An assessment of multi-channel retailing among retailers in Cape Town, South Africa

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Multi-channel retailing appears to hold potential benefits for retailers of all kind, but the awareness and access to available retail channels have not been obvious to all. This paper investigated the potential of multiple channel use among different retailers in Cape Town, in reaching potential customers and doing business with existing customers. In this regard, we presented and deployed a 12-channel typology in an examination of a range of large and small retailers. The retailers were purposively selected to ensure variety in sizes, types, target market, information intensity and competitive standing. Interviews were conducted with managers of the selected companies, and the results, analysed by content. The study found that, most of the retailers studied rely on the traditional store for sales. However, different channels are found to play different roles at different stages in the fulfilment of sales transactions.

Key words: Multi-channel retailing, channel, channel typology, channel management, retailing.

INTRODUCTION

With the availability of new technologies and the competitive nature of today’s retail environment, retailers are now combining different retail channels (that is, selling across different channels) in order to attract and satisfy more customers, thereby gaining competitive advantage. The concept of channel combination in retailing is commonly referred to as “multi-channel retailing” (MCR), which has been recognised by retailers of all kind as a strategic marketing programme (Kim and Park, 2005). Around the world, retailers have advanced in their use of multiple channels and have replaced traditional model structures with multi-channel models (Koistinen and Jarvinen, 2009; Rao et al., 2009). This comes as a result of growing competition in the retail marketplace and increasing reach of the Internet (Rao et al., 2009).

It has been argued that MCR widens retailers’ target markets and operations to satisfy the needs of wider range of customers and, as a result, earns such retailers benefits including increased sales and improved profitability (Dawson, 2002; Berman and Thelen, 2004; Ganesh, 2004; Sotgiu and Ancarani, 2004). For most small retailers, the most significant MCR opportunity perhaps arises from the Internet, but this is still not obvious to all; although, the evolution of MCR emanates from the spread and wide adoption of the Internet by retailers (Yan and Wang, 2009).

This paper explores the potential for retail companies in Cape Town to reach new customers and to do more business with existing customers, through the use of multiple channels. It did so by looking at the situation in retailers of different sizes, types and target markets with special regard to their use of different channels. There are several channels available to retailers seeking to take advantage of MCR to improve their performance. However, as far as it can be established, no academic research has identified and addressed a complete list of channels for the retail sector, which is the focus of this paper. In this paper, a 12-channel typology in an examination of a range of large and small retailers, and their perceptions of MCR were deployed and presented. The

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questions at the heart of this research are:

What is the level of awareness amongst retailers of alternative channels and their potential benefits?
Which of the known channels are actually interesting to retail companies, and to what extent are they used?

The rest of the paper is organised as follows: First, a conceptual background is offered which identifies issues relating to understanding of retailing, characteristics of retailing, and the nature of retail channels. A proposed channel typology is presented. The paper then deals with the research methodology, discusses the results, and finally draws conclusions.

Conceptual background

Understanding retailing

Retailing can be described as making products and services available to consumers at the right time, at the right place and at the right price (Ganesh, 2004). This definition is important, especially in an MCR environment, as time saving, cost saving, and location convenience are some of the outcomes that can drive channel success. Yet, according to Terblanché (1998) retailing has to do with a range of other activities in addition to the steps required to sell products or services to consumers; typically, “selling” comprises quite a complex sequence of steps necessary in the full cycle of a buying activity. Most importantly, different channels may be used at the different steps of the buying cycle to optimise each other (Stone et al., 2002).

Characteristics of retailing

Retailers range in sizes, from single street vendors to international conglomerates, and from over-the-counter, “mom and pop” stores to borderless Internet retailers. At any level, they may or may not understand the potential of MCR. According to Levy and Weitz (2009), these different retailers are characterised by the elements of the retail mix: type of products and/or services sold, variety and assortment of the products, level of customer service and price of the products. Where retail takes a multi-channel approach, different channels are used to sell different ranges of products and services, to different categories of customers, with different levels of services.

