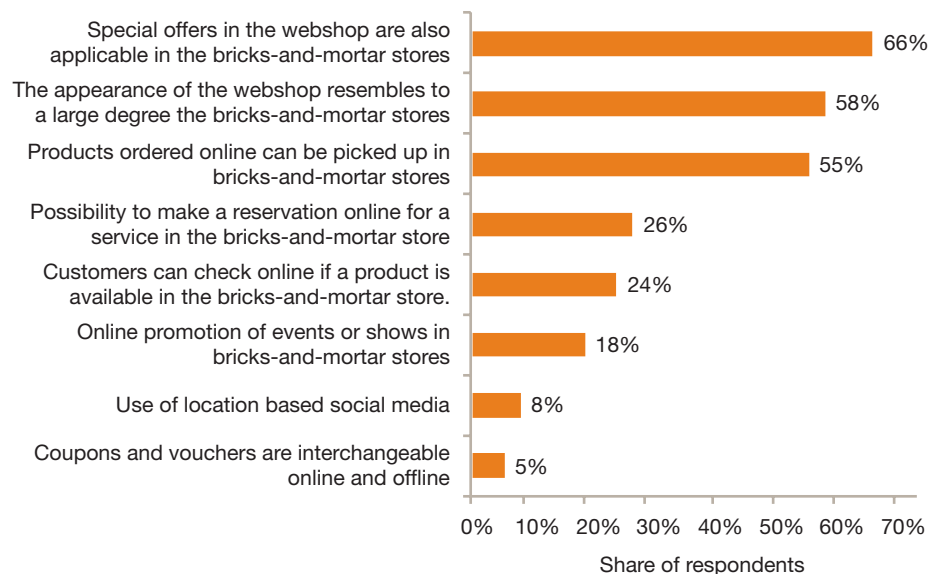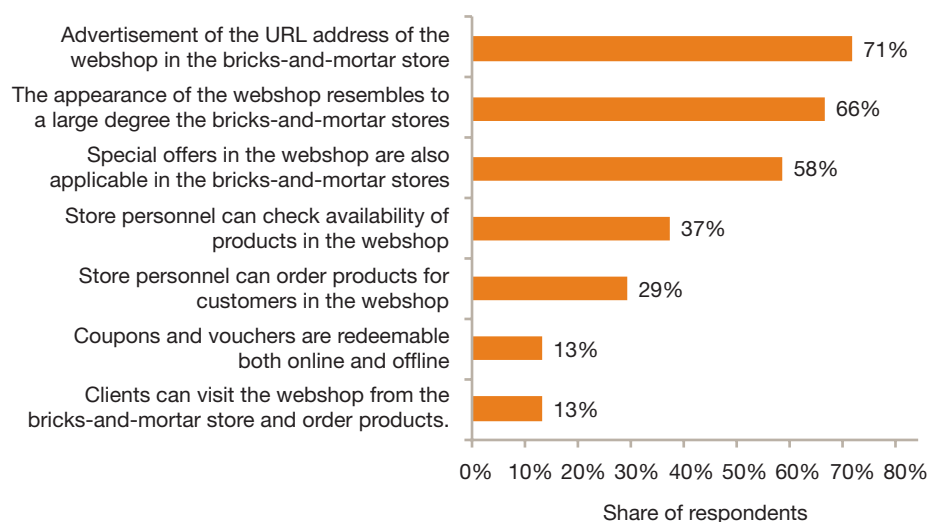**Figure 11. Which methods do retailers use online to draw consumers to their bricks-and-mortar store(s)**

Figure 12. Which methods do retailers use offline to draw consumers to their webshop(s)

experience on both channels and a similar look-and-feel, such as coloring and promotion materials. In addition, 66 percent of multi-channel retailers indicate that special promotions and offers in the webshop are also applicable for bricks-and-mortar stores, and vice versa. Offering up-to-date stock information and the possibility to order online from stores can also facilitate the demands of multi-channel consumers. 37 percent of respondents indicate that the store-personnel can check the availability for consumers via the webshop, and 29 percent say its store personnel can even place online orders for consumers in-store. At 13 percent of multi-channel retailers, consumers can also visit the webshop from bricks-and-mortar stores themselves. Over 71 percent of multi-channel retailers use promotion material in the stores to increase awareness of the webshop. Some retailers also use the webshop for promotion of

events in bricks-and-mortar stores, for making reservations, or for check the availability of products in-store.

