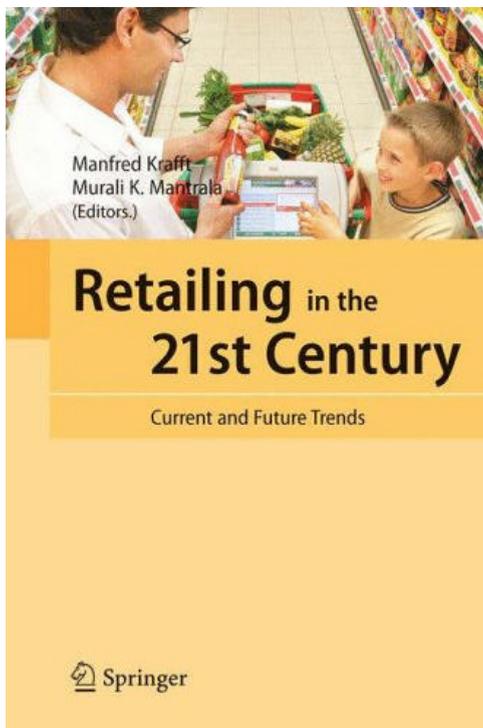


Future Trends of Multi Channel Retailing

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Abstract

The authors will address the differentiating global retail world and review the choice of Store Formats and Channels available to customers in advance of the actual shopping trip. Hybrid customers are confronted with this multi-option consumer opulence and this theory suggests that consumers continually have to take new decisions on where and how they will satisfy their purchasing needs. As far as retailers are concerned, it has become increasingly complex to interpret this process, with the associated difficulties of adequately satisfying the individual needs and requirements of customers.

The authors focus on a number of key themes here. The aim is to give guidance to managers in the retail business and provide them with an effective response to this diversified mix. They support the need for more basic research in this area. This research will demonstrate segmentation in consumer behaviour based on deeply rooted and emotional factors. Consumer segmentation of this nature is suitable for obtaining information about the various motives underlying the choice of a particular retailer, Store Format or Channel. This provides us with a valuable marketing tool for the retailer which can then be implemented for successful Multi-Channel Marketing. Only retailers who truly understand their consumers (a) in the appropriate purchasing setting and (b) communicate positively and offer the right product range will become a successful Multi-Channel Company. At the same time, there is the assumption that Single-Channel Companies – in many places already predictable – have reached the limit of their growth potential.

Introduction

Commercial retailers find themselves in an increasingly complex environment. On one hand, this complexity is shaped by establishment of new Channels and Store Formats, while there is also moderation of the earlier “store-specific offered goods” targeted at the consumer. On the other hand, consumers also demonstrate multi-optional behaviour and needs structure.

This chapter will outline the status quo currently prevailing in the retail world. In the first part, we intend to show the characteristics of consumer needs and behavioural patterns set against the background of an immensely diverse variety of Channels and Store formats. The second part will deal with the question of how retailers are able to react within the existing framework of Multi Channel Strategies, as well as providing some basic guidelines.

Keywords: hybrid customer, complex retailing world, emotional consumer behaviour, Multi-Channel guidelines, nonverbal segmentation, emotional loyalty, successful Multi-Channel Marketing, New definition of e-commerce

1. Characterizing consumer behaviour

The term Multi-Channel Retailing is a new description for an “old” theme (cf. Schramm-Klein, 2003). The food retail store has been using the stationary Store Format parallels for some time now. However, over recent decades, non-food retailers have combined a stationary Store Format with catalogue sales. The concept of Multi-Channel used today refers to the Internet and e-commerce. This may either be a new contact perspective offering potential for new sales by dispatcher/sender, it can simply be used as an advertising medium (information platform on the Internet, picking up any goods at a stationary retailer) or used solely as a distribution Channel (e.g. Amazon).

The various Channels can complement each other (i.e. the dispatch retailer) or they can be used to gain a new customer segment that had been unavailable for reasons of positioning. This is now possible with Multi-Channel (i.e. placing a store brand in the food area segment as opposed to simply having being positioned in the brand-name retailer segment). When we refer to Multi-Channel, we interpret this concept to include all forms in which the consumer can contact a retailer or a retailer can contact the consumer. This includes all stationary and non-stationary formats and Channels. Sale of products and/or services can appear under one brand name. This is not an absolute condition, although it may well be the deliberate intention of the retailer.

