

**MULTI-CHANNEL RETAIL STRATEGIC IMPLEMENTATION ISSUES AND
THE ROLE OF INTERNAL MARKETING: A STUDY IN THE UK RETAIL
SECTOR**

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This dissertation has been edited to remove material of a sensitive nature. In addition, the case study retailers and individuals have been anonymised. That said, the contents of this dissertation should not be put in the public domain.

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ABSTRACT

A multi-channel retail strategy is viewed by many academics and practitioners to be the success model for most retailers. Yet, while there are many benefits associated with using multiple channels to sell products and services to customers likewise there are numerous difficulties. Despite this, the multi-channel retailing literature provides little empirical insight into these constraints, especially in the context of the UK retail sector. Moreover, there is a lack of multi-channel retailing research which explores ways of managing these problems. Nevertheless, analysis of these multi-channel retailing issues, according to the literature, suggests these problems are internal marketing (IM) related. In addition, a review of the IM literature suggests IM offers a theoretical framework to explore and possibly address these challenges. Therefore, to contribute to gaps in the literature this study uses IM as a framework to understand and possibly resolve multi-channel retail strategic implementation issues. More specifically then, this study uses a qualitative case study research strategy utilising three retailers to explore these multi-channel retailing and IM themes.

Importantly, the findings from this study highlight new themes, in the context of the case study retailers, which are not identified, or not clearly recognised, in the literature. While the literature paints a persuasive argument for retailers adopting a multi-channel retail strategy, in reality retailers face major, often entwined, integration, cultural, engagement and resource issues when going multi-channel. Also, while these constraints are similar at a strategic level they vary by retailer and stage of implementation. These difficulties can also prevent a retailer effectively implementing a multi-channel retail strategy. However, case analysis reveals IM is used by the retailers as a way of understanding and managing these constraints. Additionally, while this IM effort is similar to existing IM theoretical frameworks, including Ahmed and Rafiq's (2004) model of IM, it also differs. Subsequently, this study proposes a revised framework for the use of IM as an aid to multi-channel retail strategic implementation. From an academic perspective, this study makes an original contribution to the academic literature since it is the first study to propose a model of IM as a way of helping multi-channel retail strategic implementation. From a practical perspective, it is hoped that the framework offers retailers a way of understanding multi-channel retail strategic implementation problems and the role of IM as a way of addressing these issues.

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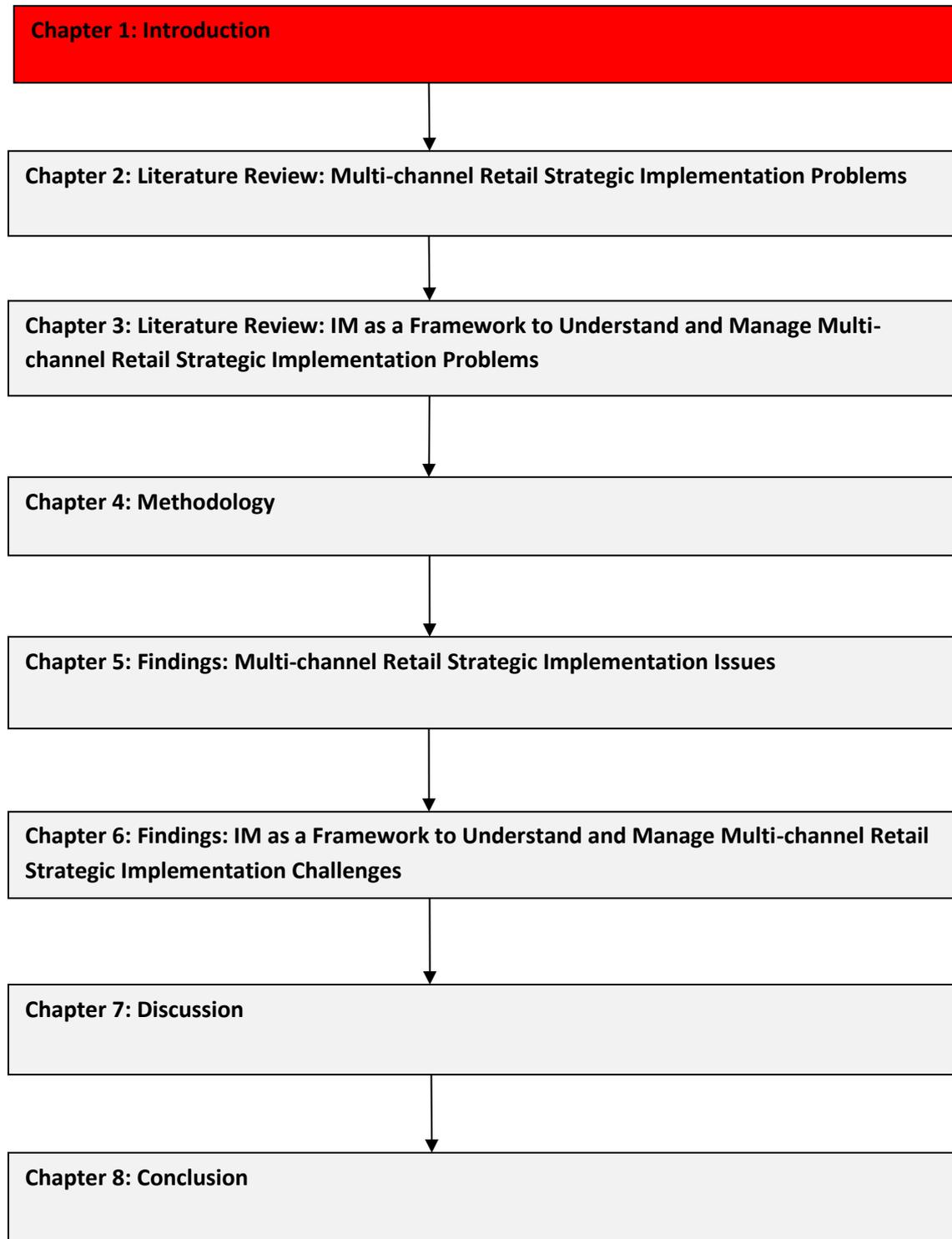
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Chapter 1 INTRODUCTION



This Chapter provides an overview of the thesis. It begins by briefly considering the multi-channel, multi-channel retailing and IM literature reviewed in this study. This sets the scene for consideration of the aims and objectives of this study, followed by a brief discussion of how the materials have been gathered. Finally, this Chapter provides an outline of the structure of the thesis.

1.0 Overview of Existing Knowledge

A multi-channel retail strategy is whereby retailers use two or more integrated channels to sell products and services to the customer (Levy and Weitz, 2009; McGoldrick and Collins, 2007; Zhang *et al.*, 2010). The multi-channel retailing literature presents a compelling argument for the use of a multi-channel retail strategy (Gilbert, 2003; Venkateson *et al.*, 2007b). Indeed, a multi-channel retail strategy is viewed by many academics and practitioners to be the success model for most retailers. However, while there are many benefits associated with using multiple channels to sell products and services to customers, likewise anecdotal evidence from retailers suggests numerous difficulties. Similarly, while the multi-channel retailing literature is largely of a conceptual nature, it, and the multi-channel literature, also implies that retailers face significant challenges when adopting a multi-channel retail strategy (Zentes *et al.*, 2011; Zhang *et al.*, 2010). Indeed, these problems can impede a retailer effectively using multiple channels to sell products and services to customers. In spite of this, the multi-channel retailing literature provides little empirical insight into these multi-channel retail strategic implementation constraints, especially in the context of the UK retail sector. Moreover, there is a lack of multi-channel retailing research which explores ways in which retailers can redress these problems.

Despite the lack of multi-channel retailing literature, a review of the literature does imply that retailers face problems when going multi-channel due to the need to; achieve channel integration, gain multi-channel sponsorship, acquire/change resources, and, change organisational culture (Balasbramanian *et al.*, 2005; Berman and Thelan, 2004; Coelho *et al.*, 2003; Ganesh, 2004; Pentina and Hasty, 2009; Zentes *et al.*, 2011). While examination of these issues according to the literature produces a fairly descriptive list of problems, with limited theoretical underpinning, the list does appear to suggest that these issues are IM related. Furthermore, consideration of the IM literature suggests that IM provides a suitable

theoretical framework to explore these challenges, and, to understand the extent to which IM offers a way of resolving these constraints.

The rationale for examining the extent to which IM might offer a way of exploring and managing multi-channel retail strategic implementation constraints is as follows. Ahmed and Rafiq (2004:11) define IM as

“...a planned effort using a marketing-like approach directed at motivating employees, for implementing and integrating organisational strategies towards customer orientation.”

