Analysis and Strategy Study on the Conflict of Omni-channel Retailing in Mobile Internet Era

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Abstract. With the emergence of the mobile internet era, omni-channel retailing has brought a seamless shopping experience to consumers unprecedentedly, but goal discrepancy between network channel and traditional channel brings the conflict within the omni-channels, accordingly, the research on channel conflict of omni-channel retailing in mobile internet is imminent. This paper studied the domestic and foreign related literature, reviewed the development history of retailer channel theory and practice, analyzed the characteristics of the omni-channel retailing and the fundamental cause factors of channels, then put forward the relevant effective strategies to resolve the channel conflicts of omni-channel retailing in the current mobile internet era.

Introduction

With the rapid development of the Internet, e-commerce and mobile technology, the consumers’ shopping patterns and habits changed gradually, more and more consumers began to get used to the shuttle in the physical store, online store, mobile store and social store. The survey of McKinsey icon summer found that the display effect (that is, shoppers browse commodity in the physical store, but bought through other channels including online channels) is particularly evident for 30% consumers in 2014, they will browse in the physical store and research by a mobile phone at the same time, while only 16% consumers will select to buy the products finally in the physical store. The behavior shows that retailers should create a closed-loop omni-channel shopping experience as far as possible to effectively avoid the loss of sales. A typical case is the experimental cooperation between Tmall and Yintai, shoppers can browse in the store, and order using a mobile phone online on the spot. Therefore, (Levans, 2014)[1] believes that in order to maintain strong competitiveness continually, retailers need to adopt a more comprehensive approaches, so for the future successful development, it’s very important to have the integration capabilities with new technologies, new methods, new process. Accenture, the world's famous consulting company, points out that, to attract nowadays consumers, traditional retailers must revolute continuously, undergoing digital transformation, adopting omni-channel mode, then become a seamless retailer.

But in reality, a lot of enterprise marketing activities and academic studies have confirmed that, for every channel of omni-channel retailing pursues different function, perceive, goal, decision field, communication, so when the channels overlap, the channel confliction will occur inevitably, and this destroyed the relationship between channel members, reducing the efficiency of the channel system. Based on this background, it is necessary to recognize the
retail channel evolution path, and fully understand the confliction of omni-channel retailing and their influence factors, and further to response to the different conflict.

An Overview of the Omni-Channel Retailing
The Development Path of Omni-channel Retailing

Krista Berry, the vice CEO charging multi-channel of Cole department store, divided the channel evolution process into four stages, including “bricks + mortar” era, “bricks + mouse” era, “bricks + mouse + network “era, “ bricks + mouse + mobile network” era (see Table 1).

Table 1. The evolution and characteristics of retailer channel.

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<tbody>
<tr>
<td>Character description</td>
<td>Department stores, shopping malls, supermarkets, shopping centers ,etc</td>
<td>Online shops, retailers use online and offline channel</td>
<td>Physical shops and virtual shops, virtual shops are more important</td>
<td>Mobile shops, pay more attention to consumer’s interactive experience, and the position of physical shop reduced</td>
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<tr>
<td>Service manner</td>
<td>Face to face communication ,offer service such as try, repair and etc</td>
<td>Consumers decide buying or not depends on what the others comments</td>
<td>Offer efficient, convenient, rapid service to consumers</td>
<td>Offer So-Lo-Mo-Me service to consumers</td>
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Physical store - “bricks + mortar” era

The main characteristics of traditional physical store era is “brick & mortar”, department stores, shopping malls, supermarkets, shopping centers belong to this business model. A physical store retailers, which distance closer to customers, and for the reason the customer does not need to wait for receiving the product, the customers’ requirements can be met immediately (Agatz et al., 2008) [2]. In the store, the retailers also have the opportunity to enhance the quality of the service through a personalized and “rich, multisensory brand experience” via their sales staff and the physical presence of products that allow the customer to try, touch and feel before making a purchase (Herhausen et al., 2015; Rigby, 2011; Webb, 2002) [3] [4] [5]. In the physical store, customers can return products easily and conveniently when they are not satisfied, and the shop assistances can help the customers in the decision-making process or with any potential setups or repairs (Rigby, 2011). In physical stores the customers can perform themselves such as picking products from the shelves and bringing them home, so the store can cut down the related costs (Grewal et al., 2004) [6]. Additionally, not all customers are attracted by technological advancements, and the physical stores offer these customers the option to use a channel that better fits their needs such as cash payments and traditional face to face interaction (Piotrowicz & Cuthbertson, 2014; Zhang et al., 2010) [7] [8]. (See figure 1)
E-commerce - “bricks + mouse” era