Consumers have a wide diversity of choice in Store Formats and Channels from which to make their purchase. Consumers are continually making new choices on purchasing source and their choice is directed by different occasions, diverse situations and according to what they actually need. In selecting the source for a purchase, the consumer follows an individual and decision-making pattern that is not obvious. In other words, segmentation of consumers is increasingly subject to (exclusive or primary) socio-demographic determination. There are other factors that are primarily responsible for selecting a retailer. There are many other factors impacting on the choice and they can exert a lasting effect on the choice of retail outlet.

The lack of exclusivity or clarity is a decisive factor, resulting in generalization of consumer behaviour. The principle of “the more the merrier” is at work here. Different outlets, Store Formats and Channels are used either simultaneously or in succession. Analysis carried out by TNS shows that this behaviour is an expression of a basic trend directed towards satisfying the consumer need: Consumers expect more and more convenience for their purchases. They want to spend less and less time on making their purchase. Consequently, they will seek out and use the best shopping outlet that fits their particular situation based on their needs.

The concrete motives of the consumer may one day favour a discount store compared with a shopping mall, they might place an order on e-bay before going on to a speciality store. They'll order a new outfit from a mail-order catalogue today before buying a fashionable outfit in season from a store in the city. Consumers are highly individual and independent of the sector.

Table 1 illustrates in the following examples, significant retail branches and the overlapping of various Store Formats and Channels which result in specific consumer behaviour. Consumers are able to purchase food and other products for their daily requirements through various Store Formats, while also being able to purchase almost every product available through a range of different Channels. A DVD is available in a large supermarket, as well as in a speciality store or at a service station. A drill can be found in a specialist store as well as in a discount store or through a classic mail-order house.

Store Formats/ Channels	Main branches of retail:							
	Food	Clothing	Multimedia	Entertainment Electronics/ Appliances	Household goods/ Home textiles	Watches/ Jewellery	Cosmetics/ Drugstore products	DIY
Discounter	X	X	X	X	X		X	X
Supermarket	X	X	X				X	
Shopping mall	X	X	X	X	X	X	X	X
Department store		X	X	X	X	X	X	X
Branch specialist store		X	X	X	X	X	X	X
Specialist trade store	X	X	X	X	X	X	X	X
Mail order		X	X	X	X	X	X	X
Newspaper stand	X		X					
Service station	X		X				X	
Tele-Shopping		X	X	X	X	X	X	X
Internet shops		X	X	X	X	X	X	X
Internet auctions		X	X	X	X	X	X	X

Tab.1: Overlapping usage of various Store Formats and Retail Channels

The consumer is well aware of which retailers have specialized in a particular product line and those who only offer particular items for a limited period of time. The drill or the notebook at the discounter or in large supermarket is usually available as a special sales promotion for a limited period of time only.

The criteria of price, quality and range are only three of numerous and complex determining factors. Depending on the Channel or Store Format, these criteria can exert an individual impact on the consumer. One set of Channels may be used to meet a need, while another set of Channels is used to generate the need. If you want to purchase a drill, you go to a DIY Store. The drill available at the discounter at an inexpensive price motivates the consumer to buy it there. The parallel usage of Store Formats and Channels is becoming increasingly multi-layered and blurred. As retailers present their products in more diverse ways, consumer behaviour also becomes more diverse in the use of the range of Channels on offer.

Consumers have a wide spectrum of intentions they can draw on in order to celebrate shopping as an event. They make their purchases and are secure in the belief that they have taken independent decisions and acted of their own free will. In addition to these motives and depending on the context, the consumer becomes a multi-Channel buyer: the impulse buyer, smart shopper, the good

deal (only discount) buyer, the event buyer or the needs-only buyer. But since motives are the decisive point in consumer behaviour – dependent on the situation, intention or product – it is difficult to place such a consumer in a specific Channel.

2. Individual consumer benefits from different Store Formats and Channels

Consumers perceive an individual benefit in the different Store Formats and Channels. The situation determines what is useful. The store-format and Channel choice is closely associated with the decision on situation. The unconscious decision-making process undertaken by the consumer checks the available shopping resources: Which shopping alternatives are available to the consumer? How much time am I willing to invest in gathering the information and the actual purchasing? What basic quality am I looking for in my purchasing need? How much am I willing to invest? How well informed am I? What further advantages or service do the different retailers provide? Another factor that comes into play is: do I need a fun or event element in my shopping for today? Where will I be inspired and get new ideas? What kind of atmosphere awaits me? Which concrete experience I already have with one Channel tells me that I can meet my actual purchasing need through another Channel as well?