Since multi-channel retailing is a type of organisational strategy then this indicates that IM could be used as an aid to multi-channel retail strategic implementation. Additionally, the goals of IM include; acquiring resources, changing organisational culture, achieving channel integration, and, gaining the support of staff and key decision makers towards a strategy (Ahmed and Rafiq, 1995, 2004; Piercy, 2009). These goals correspond with the challenges retailers face when going multi-channel, further adding to the debate that IM could offer a way of exploring and addressing multi-channel retail strategic implementation problems. However, prior research has not explored the role of IM as a vehicle to help multi-channel retail strategic implementation. Therefore, to contribute to gaps in the literature this study uses IM as a theoretical framework to examine the difficulties retailers face when using multiple channels to sell products and services to customers, and, the use of IM as a tool to address these issues.

1.1 The Study

To recap, the multi-channel retailing and multi-channel literature suggests that retailers face significant constraints when implementing a multi-channel retail strategy (Agatz *et al.*, 2007; Berman and Thelan, 2004; Zhang *et al.*, 2010). In spite of this, the literature gives little empirical insight into the nature of these problems, including how they vary by retailer, particularly in the context of the UK retail sector. Also, there is a lack of literature which offers ways of managing these difficulties. Yet, analysis of these problems according to the literature appears to suggest that these issues are IM related. Besides, a review of the IM literature implies that IM offers an appropriate framework to examine and possibly manage these multi-channel retail strategic implementation challenges. Despite this, no study to date has explored the role of IM as a tool to aid multi-channel retail strategic

implementation. Given this, the purpose of this study is to address the gap in knowledge by utilising IM as a theoretical framework to understand the problems faced by retailers when adopting a multi-channel retail strategy, and, the role of IM as a way of managing these challenges, in the context of the UK retail sector. Specifically then, the objectives of this thesis are:

- a. What IM related problems have retailers experienced when implementing a multi-channel retail strategy?
- b. How have IM strategies and plans been used by retailers when implementing a multi-channel retail strategy?
- c. How do the IM related problems, and, the use of IM strategies and plans vary by type of retailer?

This research has assumed an interpretive philosophical position (Bryman and Bell, 2007) and has adopted a qualitative case study research strategy (Gomm *et al.*, 2007; Grunbaum, 2007). To address the research objectives and contribute to gaps in the literature three retailers (each classified as a case study) were selected using purposive sampling. In brief, these organisations were selected because they have different approaches to, and are at different stages of, multi-channel retail strategic implementation. They also have different backgrounds such as size, ownership, culture, product range and type. This is important since the multi-channel retailing and multi-channel literature suggests that the difficulties retailers encounter when adopting a multi-channel retail strategy can vary according to, for example, whether a retailer is initially bricks-and-mortar or catalogue/Internet based, and, its product range. Similarly, the IM literature suggests that strategic implementation challenges can differ according to the type of firm and thus, the IM effort should vary accordingly (Ahmed and Rafiq, 2004; Piercy, 2009). Therefore, collecting materials from three different case study retailers enables exploration of how multi-channel retail strategic implementation problems and the use of IM might alter by retailer. In other-words, it was the intention that collecting materials from three different case study retailers would produce contrasting, but also some similar, results within the same study.

The principal methods used to gather a combination of data in this study were semi-structured interviews and documentation. A total of 34 interviews were conducted with individuals responsible for, or involved in, multi-channel retail strategic implementation, in

different roles and channels, and, at different levels of the organisation. All materials gathered during this study were managed, stored, organised and coded using the computer-assisted software NVivo and analysed using the Template Analysis method (Waring and Wainwright, 2008).

1.2 Structure of the Thesis

The structure of this thesis is as follows. Chapter two reviews and synthesises the multi-channel and multi-channel retailing literature to explore the drivers of, and business case related to, multi-channel retailing. This is followed by a discussion of the key problems retailers experience when using multiple channels to sell products and services to customers, along with how these challenges vary by retailer. Criticisms of the multi-channel and multi-channel retailing literature are also discussed throughout this Chapter.

Chapter three reviews the IM literature to explore the extent to which IM might provide a way of exploring and addressing multi-channel retail strategic implementation issues. It begins by examining how IM is defined and then critically considers the conceptualisation and application of IM as a vehicle to aid strategic implementation. Criticisms of the IM literature are discussed throughout this Chapter, however, the main criticism of the IM literature is the lack of studies which explore the role of IM as a tool to help retailers adopt a multi-channel retail strategy. The lack of research in this area stems from a multi-channel retail strategy being a novel strategy and as such, the multi-channel retailing literature is at an early empirical stage. Furthermore, IM is an emerging area in the field of strategic implementation.

Chapter four explains the methodology adopted in this study. It revisits the research aims and objectives of this study, discusses the theoretical debates surrounding research design and explains the research design adopted. The latter part of this Chapter is then concerned with the fieldwork. Consideration is given to how interviews and documents were used to gather materials, and, how these materials were analysed. In brief, the computer-assisted software NVivo was used to manage, store, organise and code all case materials gathered in this study, and the Template Analysis method was used to analyse data (Waring and Wainwright, 2008).

Chapter five uses a case-by-case approach to discuss the issues encountered by the case study retailers when going multi-channel. The logic for using a case-by-case approach is that it enables a detailed discussion of the key issues the case study retailers faced due to the need to achieve channel integration, gain staff support, acquire/change resources, and, alter organisational culture to use new and multiple channels.

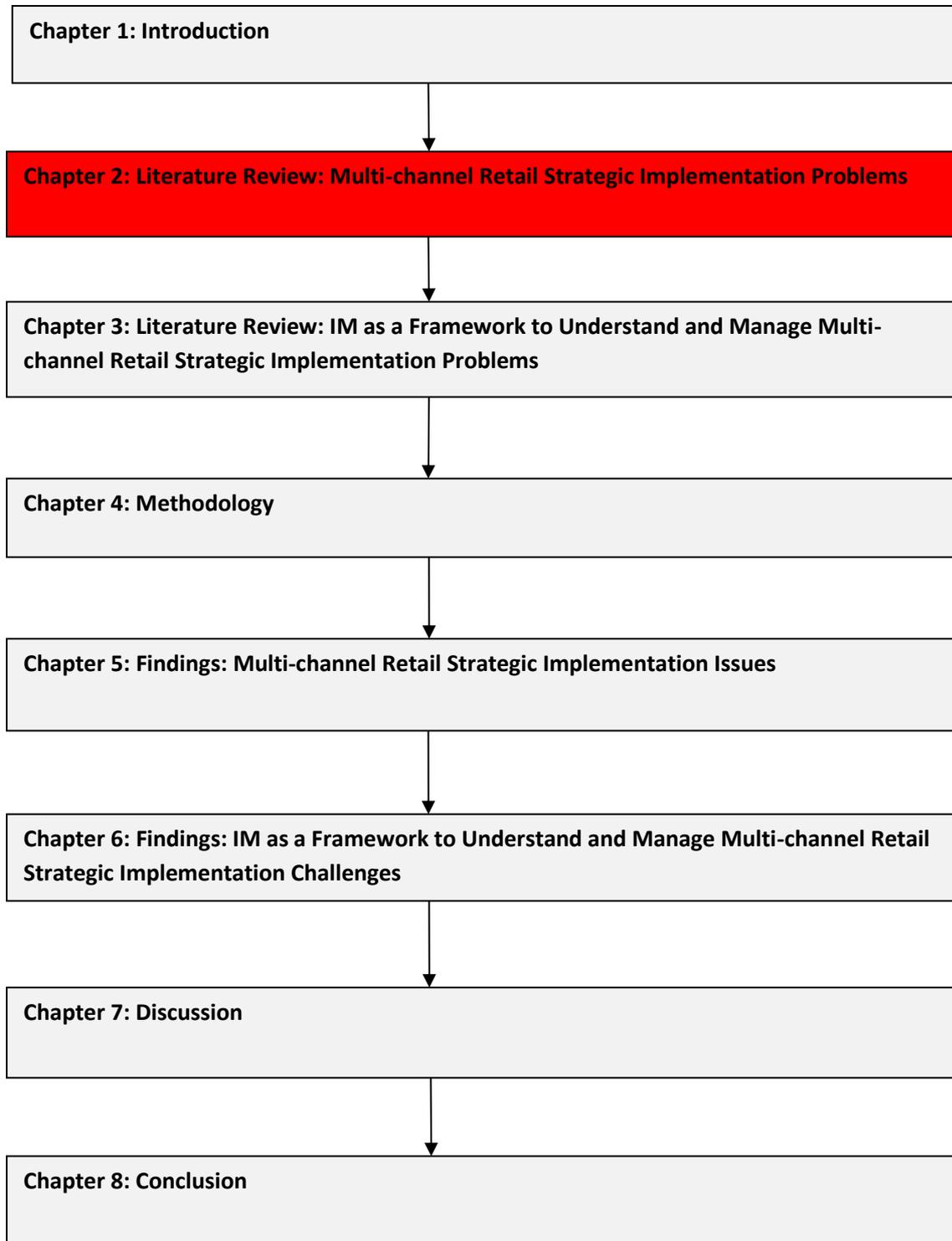
Similar to Chapter five, Chapter six adopts a case-by-case approach to discuss the case study retailers use of IM as a strategic tool to support multi-channel retail strategic implementation. Specifically, the Chapter considers respondents' awareness and understanding of the term IM, and, use of IM as a way of understanding and addressing the problems associated with using new and multiple channels. Again, the logic for using a case-by-case approach is that it enables a detailed discussion of these IM and multi-channel retailing themes, in the context of the case study retailers.