With the rise of the Internet, the virtual network stores appear, such as Amazon, Alibaba and other pure e-commerce platform also appeared the traditional “bazaar” online Taobao C2C mode, the traditional “department store” the Tmall online mall B2C model. Through these online e-commerce platforms, retailers can provides consumers with 24/7 all year round service, and more broad product selection than entity shop.(Rigby, 2011; et al., 2008), these all shopping process: browse, purchase, payment, receiving and evaluation, etc. are carried out in consumer’s comfortable home (Zhang et al., 2010). Network marketing can provide consumers with more product information, lower search costs, looking at other people's evaluation feedback, the price comparison, convenient and fast way of payment (Grewal et al., 2004). This way of Network marketing, although sometimes consumers complain about merchant service level is lower, but it will win the standard products as well as to win by the price of the product competition. (Herhausen et al., 2015). (See figure 2)
Multi-channel - “bricks + mouse + network” era

Multi-channel system is a combination of enterprises through different channels to complete the distribution task, this channel design will form a different marketing combination, so as to meet the needs of multiple target market segments (Webb, 1997). This multi-channel approach began to boom in 1990s, when brick-and-mortar retailers began to sell things on the Internet, which adopted the form of the network +classified category + call center + entity shop (Grewal, 2004).

The continuous development of network marketing provides the necessary conditions and possibilities for enterprises to adopt multi-channel strategy that means a customer may use a variety of sources to enjoy convenience of different channels, such as he can browse product information through mobile phone, and buy in a nearby store, and acquire after-sales service from the Internet. If all channel is as only a single channel to operate, fusion degree among the channels is low, on the contrary, if the retailer can integrate various channels, the fusion degree among the channels is high, and its synergistic effect can be reflected slowly (Herhausen et al., 2015). (See figure 3)
Omni-channel - “bricks + mouse + mobile” era

Omni-channel is a new concept developing with the mobile network and big data. Derrell Rigby, head of global retail of Bain & Company published “The Future of The Shopping” in Harvard Business Review in 2011. He pointed that with the development of Internet and mobile information technology, digital retail has changed greatly, it is named omni-channel retailing. This means that retailers will be able to interact with customers through a variety of channels, including websites, stores, service terminals, direct mails and catalogs, call centers, social media, mobile devices, door-to-door service and so on. And customers can choose one channel to compare and choose the information, touch and try through the second channel, and buy through the third channel.

The characters and framework of omni-channel retailing

For retailers, omni-channel is the integration of all channels, a synergetic system of all kinds of the front desks and backstage, to provide a seamless experience, realizing to be harmonious, synergetic, integrated channels within which passenger flow, shop flow, logistics, capital flow, information flow exchange freely, and combined with social media, it brings the customers a seamless shopping experience (Li Fei, 2013) [9]. Nowadays customers are no longer satisfied with the use of a single channel for shopping, but inclined to the combination of multi-channel through a variety of devices according to different needs, (Piotrowicz & Cuthbertson, 2014). Smart phones, tablets, laptops and other electronic devices naturally became part of the retailer's full channel link, not only consumers use these devices in daily life, but also the clerks of physical stores treat these equipment as a way to touch with customers. These combinations are good ways which provide customers with a seamless shopping experience, and strengthen customer relationship, improve the company's performance (Brynjolfsson Hu & Rahman, 2013) [10]. The most prominent feature of omni-channel is “So+Lo+Mo+Pe”, as Wal-mart CEO Mike Duke said, that is SO (social) +...
LO (localized) + MO (mobile) + PE (personal). China's retail enterprises have reached a consensus, that they must use the Internet platform to carry out the omni-channel retailing, when the mobile Internet era has arrived, which been driven by the technology and customer needs (Liu Xiangdong, 2014) [11]. Therefore, this paper argues that the omni-channel retailing refers to retailer offers production and service by integrating physical store, e-commerce channel and mobile to satisfy the consumer’s demand that they can buy anytime, anywhere, and pay by any means. That means consumers can use all the sales channels, such as physical store, catalogue, call-center, internet and mobile phone to realize shopping anytime and anywhere, experience seamless ways. Nevertheless, “All channel” here, doesn’t mean that retailers choose all channels for sales, it refers that the retailers face the choice, combination and integration of more channels. The follows are initiatives of omni-channel (as shown in table 2).