Stationary Retail

The direct benefit of a stationary retailer is provided by the local access of the retailer in addition to the ability to supply the products. Whatever products are offered at a stationary retailer can immediately be registered by all the senses. The purchased products are available for immediate use by the consumer.

The consumer gets products from all sectors in a stationary retail store. Brand-specific stores have been differentiated into various Store Formats as a result of global commercial trade:

When we are addressing the issue of the daily purchase of food and non-food products, consumers are confronted with a diversified variety of, (large) supermarkets, shopping malls, department stores, discount stores and specialist stores. Each of these stores offers a particular benefit to the consumer. Large supermarkets offer a diverse range of products in a large shopping area, (department stores do the same but using a smaller space). The supermarket provides the needs for the consumer in the neighbourhood with a wide range, but has a rather flat product range. The discount store offers a limited range of products with prices much lower than the normal price range. The specialist store is characterized by a limited range of products while at the same time offering extremely good service and excellent advice.

The individual benefits can also be transferred to other sectors. The specialist store always represents good advice and personal service. The department store stands for a large range of products that are immediately available to the consumer at a reasonable price, and the discount store provides a contrast with reduced (no-name) products at the lowest possible price.

Specialist stores, department stores and discount stores – but also drug stores – take first place when it comes to purchasing food and other products for our daily needs. Local proximity is the decisive factor determining the choice of which store to go to. This means that the store has to be near enough to get there in a reasonable amount of time. Aside from the consumer being able to purchase

products for immediate use, proximity is virtually the only common characteristic for these retail stores.

The discount store offers no-name-products and/or brand names at a discount price. The primary factors here are usually a sober and non-emotional purchasing requirement combined with satisfaction derived from a limited product range with a clear view of the products presented in a limited amount of sales space.

Department stores offer consumers a large variety of products and ranges, while also focusing on branded products. These products are presented in an attractive spacious atmosphere with added customer service. Consumers can find products advertised in the media at this venue and there is also a choice of no-name and private label products.

In the whole retail world, the stationary retail store is the only place where consumers notice even the smallest change. The format, layout, displays and products on offer are brought to the immediate attention of shoppers. Many players in the retail world have recognized the trend and acknowledged the potential of actual brand names – these players will position themselves directly in front of the consumer. Just like a branded product, different chains define themselves as an emotional and rational benefit for the consumer and communicate their image. Department stores are being attacked by discount and drug stores. Discount stores are less focusing on food only and fighting back with a variety of special offer products. Selling products such as computers and drills means that they are impacting on established specialist stores, appliance stores and DIY stores. Franchised coffee shops are offering insurance packages and mobile phones among high-tech multimedia and woollen socks.

Internet shopping

Internet shopping combines a variety of benefits. The Internet makes it possible to shop 24 hours a day, 7 days a week. More importantly, consumers don't have to waste time in finding a retailer as is the case with stationary retail stores. The Internet offers an inexhaustible source of information that even a specialist store cannot hope to compete with. Finally the Internet allows consumers to compare prices.

The Internet is continually adding more sectors, although this doesn't necessarily always entail success. Regional and cultural characteristics are decisive in determining whether a particular sector in the Internet is seen as beneficial or not. The Global eCommerce Report from TNS was based on 40,000 interviews in 37 countries and showed that in 2002 online users differed according to the region and the culture. In the year 2002, every second online user in Israel ordered electronic products, while in Korea only every fifth user ordered online. Ordering jewellery and fashion accessories via the Internet by online users in Taiwan was double the number for England in 2002. The attempt to sell groceries via the Internet was dropped in Germany, whereas it has become well established in Australia.

Online Shopper 2002

- The USA retains its position as the nation with the greatest proportion of online shoppers at 32% of all Internet users. This compares with the global average of 15%.
- In Bulgaria, Ukraine and Romania, 2% or less of the online population shop online.



Percentage of Internet users who have bought goods or services online during the past month

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Classic Mail-order Catalogue Sales

Classic catalogue sales put products offered in department stores on paper. The mail-order sales catalogue is one medium which has found its place on the Internet in today's digital world. A definite time advantage is the benefit of mail-order catalogues (no travelling and everything under one "roof" etc.).