The retail channel

A retail channel can be seen as a means of interaction between the retailer who sells products or services and the customer who buys the products or services (Neslin et al., 2006). It also connects the retailer’s products and services with the target customers (Friedman, 2002). At the channel level, communication and interaction between the retailer and the customer are of utmost importance to the very existence of the channel itself. The channel ultimately is a conduit for information, money and/or products, which may be used for all or part of the fulfillment of a retail transaction.

Channel typology

The use of multiple channels in retailing has been rising; this has been motivated by the potential for sales growth, extended market coverage and meeting customers’ expectations (Coelho et al., 2003). Easingwood and Storey (1996) established a channel typology for the financial services sector including: direct advertising response, direct mail, branch network, intermediaries, and direct sales force. A brief reflection quickly reveals that this typology is short of some significant channels, like Internet, mobile phone and electronic kiosk. In a similar study, Easingwood and Coelho (2003) further summarised the Easingwood and Storey’s (1996) proposed typology into three main channel categories including: Traditional direct channels, direct marketing channels, and intermediaries, but the overall scope of their analysis is still limited. Other research in the retail channel domain has been similarly limited, for example Levy and Weitzs’ (2009) treatment of MCR which considered only three channels: “store”, “catalogue” and “the Internet”.

The list of channels shown in Table 1 has been developed by consideration of literature from a wide range of sources and provides the most complete available separation of channel options, albeit as a “candidate” list of channels that needs testing.

RESEARCH METHODOLOGY

Context of the study

The phenomenon of MCR revolves around the retailer, channel, and customer, the channel being the conduit between the retailer offering products and services and the customer who might need them. As indicated earlier, this study explores the adoption of MCR by retail companies in Cape Town (South Africa) and the potential benefits they might derive from it. The exploratory nature of the study makes it insufficient to look at MCR in the situation of similar retailers. For this reason, information was gathered from the management of six retailers in the Cape Town region; the location of this research was the Cape Town region which provided a wide range of potential retail “candidates” for selection, and an adequate variety of retail sectors represented.

The retailers were purposively selected in order to ensure a variety of sizes, forms, types, and target markets. Purposive sample is the most common qualitative sampling technique (Marshall, 1996) and the most important type of non-probability sampling (Welman and Kruger, 2001). Devers and Frankel (2000) also indicate that purposive sampling enhances understanding of “selected individuals’ or group’s” experiences. In dealing with size, this process was guided by the South African National Small Business Act (South Africa, 2003) which provides a classification scheme for sizes of small businesses in different sectors.
Table 1. Channel typology for product retailing.