Table 2. Initiatives of omni-channel.

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<tr>
<th>Omni-channel initiatives</th>
<th>Shipping services</th>
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<tr>
<td></td>
<td>※ Click-and-collection</td>
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<td></td>
<td>※ In-store retune of online orders</td>
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<td>※ Free home delivery of in-store orders</td>
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<td>Logistics</td>
<td>※ Integrated inventory systems</td>
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<td>※ Using online retunes as inventory</td>
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<td>※ In-store packing of click &amp; collect orders</td>
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<tr>
<td>Sales tools</td>
<td>※ Possibility to see content of packages</td>
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<td></td>
<td>※ Tablets as in-store sales tools</td>
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<td>Promoting combined channel use</td>
<td>※ Financial incentives for combining channels</td>
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<td>※ Consistency in pricing</td>
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<td>※ Store locator an website</td>
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<td>※ Online information of in-store availability</td>
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<td></td>
<td>※ In-store product info via QR code/ app</td>
</tr>
<tr>
<td>Omni-channel measurements</td>
<td>※ Tracking additional sales from click &amp; collect</td>
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<td></td>
<td>※ Online statistics</td>
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**Analysis of the Confliction and Influencing Factors of Omni-Channel**

**The summary of omni-channel retailing confliction**

Omni-channel retailing, their channels (tangible shops and intangible shops) are highly integrated and collaborative, so brick-and-mortar retailers and E-stores all face with new challenges such as inconsistency, channel confliction, return management, management reform, technology investment and etc., in which channel confliction is a prominent challenge (Malin Kersmark, Linda Staflund, 2015) [12]. In fact, channel confliction is not a new phenomenon and problem caused by the Internet, in 1970s and 1980s, some scholars began to go on relative researches, and emphasized on the marketing paradigm of the channel. (Coser, 1956) [13] considers that the channel conflict refers to the behaviors of damage, exclusion or elimination to competitors in the system, namely, the fights for value, scarce status, capacity
and resources. More authoritative definition is given by Louis W. Stern (2001), he thought when one channel member found the other channel members taking action or hindering them to achieve their aim, the channels in this system will compete for the enterprise’s internal resources (such as marketing expenses) and external resources (such as customers), then channel conflict occurs. In mobile internet era, the retailer faces combination among mobile, network and the traditional channels, and the channel conflict is unavoidable, according to the Forrester survey of 50 consumer goods manufacturers, the most serious problem that the enterprises faced is the channel conflict in their implementation of the network marketing strategy (Gilbert & Bachelordor, 2000). All e-commerce enterprises need to solve the combination of network channels and traditional channels (Rosenbloom, 2007) [14]. Because many retailers are afraid that when they use new channels, the channel conflict will cause consumers to convert to new channels from existing channels, to disperse the customers, and reduce the sales volume, so they didn’t want to use new channels (Agatz et al., 2008). Napolitano also found that relevant measure of minimized inventory to be an example of channel conflict, for this measure involves which channel will obtain the priority of the limited supply (Napolitano, 2013).

The Cause of omni-channel retailing conflict

(Pondy, 1967) [15] pointed out that the generation of channel conflict generally goes through the first or the basic state (such as the scarcity of resources, policy differences, etc.), personal emotional state (such as fatigue, tension, hostility, anxiety, etc.), the personal understanding state of the conflict, from passive resistance to positive aggression conflict. Gorman (1969) [16] believed that the immediate causes of channel conflict were functions, disputes, understanding, expectations, decision-making, objectives, communication, etc. Mallen (1977) [17] believed that the immediate causes of the channel conflict were functional conflict, communication conflict and goal conflict. Sims (1977) [18] believed that the immediate cause of the channel conflict were the allocation of resources, different channel objectives, channel’s responsibility and duty. Rosenbloom (1991) believed that the immediate causes of the channel conflict were function inconsistency, resource scarcity, cognitive differences, expectation inconsistency, decision areas differences, target inconsistency, communication difficulties. Webb (2002), considered that the price, product, distribution, promotion, coordination and communication were the main causes of channel conflict. Coughlan (2006) [19] considered that the target inconsistency and the perception deviation, the price difference were the causes of channel conflict.