Retailers employ various methods to facilitate switching between channels

We find that although retailers widely use generic methods to integrate the different channels, most retailers can still make progress in facilitating the consumer purchase journey. By facilitating the multi-channel purchasing cycle, retailers aim to increase the number of purchases and spending amount per consumer. Figures 11 and 12 show ways in which multi-channel retailers facilitate consumer switching between different channels. Whereas Figure 11 shows methods by which multi-channel retailers seek to draw online consumers to their bricks-and-mortar stores. Figure 12 shows methods in which

retailers aim to achieve the opposite flow of consumers.

Interestingly, most retailers use generic marketing techniques to send information to consumers, a opposed to more consumer-specific marketing techniques. Most retailers believe that multi-channel consumer flows are facilitated by a uniform brand identity created by a similar appearance of the webshop and bricks-and-mortar stores in look-and-feel. Very few retailers indicate to make use of in-store portals to their webshop or location based social media (e.g. Foursquare). As indicated in the low scores for several methods in Figures 11 and 12, there are several as of yet untried areas for retailers to enhance the consumer's purchase experience across channels.
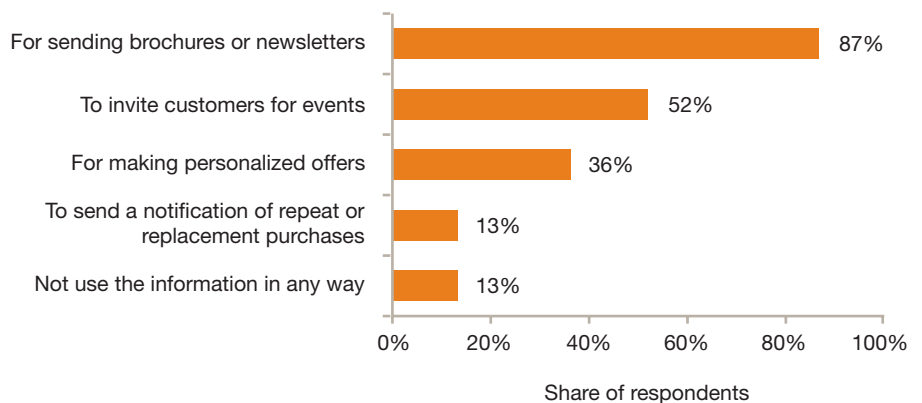
"We closely follow the consumer purchasing cycle across the different channels. Thanks to this we noted that our consumers were interested in specific spectacle frames online and we adjusted the assortment accordingly."

Edwin Krau, marketing manager at Hans Anders; Stefan van Opstal, e-commerce manager at Hans Anders.

Using consumer data effectively is an important success factor in multi-channel retailing

Our research shows that measuring and monitoring consumer purchasing behavior both online and offline is an important success factor. We find that multi-channel retailers who are more focused on collecting and using consumer information via both the offline and online channels report higher revenue growth, compared to other multi-channel retailers. Most multi-channel retailers collect consumer information, but few do so at different channels, and even fewer know how to connect the consumer data across channels. The majority (82 percent) collects consumer information in the bricks-and-mortar stores. Of these retailers 58 percent collect information by asking the consumer's address at the counter, and 39 percent through consumer loyalty cards. Some retailers use multiple methods. However, monitoring and actually using consumer data effectively across channels

Figure 13. How do multi-channel retailers use consumer information?

Category	Share
For sending brochures or newsletters	87%
To invite customers for events	52%
For making personalized offers	36%
To send a notification of repeat or replacement purchases	13%
Not use the information in any way	13%

Share of respondents

are two different things. In fact, utilizing consumer data for marketing appears to be an underdeveloped area of marketing at many multi-channel retailers. Most retailers use generic consumer information to send information in traditional advertisement (Figure 13). Some retailers use consumer information in a more advanced way to target specific consumer groups. 36 percent of multi-channel

retailers use consumer information to make personalized offers by making use of purchase histories of consumers and deducting their preferences.

Because consumers increasingly use several channels during the purchase process, it becomes more difficult and at the same time more important to identify (individual) consumer needs. The integration of consumer information from the different channels plays an important role in this respect. Only 32 percent of multi-channel retailers keep track of which consumers purchase via two or more channels. A similar share of respondents says to be able to do so, but doesn't, and 37 percent simply cannot determine which consumers are cross channel consumers. Interestingly, 47 percent of multi-channel retailers use a single or linked consumer information system for the webshop and bricks-and-mortar stores. A small majority (53 percent) has not yet integrated the consumer information system or simply doesn't have one in place.