Chapter seven considers findings from the case study retailers *across cases* and *against the literature* to identify general, overarching themes. An overarching theme to emerge from this study relates to the rhetoric versus the reality of multi-channel retailing and IM. That is, while there are numerous benefits associated with implementing a multi-channel retail strategy there are also many difficulties. In fact, adopting a multi-channel retail strategy is far more complex and problematic than portrayed in the literature. Still, the case study retailers did use IM as a way of understanding and managing multi-channel retail strategic implementation constraints. Though while this IM effort was similar to existing IM frameworks, it also differed. Moreover, this study found that IM is more difficult conceptually and practically to use than the literature suggests. In light of this then this Chapter proposes a revised framework for the use of IM as a strategic tool to aid multi-channel retail strategic implementation.

Chapter eight then concludes the thesis by providing a summary of the study along with the implications that this research has for multi-channel retailing and IM in a theoretical and practical sense. A key implication is that multi-channel retailing and IM (in a multi-channel retailing context) needs to be framed around a stronger conceptual framework and thus, this Chapter revisits the model of IM as a strategic tool to support the use of new and

multiple channels, proposed in Chapter seven. This Chapter also considers limitations of this study and opportunities for further research.

Chapter 2 LITERATURE REVIEW: MULTI-CHANNEL RETAIL STRATEGIC IMPLEMENTATION PROBLEMS



2.0 Introduction

Multi-channel retailing is a 'strategy' where retailers use two or more integrated channels to sell products and services to the customer (Berman and Thelan, 2004; Levy and Weitz, 2009). The field of 'strategy' can be separated into two areas; strategic formulation and strategic implementation (Ahmed and Rafiq, 1995). Several academics imply, from the perspective of an organisation, that the greatest challenges lie in the implementation, rather than the formulation, of strategy. The *raison d'être* being that strategic implementation requires organisational change, which can be problematic (Ahmed and Rafiq, 2004; Bonoma, 1984). Indeed, these internal issues can pose obstacles to an organisation making a strategy happen (Piercy, 2009). Similarly, a review of the multi-channel retailing literature suggests that, from the viewpoint of a retailer, major difficulties lie in multi-channel retail strategic implementation. This is since implementation of the strategy also requires internal alterations, which can be challenging (Berman and Thelan, 2004; Zentes *et al.*, 2011; Zhang *et al.*, 2010). These internal issues can also pose barriers to a retailer using new and multiple channels to sell products and services to customers.

Despite this, the internal problems retailers face when going multi-channel receives little attention in the academic literature, especially in the context of the UK retail sector. However, given the retail sector is one of the UKs largest industries and that a multi-channel retail strategy is viewed to be the 'success' model for most UK retailers (McGoldrick and Collins, 2007), then this study argues that there is a need to better understand these multi-channel retail strategic implementation issues. To address the gap in knowledge this Chapter reviews and synthesises the multi-channel retailing literature to explore what is meant by a multi-channel retail strategy, and, the key drivers of, along with the business case associated with, multi-channel retailing. This is followed by a discussion of the problems retailers face when implementing a multi-channel retail strategy, and how these challenges vary by retailer. Criticisms of the multi-channel retailing literature are also discussed throughout this Chapter.

2.1 Defining a Multi-channel Retail Strategy

Due to the early empirical juncture of the multi-channel retailing literature, there are few definitions of a multi-channel retail strategy. Nevertheless, Berman and Thelan (2004:147) offer a definition of the strategy, which is that it

“... enables the customer to conveniently shop in a number of modes, including stores, catalogues, Web Sites, kiosks, and even PDAs that can access the Web.”

Accordingly, other academics define a multi-channel retail strategy whereby a retailer uses two or more integrated channels to sell products and services to the customer (Levy and Weitz, 2009; McGoldrick and Collins, 2007; Schoenbachler and Gordon, 2002; Zentes *et al.*, 2011; Zhang *et al.*, 2010). Given that Berman and Thelan’s (2004) definition of a multi-channel retail strategy is in line with those definitions offered by other academics then it is adopted in this study.

Still, a criticism of Berman and Thelan’s (2004), and other academics’, definition of multi-channel retailing is that it delineates the strategy in a simplistic way. For instance, channel integration is a key characteristic of a multi-channel retail strategy (Zhang *et al.*, 2010). Yet, this is not explicitly recognised in Berman and Thelan’s (2004), nor other academics’, definition of the strategy. Indeed, this may be why retailers are increasingly using the term ‘omni-channel retailing’, rather than multi-channel retailing. This is since the term ‘omni-channel retailing’ more clearly recognises the need for retailers to offer a seamless, integrated offer to customers across all channels (www.retail-week.com). Nonetheless, for the purpose of this study, the term multi-channel retailing is used. The rationale for this is that at the time of the interviews the term multi-channel retailing was more commonly used by respondents, than the term omni-channel retailing. It is worth highlighting, though, that multi-channel retailing is a very dynamic strategy and thus, the terms associated with the strategy are likely to change again in the future.

2.2 Multi-channel Retailing Drivers and Business Case

The multi-channel retailing literature presents a persuasive rhetoric for the use of a multi-channel retail strategy (Gilbert, 2003; Konus *et al.*, 2008; McGoldrick and Collins, 2007; Verhoef *et al.*, 2007, Zhang *et al.*, 2010). This section synthesises the literature to, firstly, understand the key drivers, and, secondly, the business case related to the strategy.

2.2.1 Driving Forces Underpinning Multi-channel Retailing

A review of the literature suggests that there are two key drivers behind retailers implementing a multi-channel retail strategy and these are the emergence of the Internet, and, changing shopper behaviour. These drivers are discussed in the following sections.

2.2.1.1 The Internet

Multi-channel retailing is not a new strategy, for example, in the UK, Argos have sold products and services to customers via a combination of channels since 1973 (McGoldrick and Collins, 2007; Sparks, 2003). Over the last decade though the strategy has attracted greater attention from academics and practitioners alike, and, is being adopted by a greater number of retailers (Gilbert, 2003; McGoldrick and Collins, 2007; Venkateson *et al.*, 2007b; Zhang *et al.*, 2010). According to numerous academics, increased interest in, and use of, a multi-channel retail strategy has been driven by the emergence of the Internet as a channel to sell products and services to the customer (Bernstein *et al.*, 2006; Ganesh, 2004; Premazzi *et al.*, 2010; Reynolds, 2002; Yan 2008; Zentes *et al.*, 2011). Initial claims that the Internet would replace physical stores have proved unfounded. Instead, a more viable model has emerged which is the use of the Internet as one of several channels to sell products and services to the customer (Reynolds, 2002; Zentes *et al.*, 2011; Zhang *et al.*, 2010). Today, multi-channel retailing remains a contemporary issue, in part, due to the emergence of new channels, including mobile phones (Duan-Ren and Chen-He, 2011; Shankar *et al.*, 2010; Zentes *et al.*, 2011). Yet, the multi-channel retailing literature largely focuses on traditional bricks-and-mortar retailers going multi-channel by adding an Internet channel (Slack *et al.*, 2008). Research is therefore needed which explores all types of retailers (i.e. traditional bricks-and-mortar retailers and Internet/catalogue based retailers) going multi-channel via adding different channels, including stores, catalogues, the Internet and mobile phones (McGoldrick and Collins, 2007; Peterson *et al.*, 1997; Slack *et al.*, 2008; Tate *et al.*, 2004).

2.2.1.2 Changing Shopper Behavior

The multi-channel shopper is increasingly becoming the mainstream, rather than the minority, customer. To put it another way, customers are increasingly using multiple, rather than single, channels to buy products and services (Ganesh, 2004; Kaufman-Scarborough

and Lindquist, 2002; Wallace *et al.*, 2004). The growth in the multi-channel shopper can be attributed to the benefits received by consumers (Yan, 2008). Customers can choose which channels they use for different stages of the buyer behaviour process. For instance, a customer might research a product online but purchase in-store (Lee and Kim, 2008). Therefore, customers can take advantage of the benefits, and minimise the drawbacks, associated with different channels when using multiple channels to buy products and services (Balsubramanien *et al.*, 2005; Grewal and Levy, 2009; van Birgelen *et al.*, 2006; Rangaswamy and van Bruggen, 2005). These advantages and disadvantages differ by customer, including, for example, by the amount of time a customer has to complete their purchase and the type of product purchased (Hahn and Kim, 2009; Schoenbachler and Gordon, 2002; Venkateson *et al.*, 2007b). The key customer benefits associated with store, online, catalogue and mobile phone shopping are briefly discussed below. This is followed by consideration of the extent to which customers evaluate channel benefits in silo or totality, in a multi-channel retail context.