Synthesized all the above scholars’ views and combined comprehensively phenomenon of channel conflict of omni-channel strategy domestic and overseas, this paper holds that comparing with the traditional channel, the main causes of channel conflict in omni-channel retailing are function inconsistency, cognitive differences, target inconsistency, decision areas differences, communication difficulties. (See figure 4)
The Solution of Omni-Channel Conflict

The omni-channel strategy is to use all the sales channels, to give consumers a seamless shopping experience in different channels, but function inconsistency, cognition inconsistency, target inconsistency, decision field inconsistency and communication deviation exist in different channels, which results in channel conflict. So this paper puts forward the corresponding countermeasures.
Establish a transparent, sharing, unified information platform

Collocating various information communication channels more reasonably, can help customers achieve complementary interests, improve the transparency of information, sharing, and achieve good communication effect. Retailers can set up a comprehensive information platform to communicate with consumers, the consumer can easily obtain the information and services of each channel. In the process of the pursuit of the synergetic development of various channels, logistics information sharing is a crucial point, the omni-channel retailing should use online and offline logistics nodes, to realize the share of logistics information. Even if the physical shop operation is different, but back-end links such as logistics, supply chain, purchasing must be unified designed within the different channels, to ensure the consistency of shopping experience in each channel.

Enhance the customers’ experience, participation

The customers are the product designers, developers, brand builders in mobile era. Customers’ perception of the product is no longer to satisfy the functional needs, but more to the pursuit of perfection of the customers’ experience, so the enterprise should put its focus on from products to customers, focus on which channel can give the better experience to customers, and make it a client channel by the lowest cost and highest efficiency. Nowadays, search engine, QQ, WeChat, microblog and various social APP are all important channel to improve customer retention, omni-channel retailing can maintain good customer relationships and improve the experience and participation through the integration of these channels.

Synergy channel promotion and incentive measures

In the mobile internet era, the omni-channel needs to build a harmonious, open and win-win channel ecosystem, give full play to the importance of channels, set up a perfect, diversified interests sharing mechanism, take different online and offline promotion means to avoid channel conflict. At the same time, according to the development strategy and periodical target of the enterprise, corresponding incentive policies can be formulate to reduce channel conflict, and the omni-channel retailing can participate in the strategic transformation of mobile Internet era from different dimensions, to realize the share value of the ecological chain of omni-channel retailing.

Provide personalized and customized services

Describing the consumer's consumption patterns integrally by using big data to analyze the personalized needs of consumers, carrying out one-to-one marketing and personalized customization to consumers , which can not only make consumers get value-added services, improve consumer satisfaction, but can also eliminate the users’ behavior of price comparison among the channels, and then relieve the channel conflict.

Conclusions

This paper studied the domestic and foreign related literature, reviewed the development history of retailer channel theory and practice, analyzed the characteristics of the omni-channel retailing and its fundamental cause factors, and put forward the relevant effective strategy to resolve the channel conflict of omni-channel retailing in the current mobile Internet era, and the following are the main conclusions.

(1) Omni-channel is the advanced stage of the retail channel development, its main
characteristic are customer-center, the seamless link between various channels, the higher value of consumption experience.

(2) Compared to the traditional channels, the main reason of the omni-channel retailing conflict are function inconsistency, understanding inconsistency, target inconsistency, decision field inconsistency, communication difficulties.

(3) In the practice of omni-channel retailing, we should follow the principle of the balancing of efficiency and effect. In order to relieve the channel conflict, the omni-channel retailing should put consumers’ participation and experience as the center, establish a transparent, sharing, unified information platform and improve the product personalized customization services and other series of measures.

References