<table>
<thead>
<tr>
<th>Channel</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over-the-counter</td>
<td>This is the store package that the retailer presents which is characterised by location, size, merchandise mix, atmosphere and service (Newman and Cullen, 2002).</td>
</tr>
<tr>
<td>Open market or flea market</td>
<td>Open market includes flea markets, garage sales and car boot sales which are all typical examples of informal retail activities (Terblanché, 1998).</td>
</tr>
<tr>
<td>Direct selling</td>
<td>The selling of “a consumer product or service [by] one person to another, in an environment that is not a permanent retail location” for example, door-to-door sales (Duffy, 2005).</td>
</tr>
<tr>
<td>Catalogue</td>
<td>This channel uses the postal service to communicate products and services to customers in the form of brochures, catalogue and even videologues (Terblanché, 1998).</td>
</tr>
<tr>
<td>Direct mail</td>
<td>Through the direct mail channel, retailers engage in sending offers, announcements and reminders to customers’ addresses through selected mail lists (Kotler and Armstrong, 2004).</td>
</tr>
<tr>
<td>Vending machine</td>
<td>The vending machine channel represents a retail platform where retailers sell directly to customers without any direct contact existing between the two parties (Terblanché, 1998).</td>
</tr>
<tr>
<td>Telephone retailing (Teleretailing)</td>
<td>Teleretailing is a channel through which products and services are sold through telephone calls (Terblanché, 1998).</td>
</tr>
<tr>
<td>Electronic retailing (e-tailing)</td>
<td>Selling to individual customers via the Internet, where the customer visiting the retailer’s website views the products, and can conduct the transaction right there - online (Duffy and Dale, 2002; Botha et al., 2004)</td>
</tr>
<tr>
<td>Electronic kiosk, information kiosk or multi-media kiosk</td>
<td>A computer workstation specifically designed to provide the general public with access to both electronic information and transactions, and allows for ordering of products (Rowley, 1995; Dawes and Rowley, 1998; Rowley and Slack, 2003).</td>
</tr>
<tr>
<td>Interactive television (iTV)</td>
<td>Interactive television retailing channel is a television show normally broadcast 24 h via cable or satellite dish that allows customers to view and order products without having to leave their homes (Fritchie and Johnson, 2003).</td>
</tr>
<tr>
<td>Mobile retailing (m-tailing)</td>
<td>The execution of any retail transaction with a monetary value either directly or indirectly, done on mobile equipment via mobile or wireless telecommunication networks, or switched public networks (Barnes, 2002; Gunasekaran and Ngai, 2003; Shi, 2004).</td>
</tr>
<tr>
<td>Ubiquitous retailing (u-tailing)</td>
<td>A continuous, seamless stream of interactions, transactions, communications, content and services that constantly pass between retailers, customers, employees and their gadgets, that are ubiquitous, unconstrained by power lines and telephone wires and geographically boundless (Accenture, 2001).</td>
</tr>
</tbody>
</table>

The willingness of companies to participate in the research also influenced the composition of the sample. Interviews were used to seek answers to the research questions, concerning the perceptions of managers on MCR and their interest in different channels. In each case, substantive managers having responsibility for channel management were interviewed. The selected companies with their different characteristics are presented in Table 2.

RESULTS AND DISCUSSION

The research results are summarised and categorised in Table 3, according to the research questions developed earlier and the retail companies studied and labelled A-F.

Company A

Company A is a large retailer. Three channels were found to be in use including: store, sales reps, Internet, direct mails. The information gathered from this company indicated that the retail store and the sales representatives (sales reps) are the two main channels in use. As one respondent pointed out, “we have two different selling ways, the store and sales reps”. It became clear that while the store served the general public, the sales reps focused on institutions or organisations (which might need more information and detail that the general public in making their purchase decisions).

Besides the store and sales reps, Internet, direct mail
Table 2. Description of the companies from which information was gathered.

<table>
<thead>
<tr>
<th>Company</th>
<th>Size</th>
<th>Type</th>
<th>Target market</th>
<th>Information intensity</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Large</td>
<td>Bookstore</td>
<td>Academics and students, institutions, corporate, public.</td>
<td>Potentially high</td>
<td>Market leader-Little competition</td>
</tr>
<tr>
<td>Company B</td>
<td>Large</td>
<td>Computer and electronic store</td>
<td>General public</td>
<td>High</td>
<td>Market leader-High competition</td>
</tr>
<tr>
<td>Company C</td>
<td>Small</td>
<td>Grocery store</td>
<td>Middle and lower class.</td>
<td>Low</td>
<td>New entrant-High competition</td>
</tr>
<tr>
<td>Company D</td>
<td>Small</td>
<td>Computer store</td>
<td>General public, middle and upper class.</td>
<td>High</td>
<td>Specialty (established)-Limited competition</td>
</tr>
<tr>
<td>Company E</td>
<td>Small</td>
<td>Apparel (foot wear) store</td>
<td>General public, middle and lower class</td>
<td>Very low</td>
<td>New entrant-High competition</td>
</tr>
<tr>
<td>Company F</td>
<td>Small</td>
<td>Hardware and tools store</td>
<td>General public</td>
<td>Low</td>
<td>Established-High competition</td>
</tr>
</tbody>
</table>

Table 3. The purchase process.