Customer benefits associated with an Internet channel

A customer benefit associated with online shopping is that customers can access a wider selection of products (Berner, 2004; Brynjolfsson and Smith, 2003; Grewal and Levy, 2009). Customers can also access vast amounts of information to find the best price for a product which reduces search costs (Bauer *et al.*, 2002; Degeratu *et al.*, 2000; Hoffman and Novak, 1996b; Puccinelli *et al.*, 2009). This has, however, led to customers expecting store-based retailers to match, or even better, the prices of Internet pure play retailers even though many store-based retailers have a higher cost base than Internet only retailers. Store-based retailers can then face challenges devising a pricing strategy which is in line with customer expectations while maintaining profitability (van Baal and Dach, 2005).

Customer benefits associated with a store channel

A customer benefit of in-store shopping is that customers can purchase a product, receive it instantly and not pay delivery costs (Alba *et al.*, 1997; Berman and Thelan, 2004; Noble *et al.*, 2005). Customers can also see, hear, touch and taste products, which is often important in the purchase of experiential products, such as clothing and jewellery (Balsubramanien *et al.*, 2005; Palmer, 1997; Philips *et al.*, 1997). Customers can also have face-to-face contact with

staff (Berman and Thelan, 2004), although this can be a disadvantage as some customers prefer not to have direct interactions with retail employees (Goldsmith and Flynn, 2005). In addition, customers often view in-store shopping as an enjoyable form of entertainment which allows them to mix with other people (Babin *et al.*, 1994; Pookulangara *et al.*, 2011). Still, the extent to which socialisation is a customer benefit can be questioned since, while Nicholson *et al.* (2002) found that socialisation influences channel choice, Verhoef and Langerak (2001) found that it had no impact on channel choice. Indeed, even if socialisation is a benefit related to in-store shopping then it is also increasingly related to Internet shopping. For example, Pookulangara *et al.* (2011) in their empirical study find that (particularly younger) customers are meeting people as they shop online via social media.

Customer benefits associated with a catalogue channel

There is little literature which explores the customer benefits associated with catalogue shopping (McGoldrick and Collins, 2007; Sparks, 2003), though this is not surprising given the low number of retailers who have historically used catalogues as a channel to sell products and services to customers. Still, there is some literature in this area. Mathwick *et al.* (2001) claim that customers enjoy catalogue shopping more than online shopping, although it is not clear why this is the case, and, this assertion could be questioned today given recent technological improvements in the Internet. Goldsmith and Flynn (2005) claim that customers relate similar benefits to catalogue and online shopping, for instance, both channels enable customers to shop from home whenever they want, and, to choose from a wide range of products. Similarly, Vijayasathy and Jones (2000) (in their empirical study which compared the shopper behaviour of online and catalogue users) argue that customers associate similar advantages to catalogue and online shopping, although they find one exception to this is that customers perceive online shopping to be riskier than catalogue shopping due to privacy and security concerns.

Yet, the notion that customers perceive the shopping experience of catalogues and the Internet to be the same can be questioned. Zhang *et al.* (2010) claim that customer price expectations have shifted with customers expecting retailers to be more price competitive. While retailers can reduce the prices of products and services in minutes via the Internet and often overnight in stores, catalogue retailers cannot reduce catalogue prices unless

catalogues are re-printed, which involves significant time and cost. This then suggests that catalogues might be less price competitive than other channels and therefore, negatively impact the customer experience versus other channels (i.e. stores and the Internet). Interestingly, catalogue retailers cannot also *increase* prices unless catalogues are re-printed and thus, a further challenge to catalogue retailers during periods of rapid inflationary growth is avoiding selling products at near to, or below, cost price. Nonetheless, numerous academics claim that catalogue and online channels in a multi-channel context are mutually supportive, a case in point being that a customer might research a product in a catalogue and then purchase that product online (Chiger, 2001; Goldsmith and Flynn, 2005; Keen *et al.*, 2001; McGoldrick and Collins, 2007; Schoenbachler and Gordon, 2002; Zentes *et al.*, 2011). Although this has not been empirically explored in any study to date.

Customer benefits associated with a mobile phone channel

The literature exploring the customer advantages of shopping via mobile phones is at an early conceptual and empirical juncture since the use of mobile phones as a selling tool is still a relatively new development. Of the research which does exist, it is claimed that a customer benefit of shopping via mobile phones is that customers can shop in a private and convenient way, which requires minimal effort, irrelevant of time and place (Laukkanen and Lauronen, 2005; Yang *et al.*, 2011). Yet, since the technology underpinning the use of mobile phones to buy products and services is still relatively new, the ability of customers to use the channel to purchase products and services wherever and whenever they want to can also be questioned. For instance, owners of O2 mobile phones were recently unable to use their mobile phone (including to shop) for several days due to IT issues (BBC, 2012).

Customer benefits associated with shopping via multiple channels

The previous sections have considered the key customer benefits associated with store, online, catalogue and mobile phone shopping, which is necessary since the literature implies that when using multiple channels to buy products and services then customers assess the benefits associated with channels in silo (Chu *et al.*, 2007; Kacen *et al.*, 2002). Conversely, other academics argue that when using more than one channel to purchase products and services then customers assess the benefits of channels in totality (Johnson *et al.*, 1995; Kaufman-Scarborough and Lindquist, 2002). For instance, customers transfer advantages

related to a retailer's store, such as a strong brand image, to a retailer's other channels (i.e. Internet and mobile phone channels) (Bhatnager *et al.*, 2000, Kwon and Lennon, 2009a; Montoya-Weiss *et al.*, 2003). Despite this, there is limited research which explores the extent to which customers assess channel benefits in silo versus in totality (in a multi-channel retail context) and thus, this suggests a need for further research in this area.

2.2.2 The Multi-channel Retailing Business Case

The existing multi-channel retailing research presents a persuasive rhetoric for adopting a multi-channel retail strategy (Montoya-Weiss *et al.*, 2003; Tate *et al.*, 2004; Zentes *et al.*, 2011). Implementing a multi-channel retail strategy enables retailers to appeal to the valuable multi-channel segment, especially since these shoppers have a higher purchase frequency and spend more than single channel shoppers (Ansari *et al.*, 2008; Dhalokia *et al.*, 2005; Konus *et al.*, 2008). In fact, a further impetus behind retailers adopting a multi-channel retail strategy is that if retailers do not facilitate customers shopping via multiple channels then they risk losing these customers to those retailers who do (McGoldrick and Collins, 2007). The literature also suggests that other marketing, services marketing, operational, financial and environmental advantages are associated with using new and multiple channels, and, the key benefits linked to the strategy are discussed in the following sections.

2.2.2.1 Marketing Business Case

A review of the multi-channel and multi-channel retailing literature suggests that numerous marketing benefits are linked to adopting a multi-channel retail strategy. One marketing benefit is that using multiple channels to sell products and services to customers enables retailers to appeal to new customers and increase sales (Crawford, 2005; Coelho *et al.*, 2003; Deleersnyder *et al.*, 2002; Kaufman-Scarborough and Forsythe, 2009; Konus *et al.*, 2008; Wallace *et al.*, 2004). Although in reality many retailers have concerns that adding new channels (such as the Internet) will not generate additional sales, but rather, will cannibalise sales from existing channels (Agatz *et al.*, 2007; Deleersnyder *et al.*, 2002; Webb and Hogan, 2002; Zhang *et al.*, 2010). However, adding new channels, in particular where an Internet channel is added, can facilitate retailers in accessing greater amounts of customer data, which retailers can then use to better segment the market, identify target markets, and,

meet customer needs (Berman and Thelan, 2004; McGoldrick and Collins, 2007; Noble *et al.*, 2005; Webb and Hogan, 2002). Yet, Zhang *et al.* (2010) argue that such data can be worthless unless retailers can actually use it, which is problematic in itself. This is because it requires retailers designing integrated IT infrastructure, to link data across multiple channels, and thus, enable retailers to analyse data in an holistic way. Furthermore, according to a Digital Future Study (2008) consumers have growing privacy and security concerns regarding their personal data, which may lead to consumers being less willing to provide personal data and therefore, reduce the amount of data that retailers can actually access.