Sales through classic mail-order catalogues are moving forward and improving. There is an increase in sector-specific catalogues geared towards appealing to the orientational need of consumers. Consumers benefit from the situative retailer and the associated choice of products.

Tele-Shopping and T-Commerce

Tele-Shopping offers the consumer a convenience benefit par excellence. Tele-Shopping depends on an interest in the products that are being presented during the television broadcast. Tele-Shopping requires no physical or technical activity to visit and use this "Shopping world". It is likely that the current time and product restrictions still characterizing Tele-Shopping (in order to build a benefit value niche) will soon be irrelevant. At present, the consumer still has limited control over navigation. However, this deficiency in T-commerce will soon disappear with the increased technical advancement of interactive television. Today, the Otto Group is one of the world's leading mail-order companies for catalogue sales. It is featured on the digital television Channel through the "Otto MHP Shop" on the German Satellite Network. Remote control allows consumers to view, choose and buy a product for direct home delivery.

This system offers individual orientation with reduced complexity, independent of transmission time.

Convenience Shopping

Service stations are one of the outlets that have established themselves as an indispensable place for convenience shopping. Fast and convenient shopping just around the corner offers a definite benefit and consumers are willing to pay a premium price for this benefit. The latest developments in Europe and the USA support the theory that the trend in convenience shopping will continue to expand. Convenience shopping in smaller stores with clearly placed products geared to quick orientation is meeting consumer needs. Consumers gain maximum benefit with minimum effort: The service station is a convenience store with long opening hours and it offers “fast turnover”, this means groceries, drinks and snacks for daily use with short travel distances and time spent shopping.

Store Formats/ Channels	Individual benefit
Discounter	Fast orientation with the central focus on food items and products for daily requirements. This entails a standardized product choice with a limited range. There are discount prices on high-quality products. Special products are also offered at extremely low prices.
Supermarket	Neighbourhood retailer (close proximity) for food and products for daily requirements. Includes an extensive range of fresh products. Satisfies consumer purchasing requirements for brand names: consumers find products that have been advertised in the media.
Self-service warehouse/ Shopping mall	A comprehensive range of private label and branded products in the food and non-food segment with additional customer service.
Department stores	A wide range of products offered in a large space (almost) everything under one roof with additional customer service.
Franchise specialist store	Specialist product range offered in a large space at attractive prices, comprehensive brand-name articles.
Specialist store	Specialist product range with a high degree of customer service and personal advice.
Dispatcher/Sender	Shopping after normal opening hours. Offers branded products as well as private labels from a wide range of products and specialist products
News paper stand	Close proximity shop focused on food and snacks without waiting time.
Service station	Impulse shopping and convenience shopping for quick purchases without long waiting times.
Tele-Shopping	Shopping from the living-room chair. Products are presented live and replace personal service in stores.
Internet	Offers comprehensive information and products 24 hrs a day and 7 days a week. Allows the highest level of personal freedom and price comparison.

Table 2 provides an overview of the benefits of individual Store Formats and Channels seen from the perspective of the consumer

3. Complex Retail Trade – How can Retailers react?

Retail is undergoing a process of constant change. There's nothing new about that. At present, this doesn't signify the demise of the old type of consumer to be replaced with a new consumer type. As far as retailers are concerned, this doesn't mean that Store Formats or Channels will disappear with the consequent supremacy of a dwindling number of Store Formats and Channels resulting in fewer Global Players. The Future Trend in retail lies in the increase of environmental complexity with a constant decline in the size of consumer target groups and a broader range of consumer types. Numerous studies from TNS verify that it is increasingly difficult for retailers to communicate effectively with diversified consumer groups. The multi-optional consumer is characterized through a combination of behaviour patterns and attitudes geared to price, event and convenience. Retailers are also forced to address their own increasing complexity. This is due to new technological developments (Internet, digital TV Shopping), and the increase in diversity of products, e.g. from Discount Stores, which are often attacked even 'category killers'..