<table>
<thead>
<tr>
<th>Channel</th>
<th>Beginning</th>
<th>Middle</th>
<th>End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Store</td>
<td>In-store enquiries and window shopping</td>
<td>Purchase and pick up</td>
<td>Returns</td>
</tr>
<tr>
<td>Internet</td>
<td>Enquiries and online products offers</td>
<td>Orders/purchases</td>
<td>Payments and In-store pick up or home deliveries</td>
</tr>
<tr>
<td>Sales reps Mail</td>
<td>Cold calls and sales presentations Distribution of posters/pamphlets</td>
<td>Orders/purchases</td>
<td>Payments and home deliveries</td>
</tr>
<tr>
<td>Mobile phone (SMS)</td>
<td>Sending information on special offers</td>
<td>Store visits and purchases</td>
<td>Returns in-store</td>
</tr>
<tr>
<td>Telephone Delivery man</td>
<td>Customer enquiries</td>
<td>Store visits and purchases</td>
<td>Returns in-store</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In-store purchases</td>
<td>In-store returns</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Home deliveries</td>
</tr>
</tbody>
</table>

and mobile channels were all also used to initiate communication with the customer, with the aim of stimulating them to visit the store to make the actual purchase. One respondent had this to say about their use of the Internet: “we have a website, we got some business off it, but we don’t use it as a marketing channel. Pretty much, people find us and they try and do business with us”.

Company B

Three channels were found to be in use and working well together, including the store, Internet and call centre. The coordinated use of the three channels was seen as a “click>call>come in” sequence of actions. In an explanation as to how the different channels were used, a respondent pointed out that they did not make direct sales online, but they provided the means for customers to make requests online, which then got delivered to the nearest store for processing. After processing the customer request, the customer was then contacted for confirmation and possible collection of the product requested in the store.

Company C

This is one of the smaller retailers from which information was gathered. Company C is a supermarket and relied on the stores for all its sales.

The respondents at this company indicated that they were sceptical of the Internet, and therefore, were not making much use of it. They had a website however, which was intended to provide information about the company, and – from time to time – information about special offers.

Company D

Like Company B, this company used sales reps, the store and the Internet as working channels.
They did not provide direct sales options on the Internet, but a means for customers to place requests for products. These requests were then received and processed at the store where the customer can eventually pick up the product. This was seen by Company D as “a good balance” between the three channels.

Company E

This company operates principally through the store, as the respondents stated clearly “we mainly sell to customers in the store”. Like all the other companies, they also had a website, but they mainly used that to showcase their products to a wider potential market and also to communicate promotional activities and special offers to customers.

Company F

This company sells hardware products and did not use the Internet at all. They relied only on the store and the telephone, but they carried out deliveries of products to customers on request.

DISCUSSION

The purchase process

All the retailers studied have the traditional retail store as their main channel of operation, but in the conduct of their retail activities they do use other channels, in similar or different ways, including the Internet, sales reps, mobile phone, mail and even delivery man. These channels are used at different levels and at different stages of what is referred to as the “purchase process”, which is the overall view of the means to satisfy customers’ needs. The purchase process comprises the “steps required” in selling products and services. This unique way of channel usage revealed by these companies is illustrated in Table 3.

Additionally, it is evident from Table 3 that multi-channel retailers use some of their channels mainly to lure customers to come and buy from the store. This leads to different channels working hand in hand in fulfilling a single sales transaction. In this sense, while all the multi-channel outlets studied use the Internet, they do not make direct sales there; orders placed on the Internet are sent to the store where they are processed and completed by means of delivery to the customer (or the customer personally picks the product up at the store). This illustrates the different steps in the purchase process in an integrated multi-channel system, and the different channels that might be used. One respondent indicated: What we do is, when you go on the Internet to request a product, the request would be sent to your nearest store ... and one of the staff member would phone you the customer and do a follow-up [Company B].