Implementing a multi-channel retail strategy can, however, enable retailers to sell a wider range of products to more customers (Agrawal and Venkatesh, 2002; Brynjolfsson and Smith, 2003; Chen and Hitt, 2003; Grewal and Levy, 2009; Lee and Kim, 2008). Though selling a wider range of products to customers can add complexity to retail operations, for instance, retailers may have to manage a higher number of suppliers (Zhang *et al.*, 2010). Nonetheless, another marketing benefit related to adding new and using multiple channels is that retailers can better up-sell and cross-sell products and services to customers, for example, using product recommendations (Kumar and Venkateson, 2005; van Birgelen *et al.*, 2006; Venkateson *et al.*, 2007b; Viswanathan, 2005; Wallace *et al.*, 2004). A wider range of promotional tools can also be used, including online flyers (Grewal and Levy, 2009). Synchronising promotional tools and other elements of the marketing mix across different channels can also increase the effectiveness of, and reduce costs associated with, the marketing mix (Ansari *et al.*, 2008; Shui and Dawson, 2004; Ganesh, 2004; Jantarajaturapath and Ussahawanitchakit, 2009). A case in point is that Weltevreden and Boschma (2008) posit that the marketing mix can be used in one channel to drive footfall in another, for example, online marketing activities can be used to increase store footfall.

In spite of this, the benefits related to 'synchronisation' can be questioned given this is an area with which retailers are still struggling with, especially when it comes to presenting a consistent brand image across different channels (Zentes *et al.*, 2011). On the other hand, a further marketing argument for implementing a multi-channel retail strategy is that retailers can leverage their brand to other channels (Berman and Thelan, 2004; Kaufman-Scarborough and Forsythe, 2009). In particular, traditional bricks-and-mortar retailers with a 'strong brand' can leverage it to other channels (i.e. an Internet channel) creating a 'halo

effect'. The synergy from online and offline channels can also strengthen a retailer's brand (Kwon and Lennon, 2009a).

2.2.2.2 Services Marketing Benefits

A review of the existing multi-channel retailing research suggests that using new and multiple channels can help retailers to improve customer service levels (Agatz *et al.*, 2007; Agrawal and Venkatesh, 2002; Cassab and MacLachlan, 2009; Chen and Hitt, 2003; Fitzsimmons and Fitzsimmons, 2004; Otto and Chung, 2000; Wallace *et al.*, 2004). Adding new channels increases the number of customer contact points a retailer has with customers, giving the retailer more ways to communicate and interact with customers and hence, (potentially) improved CRM strategies (Bendoly *et al.*, 2005; Froehle and Roth, 2004; Ganesh, 2004; Goersch, 2002; Kwon and Lennon, 2009a; Wallace *et al.*, 2004). Fitzsimmons and Fitzsimmons (2004) also claim that increasing the number of customer contact points an organisation has with a customer improves the cost effectiveness and efficiency of an organisation's frontline operations. Though Cassab and MacLachlan (2009) argue that increasing the number of customer contact points an organisation has with a customer can add complexity and cost to CRM. The reason for this is that a retailer must integrate data from across all channels to obtain a holistic view of the customer and provide a seamless, integrated and consistent service to customers via all channels, which can be challenging.

A multi-channel retail strategy can also assist retailers in providing innovative services to the customer, including personalised services (Agatz *et al.*, 2007; Bitner *et al.*, 2000; Pookulangara *et al.*, 2011; van Birgelen *et al.*, 2006). Multiple channels can also reduce the service failures of other channels (Cassab and MacLachlan, 2009), although it is unclear precisely how this is the case. Indeed, given a multi-channel retail strategy often involves the use of non-store channels then this may mean that retailers have less face-to-face contact with customers, receive less customer feedback and therefore, are less aware of service failures. However, several academics claim that multi-channel retailing can improve customer retention, loyalty and satisfaction (Kumar and Venkateson, 2005; Neslin and Venkatesh, 2009; Thornton and White, 2001; Venkateson *et al.*, 2007b; Wallace *et al.*, 2004). According to Kumar and Venkateson (2005) customer retention is improved because when a retailer increases channels then this increases a customer's switching costs. Yet, it can be

questioned whether a multi-channel retail strategy does increase customer loyalty since some studies find that as a customer's Internet use increases then their loyalty to a retailer decreases, suggesting that a customer's switching costs may actually be lowered (Ansari *et al.*, 2008; Gensler *et al.*, 2007). Furthermore, customers acquired via different channels can vary substantially in terms of their loyalty to a retailer (Verhoef and Donkers, 2005; Cortiñas *et al.*, 2010). As such, the benefits of multi-channel retailing (in terms of loyalty) may also vary according to the channels used by a retailer.

2.2.2.3 Operational Business Benefits

Numerous operational benefits are also associated with adding new and using multiple channels, including reduced operating costs and improved efficiencies (Agrawal and Venkatesh, 2002; Chen and Hitt, 2003; Lummus and Vokurka, 2002). One reason for lower operating costs and improved efficiencies is synergies between channels (Dutta *et al.*, 1995; Madlberger, 2006; Myers *et al.*, 2004; Pookulangara *et al.*, 2011; Thornton and White, 2001). Agatz *et al.* (2007:339) assert that

“From an operations management perspective, multi-channelling may yield synergies that help reduce e-fulfilment costs. E-fulfilment, delivering physical goods to the customer, is commonly cited as one of the most expensive and critical operations of Internet sellers.”

For instance, 'click and collect' can generate synergies that help reduce e-fulfilment costs. In brief, 'click and collect' is where a customer orders a product on-line (or via other channels including catalogues) and collects it in-store and therefore, e-fulfilment costs are reduced since the customer does the 'hard work' by collecting the product themselves from a store (Zhang *et al.*, 2010). Importantly, 'click and collect' also enables retailers to deliver products to customers rather than using external suppliers, such as delivery couriers. The absence of couriers may also lead to a further benefit since it can help retailers provide more consistent customer service levels across multiple channels. However, 'click and collect' requires retailers to have a relatively dense store network which many retailers do not have. Stores also need to have space to keep customer orders until collected by customers, yet, many retailers have reduced the amount of warehouse space in-store in order to increase their selling space.

It is also claimed that multi-channel retailing may generate, in theory, synergies which help reduce e-fulfillment costs since retailers can leverage their existing logistics infrastructure to deliver products to the customer, frequently referred to as the 'last mile' (Fernie and McKinnon, 2013; Premazzi *et al.*, 2010; Steinfield *et al.*, 2005; Tse, 2007). Although in reality most retailers cannot use their existing infrastructure to deliver the 'last mile' and have to use third party suppliers to deliver the product to the customer.

2.2.2.4 Financial and Environmental Business Case

A review of the existing multi-channel retailing research reveals that a key benefit associated with adopting a multi-channel retail strategy is that the strategy can increase sales and profit and thus, improve financial performance (Kumar and Venkateson, 2005; Levary and Richar, 2000). Likewise, Wolk and Skiera (2009) argue that a retailer's financial and strategic performance can be improved by implementing a multi-channel retail strategy, especially when a retailer adds an Internet channel to complement existing channels. For instance, as discussed in section 2.2.2.1, the strategy, in theory, facilitates a retailer to expand into new markets (e.g. new target groups, geographical markets) and hence, increase market coverage and sales (Kaufman-Scarborough and Forsythe, 2009; Konus *et al.*, 2008; Wallace *et al.*, 2004). Furthermore, while there is very little literature in this area, especially in terms of the environmental impacts of online retailing (Fernie and McKinnon, 2013), Smithers (2007) claims that a multi-channel, compared to a single channel, strategy is better for the environment, though this has been questioned by other academics (Abukhader and Johnson, 2003; Matthews *et al.*, 2001).

In summary then, this section has highlighted that there are many theoretical benefits associated with using multiple channels to sell products and services to customers. A review of the literature, however, suggests that retailers often face major internal constraints when implementing a multi-channel retail strategy, and, these issues are considered in the following section.

2.3 Multi-channel Retail Strategic Implementation

As discussed in section 2.0, a multi-channel retail 'strategy' is where retailers use two or more integrated channels to sell products and services to the customer (Berman and Thelan,

2004; Levy and Weitz, 2009). The field of 'strategy' can be separated into two stages; the strategic formulation stage and the strategic implementation stage (Ahmed and Rafiq, 1995). Numerous academics argue that, from the viewpoint of an organisation, the greatest difficulties lie in the implementation, rather than the formulation, of strategy. This is since implementing a strategy requires internal alterations which can be problematic (Ahmed and Rafiq, 2004; Bonoma, 1984). Moreover, these internal problems can pose obstacles to an organisation making a strategy happen (Piercy, 2009). Accordingly, a review of the multi-channel retailing literature implies that, from the perspective of a retailer, major difficulties lie in multi-channel retail strategic implementation. Again, this is since using new and multiple channels to sell products and services to customers entails organisational change, which can be challenging (Berman and Thelan, 2004; Zentes *et al.*, 2011; Zhang *et al.*, 2010). These internal issues can also impede a retailer using multiple channels to sell products and services to customers.

