

Omnichannel Retailing: Challenges and Potential Outcomes

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Abstract – This paper elaborates the rise of the Internet, mobile technologies and digital disruptions have changed the retail business as well as the implementation of the levers of retail mix and the behavior of shoppers. Online channel has become an appealing channel where retailers can sell their products and services. The proliferation of channels and touch points has affected not only consumer behavior but also companies' business models. Many retailers have started to develop multichannel and omnichannel strategies by adding new channels through which interact with the customers. Retailers are now concentrating on how shoppers are influenced by new technologies and how they switch across channels during their research and buying process. Omnichannel retailing, defined as the conceptualization of the complete integration of all channels, with no distinction between the online and the physical channel, is the new retailing paradigm of today. The topic itself is particularly relevant as technological development continues to disrupt retail strategies and practitioners are debating as to how to respond. Particularly, managers are worried about how to manage the several touch points, which are now simultaneously available to customers. Concerning with the present research, we attempt to describe this development by analyzing the existing literature about topics that we can classify within the omnichannel paradigm

Key Words – Omnichannel, New Trend in Marketing, New Trend in Retailing

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INTRODUCTION

The success of the online channel and the subsequent ongoing digitalization have, over the past twenty years, drastically changed the way of living and the retail landscape as well. The disruptive development in new technologies, the proliferation of channels and touch-points, through which customers can interact with firms, as well as the rapid proliferation of broadband connection in people's home, with more and more shoppers that are always connected, have led to unprecedented growth of research and acquisition of products through internet. As a result, the internet has grown as a major sales and distribution channel for the sales of goods, particularly fast moving consumer goods, and e-commerce as well as m-commerce (Mobile commerce) impact deeply on supply chains. The integration of e-commerce and the physical channels creates opportunities for synergies that allow companies to offer different services through both different channels and different targets in terms of age groups. Internet retailing is creating greater value for the customer in terms of additional services as well as major touch-points with the company. Therefore, the rise of the Internet channel in a service dominant prospective tends to increase the frequency of interactions between customers and

retailers. The increasing success of the online channel will have a significant impact not only on the management but also on consumer behavior.

MULTICHANNEL AND OMNICHANNEL RETAILING:

The first researchers that defined the concept of channel integration as the degree to which different channels interact with each other. The term channel means a customer touch-point, or a means through which the enterprise can interact with the customers. In literature, previous studies have considered separately offline channels (bricks-and-mortar), and online channels (e-commerce sites/web stores, traditional direct marketing channels, catalogs etc.. Subsequently, the shopping experience has become increasingly multichannel. Consumers do not only shop in brick-and-mortar stores, but also through various digital channels such as smartphones, mobile applications, and catalogues. This is why there are some studies on multichannel segmentation studies on the effects of the addition of the online channel, as well as the migration of customers from offline channel to the online channel, the buying

behavior of customers, customer profitability and customer loyalty in the online channel.

Literature has recently focused on multichannel strategies because of the growth of the online channel and its impacts on companies and customers. Scholars state that, in the early stages of development, companies managed the online channel separately from other corporate strategies with only limited integration. Nevertheless, it remains an important subject of research, whereas several studies have addressed this topic as well as channel integration in terms of assortment and prices. The rise of new digital channels and particularly of that of the mobile channel and mobile apps has resulted in disruptive changes in retailing context (Rigby, 2011). Both customers and companies use different channels and touch points constantly, simultaneously and interchangeably in order to facilitate retail customer experience.

MULTICHANNEL RETAILING

The proliferation of channels has created several challenges for companies that should manage this new environment effectively and efficiently. Multichannel management and customer relationships become key challenges for firms and managers with the aim to improve their decision making. Neslin et al. (2006) proposed an interesting definition of Multichannel Customer Management (MCM): "multichannel customer management is the design, deployment, coordination, and evaluation of channels through which firms and customers interact, with the goal of enhancing customer value through effective customer acquisition, retention, and development".