3. Setting up an effective back-office is essential

The back-office is a challenging part of multi-channel retailing. First, an integrated IT infrastructure is important to collect information on KPI's and customers. In fact, we see that retailers with an integrated IT infrastructure for their online and offline channels outperform other retailers. The importance of robust website security should not be overlooked. Second, setting and monitoring the right KPI's to evaluate the performance of multi-channel operations is equally important. Finally, our research suggests that delivery service and return policy are necessities for any multi-channel retail operation.

An integrated IT infrastructure and website security are a vital part of multi-channel retail
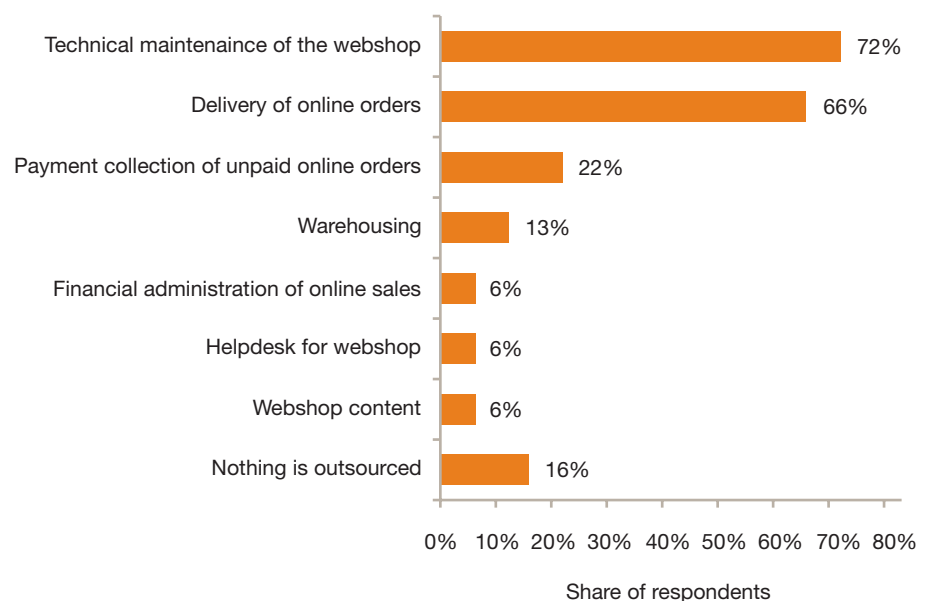
Based on our survey, we find that successful multi-channel retailers have more often integrated their online and offline IT infrastructures than less successful multi-channel retailers. An integrated IT system allows multi-channel retailers to have a single insight in inventories, sales, supply, and payments. However, when online and offline IT systems are integrated, website security becomes an even more important point of concern due to the threat of cybercrime. 81 percent of multi-channel retailers indicate to have a policy in place for security checks of its website system.

Interestingly, this also means 19 percent of retailers indicate to have no policy in place for web security checks.

The majority (73 percent) of multi-channel retailers with security policies do so through outsourcing the security checks to the hosting partner of their website. 21percent of retailers with a security policy in place, perform the checks themselves. 6 percent of retailers outsource security checks to an independent third-party. Note that some retailers follow a combination of strategies to minimize risk.

Although IT maintenance and web-security is a vital part of a multi-channel strategy, it is also the component which is most prone to be outsourced by retailers. Figure 14

Figure 14. What components of a multi-channel operation do retailers outsource?

Technical maintenaince of the webshop — 72%
Delivery of online orders — 66%
Payment collection of unpaid online orders — 22%
Warehousing — 13%
Financial administration of online sales — 6%
Helpdesk for webshop — 6%
Webshop content — 6%
Nothing is outsourced — 16%

Share of respondents

shows that technical maintenance of the webshop is the most outsourced activity by multi-channel retailers (72 percent), followed closely by delivery of online orders (66 percent).

We conclude that although most multi-channel retailers seem to have the system in place to monitor consumer purchase behavior via the channels, most struggle with developing a sophisticated understanding of how to exploit consumer information to facilitate cross-channel shopping.