In spite of this, there is a lack of conceptual and empirical multi-channel retailing literature which explores the challenges that retailers encounter when adopting a multi-channel retail strategy, especially in the context of the UK retail sector. Given then that the retail sector is one of the UK's largest industries, and, that a multi-channel retail strategy is viewed to be the 'success' model for most UK retailers, then this study argues that there is a need to better understand these multi-channel retail strategic implementation issues. In light of this, this section reviews and synthesises the multi-channel retailing and multi-channel literature to explore the main problems associated with implementing a multi-channel retail strategy, and, to examine how these challenges vary by retailer. The rationale for drawing upon the more general multi-channel literature is that there is limited multi-channel retailing literature which examines the constraints retailers encounter when going multi-channel. Importantly, while the multi-channel literature provides insights into the problems retailers might face when going multi-channel, this further adds to the argument that specific research is needed which explores the challenges retailers face when using new and multiple channels, in particular, in the context of the UK retail sector. Criticisms of the multi-channel retailing literature are discussed throughout this Chapter.

2.3.1 Multi-channel Retail Strategic Implementation Issues

Synthesis of the multi-channel retailing and multi-channel literature suggests that the main difficulties retailers face when going multi-channel stem from the need to; acquire and change resources (Berman and Thelan, 2004; Webb and Lambe, 2007), achieve channel integration (Coelho *et al.*, 2003; Webb and Hogan, 2002; Webb and Lambe, 2007), change organisational culture (Wilson and Daniel, 2007), and, gain multi-channel retail sponsorship (Berman and Thelan, 2004; Doherty *et al.*, 1999; Fillis *et al.*, 2003). These multi-channel retailing issues will now be discussed in more detail in the following sections.

2.3.1.1 The Need to Acquire/Change Resources

A key issue retailers face when going multi-channel is that the strategy often requires new, and changes to existing, financial, IT/logistics and staff resources (Berman and Thelan, 2004; Dhalakia *et al.*, 2005).

2.3.1.1.1 Financial Resources

Significant financial investment can be needed to ensure that the IT infrastructure, including the website, is in place to support an integrated multi-channel offer (Ganesh, 2004; Pentina and Hasty, 2009; Zhang *et al.*, 2010). Major capital expenditure is also needed to maintain the IT infrastructure, including the website, especially given the dynamic nature of the Internet, and, multi-channel retailing. For instance, Barsh *et al.* (2000) estimate that, for large retailers, the cost of adding and maintaining an Internet channel, including the web site itself and necessary back end systems, is between \$15 to \$25 million annually.

Substantial capital expenditure may also be required to re-design a retailer's existing logistics infrastructure to accommodate the addition of new channels (Agatz *et al.*, 2007; Coelho and Easingwood, 2008; Xing *et al.*, 2010; Zhang *et al.*, 2010). As discussed in section 2.2.2.3, the multi-channel retailing literature has a tendency to imply that retailers can use their existing logistics infrastructure to support new channels and a multi-channel retailing offer (Rao *et al.*, 2009). However, Zhang *et al.* (2010:180) argue that, in reality, the addition of a new channel, whether it be catalogues, opening stores or adding an Internet channel, often requires a retailer redesigning their existing logistics infrastructure to accommodate the addition of new channels. The logic for this is that

“retail distribution centres (DCs) supporting a store channel are designed to move merchandise cartons from inbound to outbound trucks with minimal handling. With cross-docking, the cartons often remain in the DC for less than a day. In contrast, the DCs supporting a catalogue and/or Internet channel are designed to receive merchandise in cartons and then break the cartons down to individual items for picking, repacking, and shipment to individual customers. These channels also require different packaging to accommodate shipments of individual items as opposed to cartons.”

In fact, Schoenbachler and Gordon (2002) claim the cost to Toys R Us of re-designing their logistics infrastructure to accommodate the addition of an Internet channel was \$30 million.

Additionally, opening stores as part of a multi-channel retail strategy requires high levels of capital expenditure, though this receives little attention in the multi-channel retailing literature. Yet, Zhang *et al.* (2010:181) claim that

“...for some catalogue and/or Internet channel retailers, the costs of opening stores with national coverage may be prohibitive.”

2.3.1.1.2 Staff Resources

Adopting a multi-channel retail strategy can also require the training and recruitment of staff because staff with different skill sets are needed for a multi-channel, compared to a single channel, strategy (Berman and Thelan, 2004; Coelho *et al.*, 2003). A case in point is that traditional bricks-and-mortar retailers adding an Internet channel require staff with specialist Internet skills and technological know-how (Miller, 1996). Zhang *et al.* (2010:171) argue that Internet based retailers opening physical stores also need to recruit staff with store based skill sets due to

“...their lack of knowledge and experience in evaluating locations, negotiating leases, maintaining stores, tailoring the assortment to local markets, and selecting, training and managing a large workforce.”

There is, however, a lack of empirical research which explores the need for Internet/catalogue based retailers to recruit staff with the necessary store expertise and knowledge when adding a store channel.

The use of a combination of channels to sell products and services to customers also necessitates more complex IT and logistics infrastructure than that required for single

channel operations. As a result, a multi-channel retail strategy often calls for staff with knowledge and expertise of designing and managing complex IT and logistics infrastructure (Min *et al.*, 2006). The nature of these staff skills and expertise may also vary according to a retailer's product range, for example, a retailer selling perishable food products may need staff with different skill-sets compared to a retailer selling non-perishable products, although again this is rarely acknowledged in the multi-channel retailing literature.

2.3.1.1.3 Challenges Acquiring/Changing Resources

The previous sections have highlighted that retailers often need to acquire and switch resources when implementing a multi-channel retail strategy. Yet, retailers frequently encounter significant challenges acquiring new, and changing existing, resources to go multi-channel. An illustration of this is that obtaining capital investment for new channels can be difficult because these channels often generate a low proportion of a retailer's overall sales. Therefore, given organisations usually measure the performance of channels according to the sales an individual channel generates, then on paper, 'new' channels do not appear to merit significant financial investment (Balasbramanian *et al.*, 2005; Coughlan *et al.*, 2001; Hood, 2002; Hughes, 2006; Kumar and Venkateson, 2005; Lebo, 2004; Lenskold, 2002; Nunes and Cespedes, 2003). Measuring the performance of channels according to the sales it generates also fails to acknowledge 'channel influenced' sales. To put it another way, where a sale has not taken place in a channel but where that channel has contributed to a sale in another channel, for example, a customer may research a product online but purchase that product in-store. In fact, in the retail sector "*...customers... use several retail channels in combination in their buying processes*" (Zentes *et al.*, 2011:82). As such, failure to acknowledge channel influenced sales does not give a true reflection of the performance of individual channels. This can create issues getting capital expenditure for channels which generate low sales, even though these channels may increase sales in other channels. Still, measuring channel performance is difficult in itself since it requires innovative methods of evaluating ROI, customer lifetime value, total number of customers and total marketing expenses to ascertain the true performance of channels (Lenskold, 2002; Valos, 2008; Zhang *et al.*, 2010).

According to Coelho and Easingwood (2008) acquiring financial investment for channels is also challenging due to the high short-term costs but long-term benefits associated with channel investment. This creates a tension since the focus of most organisations is on short-term costs rather than long-term benefits (Anderson *et al.*, 1997). Though as an organisation implements a multi-channel strategy its capabilities improve, as do sales from new channels, and multi-channel operations *per se*. Consequently, on paper, it appears that individual channels and multi-channel operations do merit financial, and other, resources (Coelho and Easingwood, 2008). Although, Webb (2002:338) contend that the additional financial investment required can continue to place “...*conflicting demands on internal company resources such as capital, personnel, products and technology*”. Besides, conflicting demands placed on internal resources, and lack of staff resource, can cause conflict impeding channel integration; an antecedent of effective multi-channel implementation (Webb and Lambe, 2007).