Retail basically has a variety of options available for succeeding strategically in today's complex environment. Retail strategies must be based on the following principles:

- Retail has to give consumers what they want.
- Basic insights into today's and tomorrow's multi-optional consumer are required. Analyses by speak a clear language: "one" consumer no longer exists; the consumer wants one thing today and something else tomorrow.
- Retailers have to embrace and attract consumers where they happen to be. In the Shopping Mall, at the Discount Store, at the Computer or at the Newspaper Stand round the corner.
- In order to succeed, you need Innovation, Flexibility and Customer Orientation – these are "must haves". This is true of communication and for policies on lines of distribution, location, product range and personal.
- Retail is not simply judged on the products it offers but on what the company represent. S

Analyses have demonstrated that an attractive product selection including price and service can never balance out the negative image of a retailer. The Retailer itself as a brand – the brand equities communicated by a retailer have to balance the apparent necessities and the continuing requirements of the consumer. A store brand must communicate the emotional as well as the rational benefit to the consumer, as well as continually polishing their own image.

Strategies for Multi-Channel Initiatives

Multi-Channel Systems today have already a high empirical value: The retailer segment concentrating on only one Store Format or selling to a specific consumer Channel is gradually dwindling. On the other hand, important worldwide dealing retailers are implementing Multi-Channel Strategies and planning to augment their portfolios with more Channels and/or Store-Formats.

The conclusion reached forms the key initial focus for further strategic discussion. Retailers have to be where consumers need them. Retailers have numerous options for building further Channels in order to achieve this goal.

It is necessary to make decisions on three levels if retail business is to find the right strategy:

1. **Store-Format and Channel Segmentation:** The first step involves identifying the segments that have not been covered or only been partially covered by the present Store Formats or Channels. If sufficiently relevant, one or more segments, or a new restructuring of existing market segments can be used to implement a new Store Format or a new Channel which can then be included in the portfolio.
2. **Market positioning:** unique positioning of Store Formats and Channels within the market with the goal of achieving a distinctive profile for consumers and the competition. Aside from the core profile strategies relating to quality and price leadership, it is crucially important to improve image. Examples of this could be “event shopping” or “supply”.
3. **Portfolio Implementation:** Implementation of Multi-Channel Strategies follows a basic development of growth and expansion, reduction or dwindling, or retaining the same Formats or Channels.
 - a. For example: Expansion of a Store Format can be attained by an increase in outlets.
 - b. A retaining strategy is followed when an existing Store Format is used to realize and attain the highest possible margin.
 - c. Eliminating Store Formats.
 - d. New development of Store Formats
 - e. Existing Store Formats are integrated within the Portfolio.

Guiding Principles for Successful Multi-Channel Retailing

a. The Retailer as an Observer and Participant in the Market

This understanding is a basic prerequisite for successful Multi-Channel Marketing. Retailers only focusing on market observation and reacting on actual trends along the lines of “Me Too” strategies are missing the opportunity of directional participation and acting themselves. The innovative approach and courage to launch something new on the market is also recognized and respected by consumers. This is an intrinsically invaluable competitive asset and should definitely be used.

b. Innovative Exploration of new Store Format Combinations

Willingness to try something new also entails identifying latent trends, pursuing these trends and testing them for relevance. There is a tendency for Future Trends to be on the streets. Consumers are the best judges of what inspires them and what and where their needs are. Explorative Research Techniques are able to provide answers on these issues. They are also able to assist in making learnings operational and implementing the insights gained using a further stage of quantitative assessment.

c. Segmentation of Existing Customers

A continuing “Must Do” for the retailers relates to precise knowledge of existing customers and far-reaching consumer potential. This information is imperative for conversion to a successful Multi-Channel Strategy and cannot be emphasized enough. Aside from the hard economic facts – such as turnover, average sales slip, customer frequencies etc. – precise analytical, demographic and psychographic segmentation of customers reveals the potential opportunities and risks entailed in expansion of the Store-Format Portfolio. Which customers use which Store Formats? How can Cross-Selling Behaviour be characterized? Which customer segments are moving towards the Store

Formats of the competition or even to other Channels? What are the reasons and intentions behind this behaviour? What commercial relevance does this behaviour have?

d. Channel Fit: Not everything can be had everywhere

It is important to coordinate the Channel, the products and target consumers sensibly.