Revenue and traffic KPI's do not necessarily quantify all aspects of success

In our interviews, success in multi-channel retail is most often defined by retailers as the level of sales through the webshop. This can be measured in revenue, and is often complemented by the number of visitors and consumers online (Figure 15). Such KPI's quantify the success of the webshop to a certain degree, however they do not necessarily define the success of the multi-channel strategy.

Most retailers do not appear to include cost or profit KPIs in their monitoring

of multi-channel success. We believe KPI's that monitor cost-efficiency gains, marketing effectiveness, client satisfaction, and system integration should not be overlooked in measuring multi-channel success and its operational enabling factors.

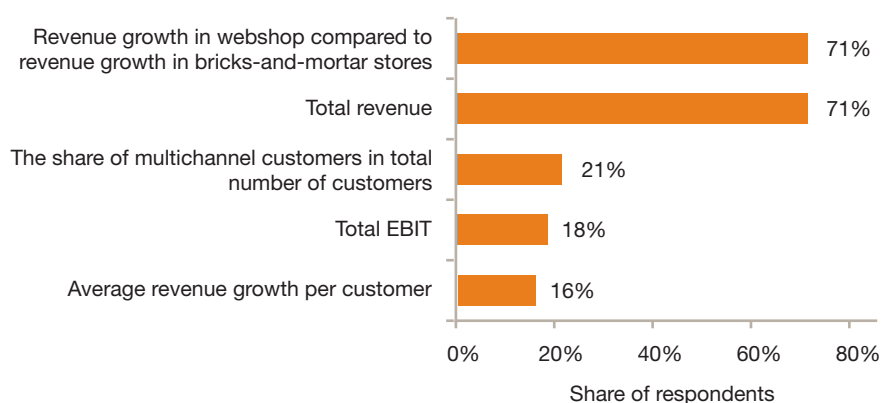## *Delivery service and return policy are prerequisites for multi-channel retail*

An important part of getting the back-office in line with front-office sales and marketing activities is the way retailers deal with delivery service and returned products ordered online. Having such policies in place is a prerequisite for multi-channel sales. Delivery and return policies differ according to the retailer's product segment, and is widely outsourced to specialist service providers.

The majority of multi-channel retailers outsources delivery of online orders (Figure 14). 45 percent of the multi-channel retailers indicate products ordered online are delivered to consumers within 24 hours. Only 5 percent of respondents say products take longer than a week to deliver. The speed of delivery is related

to the segment retailers are active in. For example, consumer electronics retailers are relatively fast in their delivery, while delivery of furniture or kitchens takes longer.

Return policy is oftentimes part of the consumer service a retailer offers, and becomes more complex as soon as a retailers starts to offer products online next to bricks-and-mortar stores. Almost all retailers (95 percent) have a return policy in place. Our survey shows that, on average, 6 percent of products ordered online is returned by consumers. In general, fashion and textiles products are returned particularly often, averaging around 15 percent.

Figure 15. What are the KPI's retailers use to monitor the performance of their multi-channel business?

Revenue growth in webshop compared to revenue growth in bricks-and-mortar stores	71%
Total revenue	71%
The share of multichannel customers in total number of customers	21%
Total EBIT	18%
Average revenue growth per customer	16%

Share of respondents

The most common policy retailers have in dealing with returned products is offering a full refund (61 percent of retailers) and allowing consumers to return the product via postal services (71 percent of retailers) (Figure 16). Interestingly, we do not find a relation between the way in which multi-channel retailers organize their return policy and their success in terms of revenue growth. We conclude that having a return policy seems to be a prerequisite, rather than a differentiator for multi-channel retailers.

Figure 16. How do retailers deal with returned goods ordered online?

Category	Share
Customers can return the product via post	71%
Customers can return the product in a bricks-and-mortar store	68%
Customers can get a full refund of returned products	61%
Customers can return the product via post, customer pays postal fees	42%
Customers can return the product via post, retailer pays postal fees	37%
Customers can get store credit for returned products	21%
Customers can return the product via a servicepoint	11%
Retailer arranges for the pick-up of returned product at time and place chosen by customer	11%

Share of respondents

"We have recognized the importance of e-commerce for our organization. The market pressure is getting bigger, and rightly so, to have centralized webshops for our formulas. Four of our major formulas have a webshop now. It is important to appreciate revenue through e-commerce compared to revenue of regular stores. We measure revenue of the webshop by geographic area and allocate benefits by postal code to each of the local stores."

Steve Evers, Director Formulas at Euretco.