It may not also be possible for some retailers to acquire/change resources to effectively use multiple channels to sell products and services to customers. Zhang *et al.* (2010) claim that a shortage of staff with traditional bricks-and-mortar skills is a reason why so few non-store retailers have opened physical stores. Zhang *et al.* (2010) further argue that a multi-channel retail strategy needs staff with ‘tacit’ knowledge to create a seamless, integrated shopping experience. This implies that individuals gain the necessary skill-set for the strategy by being responsible for, or involved in, making a multi-channel retail strategy ‘happen’, rather than through staff training alone. Thus, multi-channel retailers (especially during the early implementation stages) may need to externally recruit some staff with ‘tacit’ knowledge of multi-channel retailing, which may be difficult given few retailers have yet implemented a seamless, integrated multi-channel retail strategy. Berman and Thelan (2004) also contend that new and multiple channels often require financial resources which are far greater than those required for a single channel retail strategy. This may mean that many retailers cannot access the, often major, financial resources required to go multi-channel (Zhang *et al.*, 2010). Levy and Weitz (2009:176) claim that this is often the case with small and medium sized retailers who “... *rarely possess the financial...resources to create seamless multiple channel environments.*”

2.3.1.2 Channel Integration Difficulties

While a key characteristic of a multi-channel retail strategy is channel integration (Berman and Thelan, 2004; Pentina and Hasty, 2009), there is limited empirical multi-channel retailing literature concerning the issues retailers face in this area. There is, however, empirical multi-channel literature which examines the issues that organisations encounter when integrating departments, functions and channels to implement a multi-channel strategy. In light of this, while the multi-channel retailing literature is referred to here, this section is largely informed by the multi-channel literature. This further re-iterates the need for empirical research which explores the issues retailers face when going multi-channel, including those challenges associated with the need to achieve channel integration.

According to Tate *et al.* (2004) channel integration is the extent to which channels share common organisational resources, including departments such as marketing, finance and logistics. Channel integration leads to channel synergy, which Pentina and Hasty (2009:361) define as

“...using... channels in a manner that increases the effectiveness of each separate channel in providing a seamless shopping experience for customers, thereby contributing to the superior performance of the company.”

Channel synergy then requires organisations to communicate and leverage the brand consistently across all channels (Gulati and Garino, 2000; Pentina and Hasty, 2009; Tate *et al.*, 2004).

Still, retailers (and organisations in general) often face significant challenges when integrating channels (Berman and Thelan, 2004; Webb and Hogan, 2002; Rosenbloom, 2007; Tate *et al.*, 2004; Wehmeyer *et al.*, 2009). In fact, Zentes *et al.* (2011:82) argue that

“...the integration of retail channels is one of the major issues with which retailers are still struggling with.”

One reason behind this is that adding new channels and implementing a multi-channel retail strategy often entails retailers re-designing their legacy logistics and IT infrastructure to provide a seamless, integrated shopping experience to customers across multiple channels (Gulati and Garino, 2000; Muller-Lankenau *et al.*, 2004; Rangaswamy and van Bruggen, 2005). That is, to enable customers to buy a product from one channel and collect it, or

return it, in another channel (Tate *et al.*,2004). Channel integration also involves the amalgamation of numerous functions, including buying and stock control (Muller-Lankenau *et al.*,2004; Rangaswamy and van Bruggen, 2005). Yet, many retailers have an organisational structure where different departments are responsible for the marketing mix and work independently and so, integrating even just the marketing department can be challenging (Zhang *et al.*, 2010).

A further obstacle to channel integration can be conflict between departments and channels (Coelho *et al.*, 2003; Webb and Hogan, 2002; Sharma and Mehrota, 2007; Stern *et al.*, 1996; Stone *et al.*, 2002; Yan, 2008). Webb and Lambe (2007:39) define 'conflict' in a multi-channel environment as

"...opponent-centred behaviour on the part of one channel coalition that may prevent or impede another channel coalition from achieving its goals."

Conflict can arise between staff in incumbent channels and those in new channels since staff in existing channels may perceive the addition of new channels to be a threat to their sales (Chevalier, 2002; Deleersnyder *et al.*, 2002; Tsay and Agrawal, 2004; Webb, 2002; Zhang *et al.*,2010). As Agatz *et al.* (2007: 340) posit

"an additional distribution channel may partly cannibalise the sales of existing channels, rather than growing total sales. Conflicts may arise between different divisions that manage a company's different channels."

Similarly, Koontz and Gibson (2002:385) assert that

"E-commerce outgrowths of conventional bricks-and-mortar retailers may not only come into competition with other online retailers but also may sometimes be seen as competitors of their own bricks-and-mortar parents."

In their empirical study, in the banking sector, Coelho *et al.* (2003) find that an increase in channels leads to an increased number of units competing for the same customers, which can cause conflict. Besides, Coelho *et al.* (2003) highlight that ambiguity around the role of each channel further exacerbates this conflict. Likewise, in their empirical study, in a B2B context, Webb and Lambe (2007) find that the use of multiple channels increases conflict, especially when an Internet channel is added. Webb and Lambe (2007) claim that conflict first begins with 'goal incompatibility', which is when an organisation breaks down goals (such as those which take the form of growth rates, revenues, profits and market share) into

specific functional objectives which conflict with each other. Hence, for one channel, function or department to achieve its goals, another channel, function or department may be required to sacrifice, or at least compromise, their primary goals. In essence then, goal incompatibility exists when staff perceive the objectives of all channel coalitions cannot be achieved concurrently.

According to Webb and Lambe (2007) the second cause of channel conflict is 'domain dissensus' (Reve and Stern, 1979). Domain dissensus causes conflict when channel coalitions must draw from the same base of limited resources to accomplish their tasks and objectives. The greater the overlap in resource requirements, along with the more limited the resource base, then the greater the domain dissensus (Coughlan *et al.*, 2001; Webb and Lambe, 2007). External sources of domain dissensus include customers, products and services while internal sources of domain dissensus include funding allocation and employee skills (Webb and Lambe, 2007). The third cause of conflict is 'differing perceptions of reality' where staff have different actions to the same situation, and, is often due to a lack of internal communication (Webb and Lambe, 2007). While Webb and Lambe (2007) found that conflict can arise due to goal incompatibility, domain dissensus and differing perceptions of reality, they found that conflict was especially caused by a lack of internal resources.

Conflict can pose further issues when implementing a multi-channel retail strategy. For instance, Frazier (1999) argues that conflict can lead to lower levels of staff engagement with multi-channel retailing. Conversely, a downside of channel integration can be a loss of creativity and freedom (Tate *et al.*, 2004; Westerman, 2002). For these reasons,

"...channel strategy presents organisations with a tension between two distinct groups of dynamic capabilities that must be balanced. On the one hand, managers need to develop innovative channels that change the way the company operates and how it interacts with customers, while on the other, they need to keep the organisation operating as a single, coherent entity so as to create innovative channel combinations and deliver consistent service." (White and Daniel, 2004:20).

Moreover, Halal *et al.* (1993) claim that *some* conflict is healthy between different departments, functions and channels of an organisation. According to Halal *et al.* (1993) organisations should be viewed as fully de-centralised bottom-up structures which form complete internal market economies with many autonomous business units. These internal

enterprises may buy and sell to other units within the company, compete with one another, and even work with outside competition. Hence, the logic of the free market governs rather than the logic of hierarchy, even though this can create conflict. This suggests then that a further challenge to retailers adopting a multi-channel retail strategy is managing conflict to a level which promotes a healthy level of competition between departments and channels, while not impeding channel integration.

2.3.1.3 Internal Culture Constraints

A review of the multi-channel retailing literature, while limited, implies that cultural issues are associated with using new and multiple channels to sell products and services to customers. A multi-channel retail strategy requires an organisational culture which is innovative, risk-taking and adaptive to changing needs (Coelho and Easingwood, 2008; Grewal *et al.*, 2010). Anecdotal evidence from retailers also suggests that because the strategy is 'new', there is very little, if any, guidance available as to how to implement the strategy. As such, multi-channel operators need to adopt a 'learning by doing approach' where decisions are based on 'gut feel', rather than a 'learning before doing approach' where decisions are wholly grounded in data. Similarly, while in a non-retailing context, Wilson and Daniel (2007) found that, in their empirical study, using multiple channels requires an experiential, iterative, 'learning by doing approach', rather than a 'learning before doing approach'.

While a multi-channel retail strategy requires a culture which is innovative, risk-taking and adaptive to changing needs, in contrast, many traditional bricks-and-mortar retailers have an organisational culture which is conservative, bureaucratic, resistant to change and top-down. Traditional retailers also tend to adopt a 'learning before doing approach' where decisions are based on research, rather than a 'learning by doing approach' where decisions are made on 'gut feel'. This suggests then, that for the most part, traditional bricks-and-mortar retailers need to shift towards a more innovative, risk-taking culture to go multi-channel. However, Halal (2000:3) claims that moving away from a top-down, bureaucratic organisational culture is difficult for any organisation to do, and, in reality, in most organisations

“...the prevailing corporate structure remains a centrally-managed hierarchy, albeit adorned with a few gentle touches and good intentions.”