For example: Standardized goods are in principle a positive development because they allow consumers to form their own opinions without the help of a salesperson. Products requiring a great deal of consultation and advice are not necessarily ideal for online sales. Before establishing a new Channel it is important to ask the question “what will be the level of acceptance among customers for the new product or service being offered in the new

Channel”. If a new Channel is added to an existing one – it is important that the same service is offered through both.

e. New Store Formats and Channels must be pre-tested for acceptance

Implementing a new Store Format or Channel usually involves substantial investment. This is the main reason why many innovative ideas never come to pass. It doesn't matter if the new initiative is a Line Extension – the addition of a new selling line in an existing retail brand – or relates to establishing a new Channel under a new brand. In both cases it is important to examine and possibly fine-tune the core benefits and service, as well as presentation and image. This is best done with a suitable test.

f. Continuous Examination of Store Formats and Channels

Existing and new Channels and Store Formats must undergo continuous observation and evaluation in order to recognize Future Trends under a retailer's own roof and react accordingly:

What relevance does the Channel have for the company overall? How adequate is the acceptance of the Store Formats for existing and potential customers? What is the motivation or reason behind non-acceptance? Where do customers see the outstanding Added Values? Is the image presented mirrored in the consumer? What potential is there for customer loyalty and winning new customers?

g. Creative Elements of Identity – Care for the Image

A company presenting itself to consumers under one brand name through a range of Channels is well aware of the importance involved in maintaining and caring for presentation, communication, the core benefits and services on offer.

In cases where consumers are able to communicate with the same company through different ways, the creative elements of the Corporate Identity have to be unique and unambiguous. This is phenomenal balancing act. On one hand, it is important to emphasize the specific details of the individual Store Formats and Channels. On the other hand, consumers have to be convinced that they are receiving the same quality and customer service whether they go to the stationary store or make their purchases online in the Internet. Consumers cannot be allowed to perceive any disadvantages for any of the Channels they are able to access. If a consumer has a negative experience with any one of the Channels, the image of the entire company can be irreversibly compromised. Don'ts would include different prices or certain items only being available in one of the Channels.

Where different Store Formats and Channels don't appear under a common brand name, it's important to differentiate the different aspects of service. Every retail Channel with its own label

needs a dedicated and unique brand profile. If this is achieved, Corporate Design Elements may even be adopted from the Channel. This may be deliberate or unintentional and the independent brand profiles of the Store Formats and Channels might be watered down. For example, if a Discounter appears as a hidden spin-off right beside an existing Self-Service Warehouse and the Discount Store adopts the brand name elements of the Warehouse chain, this would impact negatively on the Discounter, because the authenticity would no longer be credible for the customer. There is also potential for the Self-Service Warehouse being infected by the negative image of the Discounter (since Discounters image correlates negatively with its own image).

h. Joint Venture: Synergy potential beyond Business borders - Recognition and Implementation

Top players in the international retail landscape have Store Format and Channel Know-how as well as sector expertise when it comes to product range and procurement. They have acquired this knowledge through many years of experience. Retail companies often break new ground if they want to establish more Channels. (For example when a DIY branch store expands its sales range on the Internet or via dispatch). In the other direction a dispatcher may want to expand his DIY business in a professional way.

Channel experts can derive benefit from each other if they set up a Joint Venture where the Channels (such as DIY Stores, catalogues and Internet) are linked under a common Brand Label.

- Know-how on operating type comes together and builds synergy advantages.
- Multi-Channel Marketing exerts a customer loyalty effect and counteracts the behavioural changes of the customer.
- Improvement in customer acquisition and addressing customer potential through the use of different media and sales.
- Maximizing sales by addressing complete customer potential.

Multi-Channel Marketing offers the following benefits for consumers:

- A wide choice of times, locations and methods of shopping at this DIY retailer.
- Provision for gathering information, transactions and possible returns can be determined by consumers.
- The advantages of each Channel can be correlated with avoidance of disadvantages. (e.g. shopping 24 hours a day, viewing the product at the location and customer service.)

Implementation of Multi-Channel Management involving strong sales Channels and control at the level of the Multi-Channel are requirements for a successful Joint Venture.

i. Differentiation: As Global as Possible, as Regional as Required

Regional and cultural characteristics exert a definite influence on the opportunities and risks relating to whether the different Channels are accepted. As far as global retailers are concerned, it is particularly important to determine what global relevance specific Multi-Channel Strategies have for the company. Only one principle is applicable here: as global as possible and as regional as required. It is therefore essential to assess the efficiency of Training and Best Practice in using a Channel for a specific country or region.