Recommendations

Multi-channel retail offers an important growth perspective for retailers in the current difficult market conditions. The multi-channel consumer is on the rise, and retailers who are able to best facilitate the multi-channel purchase cycle are able to attract consumers vis-à-vis their competitors. Our research indicates three overarching messages that may support you in enhancing success in multi-channel retailing:

1. Embedding multi-channel retail in the overall strategy

To reap its full potential, the multi-channel strategy should be part of the core strategy of the company. We found that operational success in multi-channel retail stems from strategic commitment. Retailers that have embedded a clear multi-channel strategy throughout their organization find it easier to implement and progress in their multi-channel ambitions. Support for the multi-channel strategy can be gained through communication of its benefits to the existing stores, in addition to its revenue potential as a separate store. Most importantly, we find that many retailers move towards multi-channel retailing from a competitive perspective. To retain market position versus competitors, retailers indicate multi-channel retailing is no longer a nice-to-have but a necessity.

2. Integrate the channels and facilitate the multi-channel purchasing cycle

Realizing synergy means facilitating the needs of the multi-channel consumer. By collecting consumer information online and offline, retailers are able to follow purchasing patterns of their multi-channel consumers. This allows retailers to better align assortment and promotions to consumer needs at the different channels. By facilitating switching behavior by consumers in a smart way, retailers are able to increase

the chance the multi-channel consumer eventually make the actual purchase at their store or webshop. The way to facilitate switching across channels is by integrating the channels in terms of consumer experience, consumer information, delivery, and promotional activities.

We also find that the most successful retailers in terms of channel integration indicate to suffer the least from cannibalization. To mitigate cannibalization, retails employ three main methods: similarity in assortment, compensation for online sales, and facilitating switching behavior between channels.

3. Setting up an effective back-office is essential

Our research shows that back-office functions are important to multi-channel performance, and must not be overlooked. We find that integration of IT systems across the channels differentiates more successful retailers from others. An integrated IT infrastructure also enables retailers to monitor and evaluate multi-channel sales through revenue, traffic and profit KPI's. Finally, we argue that a delivery service and return policy seem to be a prerequisite, rather than a differentiator for multi-channel retailers.

Colofon & contact information

This document is published by PwC, and based on a cooperative research effort of PwC and the Centre of Applied Research on Economics & Management (CAREM) at the Hogeschool van Amsterdam, University of Applied Sciences.

Dennis van Ameijden
Partner Assurance
PwC
Rotterdam
06 51547520
dennis.van.ameijden@nl.pwc.com

Johan van Vulpen
Partner Tax
PwC
Utrecht
06 20615819
Johan.van.vulpen@nl.pwc.com

Joost Huismans
Senior Advisor
PwC
Amsterdam
06 20302927
Joost.huismans@nl.pwc.com

Rik Wenting
Market Intelligence
PwC
Amsterdam
06 13980496
rik.wenting@nl.pwc.com

Hogeschool van Amsterdam
Economie en Management / HES

Adriana Krawczyk
Lecturer/Researcher
CAREM
Amsterdam
a.c.krawczyk@hva.nl
www.carem.hva.nl

Jesse Weltevreden
Professor (lector) of E-business
CAREM
Amsterdam
06 10153268
j.w.j.weltevreden@hva.nl

References

GfK (2011). Market Insights: January-June 2011. GfK findings for IFA: Consumer Electronics Unlimited.

ING (2011), Survival of the fittest : Marktomstandigheden vragen uiterste van retail, Kwartaalbericht detailhandel, October 2011, ING Economisch Bureau.

Internetretailer (2011), "Top 300 Europe: Rankings, Profiles and Statistics Of Europe's 300 Largest Retail Web Sites", UK: Internetretailer, May 2011.

Walker, B. (2011), Why Multi-channel Retail Is Obsolete, Forbes.com, 14 March 2011.

Weltevreden, J., De Berg, E., Boels, H., De Boer, R., Adelaar, T., Krawczyk, A. (2011). Social Media in de Detailhandel; Een onderzoek naar het gebruik van social media sites door (web)winkels en consumenten in Nederland. Amsterdam: Centre for Applied Research on Economics & Management, Economie en Management / HES, Hogeschool van Amsterdam.

CBS (2011) en Thuiswinkel.org & Blauw (2011).

PwC (2007), Success through diversity – Key factors for successful multi-channel management in the retail and consumer goods industry, Germany: Frankfurt am Main, 2007.