The purchase process alludes to what Friedman (2002) calls the sales cycle, in which some channels generate sales leads, others close the deals and yet other channels provide after-sales services. In the middle of the purchase process is financial settlements, and the transfer of products or delivery takes place at the end of the process.

The results of the study show that the retail store still remains the most dominant and in most cases the only retail channel in use among the retail companies studied. Besides the traditional store, sales reps have also been given some consideration by the retailers studied but only in few instances. The channels drawn together in the 12 channel typology are therefore observed to be under-utilised by the retail companies studied. Perhaps, due to lack of awareness of some channels and the benefits they can offer, as a complete channel typology has been none existent. Nevertheless, the channel typology includes those that are technologically oriented and those that are not. This therefore, offers the opportunity for retailers who cannot afford sophisticated systems to try other channels like the flea market, sales representatives, catalogue and so on.

However, there is an emerging pattern of extending retailer channel adoption and use. While all the retailers studied rely on their traditional stores for sales, different channels were also found to play different roles at different stages in the purchase process as shown in Table 3. MCR is, therefore not just about the use of multiple channels but also, the role played by each channel towards the fulfillment a sales transaction is significant. This is in commensuration with the idea that the channel is a conduit of information, money, and products and services, and these exchanges occur at different points in the fulfillment of the retail transaction. It is found here that the Internet is used to provide product information and to receive customer orders or enquiries, at the start of the cycle. One respondent had this to say:

The website is a big resource to show all the products, it’s also a big place to have a lot of information about the products online so people can educate themselves... People signing up on our website allow us to create a good detailed database. So we can e-mail customers, say photographers … more specifically [Company D].

The use of complementary channels such as the Internet, direct mail and mobile phone to support the retail store, which is the main or traditional channel of all the retailers studied, is however relative to the type of retailer. Company A, which is a large retailer selling books was found to engage in various activities to drive customers to the store. Sales people make calls and go out to consult institutions, attend book fairs and take orders. As the respondent indicates “I’ve got sales consultants, they go out, they make appointments and go to see clients, and
we cover the whole of the Western Cape" [Company A]. The sale reps channel operates separately from the store, as they deal with corporate customers who are interested in larger quantities than individuals; but again it is dependent on the nature of the products (in this case books and other academic material) and the type of retailer.

In the case of Company D which is also using the sales reps channel, this channel is being employed to pay particular attention to corporate customers. Given the technical nature of their products, and the high information intensity of the company, the sales reps help explain the products technicalities or functionalities to their corporate customers. The respondent here points out:

We do business for sales, so we have sales reps that go out and generate sales that way. ... we can get big corporations coming into the shop and people who have the potential to do much bigger plan than once-off sale; they need more attention than the guys in the store, because we're very busy in the store. Normally we hand them over to our corporate people (sales reps) who can give them the attention they really need [Company D].

The channel typology allows retailers the opportunity to make appropriate channel mixes to suit the particular businesses, and the same channel can be applied in both large and small retail environments. For example, the use of different channels in companies B and D are found to similar despite their size difference, therefore, size is not a major issue.

Conclusion

This study developed a comprehensive typology of retail channels and examined the use of these channels among a selected numbers of retailers in Cape Town. Out of the 12 channels in the proposed typology, only a hand full of channels (the retail store, Internet, sales reps, mail, mobile) were found to be used by the different retailers, and it was found that they were used at different stages of the purchase process. The purchase process is important, as it shows how different channels perform different roles, initiated by the retailer or customer in fulfilling the retail transaction. This study has some important shortcomings; it is limited by the sample of retailers and interviews, and it does not address customer concerns. On these bases a further study to test the proposed channel typology on a wider scale with consideration to customers might be worth while in future studies. However, it establishes how the different channels play different roles at different stages in the fulfilment of the same sales transactions.

REFERENCES