4. Management Tools and Application in Market Research

As we have seen, it is more important than ever to understand the needs of the consumer. We need to know how consumers view the different Formats and Channels and why consumers use the ones they have chosen. Retailers need an answer to the issue of how these two factors – the basic need and the perception – relate to each other, in order to be in a position to come up with statements on the action that needs to be taken:

- Which are the general possibilities available in Multi-Channel Proposals?
- How can I improve and expand my established Store Format position in Market?
- Where are the dangers inherent in the competitive Store Formats and / or Channels?
- How can I attack the competition?

Segmentation

Retail trade is endeavouring to understand the needs of their customers and their customer potential better. Most research is based on rational determining factors such as quality, price and product choice. If the retail trade initiates consumer segmentation of this nature, the actual and target relationship structure between consumers and their (own) Store Format or Channel are derived on this basis.

However, changes in purchasing behaviour render it essential to apply segmentation procedures. This approach identifies more in-depth – often emotional – needs structures inherent in consumers. Different formats radiating personality and symbolism also have to be considered. If both are known, it is much easier to achieve a format-specific offer which meets customers' requirements.

There is sound evidence for viewing consumer needs and the perception of formats differentiated in three needs levels:

- Functional, rational needs (e.g. price, availability, convenience) that are easily accessible.
- Identity needs (affiliation with certain groups, for example to social layers) that are difficult to quantify
- Emotional/psychological needs (for example control, activity, security) that cannot be quantified directly

In Germany, "more affluent customers" also buy at Aldi because it is "chic", while in the UK nobody is likely to stress openly that they can't afford more. Knowledge of these aspects is important for optimum communication with target groups and for successful management of Portfolios.

Perception of Store Formats and Channels:

- Store formats/Channel characteristics (e.g. price, quality, selection, accessibility) that are obvious.
- Social values (e.g. in general exclusively, male, female, young, old) aimed at social identity.
- Symbolism/personality (e.g. strong, determined, passive) affecting the emotional/psychological level.

In the same way as customers, the format also radiates its own “identity”. For example, in many countries the Tele-Shopping format still has a less favourable image with many potential customers. The levels for determining needs described above allows more in-depth identification of inhibitions or obstacles than simply "bad offer" or "too expensive." These are probably some of the true reasons and represent key barriers to effective marketing.

Furthermore, the emotional needs and perceptions can no longer be adequately assessed in verbal terms. Market research offers qualitative and quantifiable assessment procedures using non-verbal techniques to avoid the issue of rationalization.

Combining both levels – consumers and formats – allows both levels to be set in context and the congruence between provider and needs to be highlighted. The ultimate goal is to derive workable measures for an optimum fit between both.

Customer loyalty

Competitors are fighting for consumer share within the wide range of Online, Offline and Mail-order trade and deploying a variety of the communications mix available. A special meaning is attributed to the structure of customer loyalty. Only those retailers who have created a genuine structure for customer loyalty will succeed in protecting themselves from customers visiting another outlet at the next available opportunity. Only customers with an emotional bond to “their” retailer are resistant to other infiltrating influences. Customers with a definite emotional bond do not need to be convinced to return. They are immune to the activities of the competition. They exhibit less price sensitivity and leave a larger portion of the contents of their wallet with “their” retailer, rather than with another retailer.

Multi-Channel Retailing can be in a position create a better bond with customers more effectively than in the case of a company with only one format. Naturally, the requirement here is that customers recognize that they are shopping at “one” company which in turn means that the connection is clearly visible and desired.

On the route to successful Multi-Channel Retailing, the status quo of customer commitment needs to be examined individually. The implemented formats followed by cumulative assessment can lead to an improved overall strategy.

Actual studies have shown that e.g. customers using the stationary store and the online shop have a far better bond with their retailer than other customers who only use one Channel. This provides evidence for the fact that it makes sense to draw customers’ attention to this multi-offer.

It is not sufficient to determine the favourite store mainly used for shopping if the aim is to measure customer loyalty for a particular Format. For example, a certain store may be frequented because there are too few or no alternatives available. The actual quality of customer loyalty can only be

assessed if relative factors within an overall psychological model are evaluated. TNS has identified three main components for measuring the strength and intensity of the relationship between consumers and the Format. These components are satisfaction with this Format, the commitment brought by consumers to this Format (how important it is for consumers to shop at this precise venue) and the level of ambivalence consumers have towards about other Formats or retailers.