OMNICHANNEL RETAILING

While in the past years there was a clear distinction between brick-and-mortar stores and online stores, the recent trend of channel integration has led the separated sales channels to interweave with each other. The term multichannel, appeared for the first time in 2000's, starts to be replaced by the term omnichannel, first introduced in 2009. Academic literature on omnichannel retailing has started appearing since those years and during 2015, the amount of academic articles about omnichannel retailing has accelerated. The new paradigm has still many different meanings: it can refer to a survival strategy singular seamless operation or it can mean a service designed for customers whenever and wherever. Omnichannel is defined as the phenomenon for which the customers consider all the retailer's sales and marketing channels as one entity, and the shopping experience is seamless regardless of which channels the customer uses.

OPPORTUNITIES AND THREATS OF CHANNEL INTEGRATION

Existing literature emphasizes two basic approaches to channel integration: one is to provide access and knowledge about the Internet store at physical stores and the other is to provide access and knowledge about physical stores at the Internet store. Integration can therefore occur either from the store to the Internet or the other way around. To integrate online features into offline channels, companies provide self-service totem or assisted online terminals in their physical stores. This type of integration can reduce the negative effect of non-availability for physical store customers and complement personal service. Besides, to integrate offline features into their online channels, companies provide a physical store locator and information availability about their physical store assortment in their online stores. According to customers' perceptions of online integration, this integration can moderate the negative effect of non-availability for online customers.

CHANGE IN CHANNEL MANAGEMENT

Neslin et al. (2006) identified five major challenges in order to manage the multichannel environment more effectively: data integration, consumer behavior patterns, channel evaluation, allocation of resources across channels and coordination of channel strategies. For this reason, when the retailers decide to develop omnichannel retailing approach, they should remember that the new development requires a change in the functional and operational management. A change management is defined by Sirkin et al. (2005) as "the process of continually renewing an organization's direction, structure, and capabilities to serve the ever-changing needs of external and internal customers". Literature highlights how the commitment of both senior management and employees is an important factor that determines successful outcomes of implementing an omnichannel retailing approach.

TECHNOLOGY: INVESTMENT, DEVELOPMENT AND IMPLEMENTATION

Despite the emerging trends and technological changes, retailers perceive channel integration as a big challenge and some of them are restrained by a lack of consensus regarding the future of digital channels. Some retailers, indeed, believe that establishing an omnichannel strategy may increase the complexity of managing the operations and the supply chain. Concerning with the operational management, omnichannel integration requires huge investments in technologies. In order to build a successful omnichannel strategy, companies will need to involve skilled IT personnel in the reengineering of the business processes. Companies should apply

advanced Warehouse Management Systems (WMS) in order to keep track of the inventory at all times, and meet the customer's demand of quick and on-time deliveries. This requires not only skills but also a wide financial investment.

ADVANCED PAYMENT SYSTEMS

The rise of the Internet and mobile have encouraged customers to move, in an omnichannel environment, from traditional physical channels to the digital ones. The dynamic demand and changing preferences of customers, along with financial technology innovations have given rise to digital channels such as Internet banking. The adoption of technology in financial services has transformed the financial sectors as well as banking business models and financial institutions. Moreover, the current shift to the omnichannel paradigm has led to the so-called mobile banking in the digital era, which has brought opportunities and challenges for banks and financial institutions.

CONCLUSION

The advent of the internet, mobile technologies and increasing technological innovations have changed the retail world. Online channel has become a "key channel" for selling products and services. The proliferation of channels and touch points has affected not only consumer behavior but also companies' business models. Many retailers have started to develop multichannel and omnichannel strategies by adding new channels through which interact with the consumers. We are now moving to a world increasingly omnichannel. Omnichannel retailing is the conceptualization of the complete integration of all channels. There is no distinction between the online channel and the physical one. When retailers decide to move towards an omnichannel strategy have to face relevant challenges and revise their competitive strategies. The topic becomes more relevant as technological developments continue to disrupt retail strategies and managers are worried about how to manage the several touch points and channels simultaneously available to customers.

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