Depending on the intention, assessing these factors allows consumers to be bundled or clustered according to the intensity of their loyalty within the Store Format and Channels. The levels of intensity are as follows: from embedded to ready to change, on the non-customer side from attainable to completely unattainable.

This collective data allows retailers to adequately judge the situation. It can be viewed as a sort of early warning system: how many of my customers am I at risk of losing to the Internet, or how many of my customers are attainable. This information is extremely useful for the development of existing formats and for establishing new Formats.

Linking Segmentation and Customer Loyalty

How successful is bonding various customer segments in dedicated Store Formats and Channels? Which segments are by contrast loyal to the competition? The answer to these questions is provided if the determined segments are brought together in relationship to the provider-specific bonding groups or clusters. This offers extensive possibilities. On the basis of the market-research data outlined, the Channel Fit can be strategically optimized.

In this context, it has been successful in evaluating rational and emotional needs, as well as image and communication (in each case from the consumer's perspective), for the relevant retailer and their Portfolio. These dimensions represent and highlight precise strategic points where retailers need to make adjustments for consumers in order to optimize the own Portfolio.

5. Outlook

The future of retailing will be influenced by further expansion of Store Formats and Channels. An important issue here is whether a Single-Channel or a Multi-Channel Strategy is the right objective for the future. It is therefore imperative to create a Channel Mix that is recognized as such by consumers and from which consumers derive genuine emotional added value.

One of the leading forces in the future will be the massive role played by technology in breaking down the barrier between the “real” and “virtual” worlds. E-Commerce will be redefined, if it succeeds in offering alternative Internet-based Channels. E-Commerce needs to actively interconnect these Channels in the perception of consumers and consumers have to use them proactively.

The “Store with Connectivity” is a reality and exists in Seattle, Washington (USA). Customers in the outdoor chain store REI have access to an area arranged according to the principles of an event shopping experience. Using a laser-scanner, customers can get information on all the products they are interested in. The “secret” of this concept is that all this information is stored in a central database and is accessible to everyone online. At REI, the lists are updated automatically and continuously, as soon as a scanner records a request or a product is automatically taken off the list because it has been purchased by mail, over the phone, on the Internet or in one of the 77 stores throughout the country. The database is automatically up-to-date. The same products are available everywhere. Each product offered online can also be purchased offline and each product available in the stores can be purchased online.

This Mixed Concept will be the driving force for future retail. Data Mining and Web Analyses give insight into what customers have purchased, while also offering information on which products customers looked at. This helps retailer to coordinate their advertising campaigns.

Products purchased online and then picked up offline increase offline turnover. When purchases are ordered offline, customers tend to buy other products as well. This trend was also identified by Tesco in England. Tesco in England delivers Internet orders through their branches. All purchase data is stored on the consumers’ customer card. Customers have access to this information through their home computer or even on a pocket computer. At present, Tesco uses this giant database for personalized mail distribution of promotional material, discount coupons or to bargain offers. Tesco carries out customer magazines for five different target groups every three months.

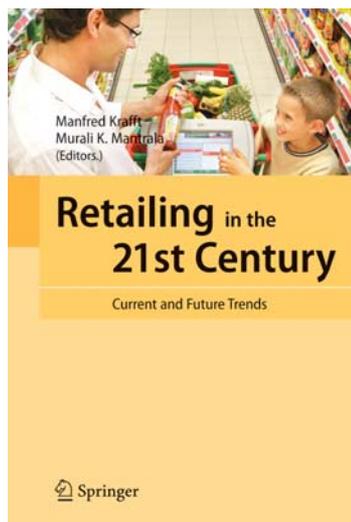
OTTO – one of the largest mail-order company in the world – has just started to expand with stationary retail stores. Mail-order is not enough in today’s competitive retail business. Customers today have a huge choice. The future belongs to the Multi-Channel Companies since Single-Channel Companies, (e.g. OTTO) have reached the limit of their growth potential.

As outlined above, Multi Channel also means the total linking or networking of the retailers dedicated distribution portfolio. This makes economic sense and is also desirable from the perspective of the customer, because this is the most successful choice.

The authors believe that the future of the retail trade does not lie in a “parallel configuration” but in a network of Channels and Store Formats that is transparent for consumers. The retailers of the future will identify this trend and adapt their Portfolio accordingly.

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