Adopting a multi-channel retail strategy can also involve retailers altering their organisational structure, which can be difficult. Zhang *et al.* (2010:181) argue “...that creating the appropriate organisational structure is arguably the greatest challenge facing all retailers”. In general, since no one organisational structure is appropriate for every multi-channel retailer. Nevertheless, Wilson and Daniel (2007), for example, find evidence that implementing a multi-channel strategy requires an organisational structure which is both decentralised and informal, along with one which balances the need for innovation and integration. Similarly, several other academics concur that implementing a multi-channel retail strategy requires a decentralised structure (Gulati and Garino, 2000; Zhang *et al.*, 2010). But, a ‘decentralised and informal’ structure could be interpreted in a number of ways, which suggests that there is no ideal organisational structure for retailers to adopt.

Yet, designing an appropriate multi-channel retailing organisational structure is important because where a retailer has a structure which does not lend itself well to multi-channel retailing then this can pose internal problems. A case in point is that according to Zhang *et al.* (2010) when a traditional bricks-and-mortar retailer adds an Internet channel then the channel is often purposefully kept separate from the rest of the retailer, which enables the channel to be independent, attract talent and encourage growth. However, because the channel operates in isolation and does not share common functions with other channels, this can then cause channel integration issues. Also, as discussed in section 2.3.1.2, since many retailers are structured in a way where different functions, departments or channels are responsible for the marketing mix and work independently, then this can also impede channel integration and thus, multi-channel retail strategic implementation (Rangaswamy and van Bruggen, 2005).

2.3.1.4 Staff Engagement Challenges

A multi-channel retail strategy requires the ‘buy in’ of all key decision makers and staff (Berman and Thelan, 2004; Zhang *et al.*, 2010). Zhang *et al.* (2010) argue that the ability of a retailer to implement a multi-channel retail strategy depends on the level of commitment it has from staff towards the strategy, but, acknowledge that gaining staff support can be

difficult. While in a non-multi-channel retailing context, Coelho *et al.* (2003), in their empirical study, demonstrate that gaining staff motivation towards a multi-channel strategy is especially difficult during the early implementation stages because the necessary infrastructure is often not in place to support an integrated multi-channel offer, and, sales of new channels are low. Although, Coelho *et al.* (2003) contend that getting multi-channel sponsorship does become easier as the necessary infrastructure is put in place, and, sales of new channels increase. Still, Coelho and Easingwood (2008:1007) find that securing staff engagement may be problematic given that

“...some managers may try to protect their positions from any channel changes that may eventually adversely affect them.”

Gaining staff motivation towards the strategy may also be challenging since some staff can view the addition of new and multiple channels in a negative way. An illustration of this, as discussed in section 2.3.1.2, is that staff may view the addition of a new channel as a threat to their channel, for example, in terms of sales. New and multiple channels can also be seen as difficult to manage (often due to technical difficulties) and thus, add complexity to roles and increase workload (Cespedes and Corey, 1990; Webb and Lambe, 2007). Coughlan *et al.* (2001) also claim that gaining the ‘buy in’ of staff can be difficult because staff have differing perceptions of new and multiple channels, which can lead to further problems, including creating conflict between staff in different channels. Though Zhang *et al.* (2010) contend that where a retailer is already using more than one channel to sell products and services to customers, then staff have higher levels of commitment towards the use of new and multiple channels (although it is unclear why this is the case). Besides, large retailers may still face unique challenges gaining staff engagement with a multi-channel retail strategy, even when already using more than one channel. This is since large retailers employ a significant number of staff, at different levels, in different roles, and, often in disparate geographical locations, which can make gaining staff support towards a strategy a complex and difficult exercise.

Notably, while the existing multi-channel retailing research suggests that retailers face problems due to the need to gain staff multi-channel engagement, these issues are ‘glossed’ over in the multi-channel retailing literature. This may be because low staff engagement

represents the 'softer' end of multi-channel retail strategic implementation constraints and so, receives little attention in the literature.

2.4 Multi-channel Retail Strategic Implementation Issues by Type of Retailer

Consideration of the existing multi-channel retailing research also implies that the problems retailers encounter when adopting a multi-channel retail strategy can vary according to the type of retailer. Precisely, the literature suggests that multi-channel retailing issues vary according to; the size of a retailer, whether a retailer is initially store, Internet or catalogue based, and, if a retailer is service or merchandise based. Moreover, in the case of merchandise based retailers then these multi-channel constraints can further differ according to the nature of the product range sold to the customer. In spite of this, the way in which multi-channel retail strategic implementation issues vary by retailer has not been the focus of any study to date (to the best of the researcher's knowledge) and thus, these themes are discussed in the following section.

2.4.1 Store, Internet and Catalogue Based Retailers

Internet, catalogue and store based retailers often have different resources and therefore, are likely to face different problems due to the need to acquire and change different resources to go multi-channel. Grewal *et al.* (2010) claim that, out of all types of retailers, store based retailers have resources which are better suited to multi-channel retail strategic implementation. One reason for this is that many store based retailers have a well-established and trusted brand which can be leveraged to new channels, creating a halo effect (Benedicktus *et al.*, 2010; Grewal *et al.* 2010; Kwon and Lennon, 2009a; Tse, 2007). In contrast, Internet based retailers tend not to have an established and trusted brand and it can be argued then, that these retailers need greater financial resources to build their brand, and, offer incentives to encourage customers to shop with them (Barsch *et al.*, 2000; Grewal *et al.*, 2010; Reichheld and Schefter, 2000). Still, as discussed in section 2.3.1.1.1, retailers often face difficulties getting the necessary financial resources to go multi-channel which suggests that these retailers may also encounter issues getting the necessary financial investment to establish their brand and offer customer incentives. Besides, the notion that Internet based retailers do not have an established and trusted brand may have limited

value since numerous Internet based retailers do have established and trusted brands, for instance, Amazon and Ebay.

Another reason store based, compared to non-store based, retailers might face fewer problems when going multi-channel is that store based retailers often have the physical infrastructure (i.e. logistics and stores) to support a multi-channel offer (Maltz *et al.*, 2004; Tse, 2007). For instance, store based retailers can utilise their existing store network for Internet returns, and, their existing warehouses can be used to support the addition of a catalogue or website channel (Agatz *et al.*, 2007; Berman and Thelan, 2004). Then again (as discussed in section 2.3.1.1.1) the extent to which store based retailers can leverage their existing infrastructure to new channels can be questioned. Moreover, store based retailers may find that their legacy systems can actually be a hindrance to multi-channel retail strategic implementation due to the problems associated with adapting these systems to accommodate non-store based channels (Grewal *et al.*, 2010). In fact, Xing *et al.* (2010:121) claim that Internet retailers lack of logistics systems can mean that Internet retailers face fewer problems, compared to store based retailers, when implementing a multi-channel retail strategy because they do not have to adapt existing systems to support the addition of new channels. Instead they

“...can start with a “clean sheet of paper” to devise their sales and distribution activities. Pure players need to configure an effective home delivery system and some choose to build their own e-fulfilment centres and use logistics service providers (LSPs) to do the delivery to maintain control over the in-house physical flow and offer better service to consumers.”

Although Internet based retailers may face further issues adopting a multi-channel retail strategy, compared to store based retailers, because Internet based retailers frequently have to open physical stores to go multi-channel, which can be more problematic than, for example, a store based retailer adding an Internet channel. For instance, as discussed in section 2.3.1.1.2, non-store based retailers adding a store channel have to recruit staff with specialist store knowledge and expertise. Several academics claim that these store based related constraints, including lack of staff with traditional store skill-sets, form the main reasons why many Internet based retailers have not added a store channel to sell products and services to customers (Grewal *et al.*, 2010; Zhang *et al.*, 2010).

The debate then surrounding which type of retailers possess resources better suited to multi-channel retail strategic implementation and thus, which face fewer multi-channel retail strategic implementation issues is ongoing, due to the lack of empirical multi-channel retailing research in this area (Chen and Leteney, 2000; Klinger *et al.*, 2003; White and Daniel, 2004; Xing *et al.*, 2010). The multi-channel retailing literature also largely focuses on Internet based and, to a lesser extent, store based retailers adding new channels to go multi-channel, ignoring catalogue based retailers. Yet out of all types of retailers, then catalogue based retailers may have internal dynamics which better lend themselves to multi-channel retailing and hence, these retailers may face fewer issues when implementing a multi-channel retail strategy. A case in point is that Berman and Thelan (2004) argue that catalogue based retailers have significant opportunities to leverage their existing customer databases, order fulfilment operations, and, product descriptions to Internet channels. Grewal *et al.* (2010) also claim that many catalogue based retailers have successfully added an Internet channel due to their expertise in cataloguing products. Khan (2006) further argues that catalogue based retailers who have gone multi-channel are generating better operating margins than Internet based retailers who have implemented a multi-channel retail strategy. In fact, Argos, the UK catalogue based retailer which “...combined catalogues with showrooms, then added telephone and Internet ordering from its increasingly large catalogues” (McGoldrick and Collins, 2007:49) is frequently cited as an example of ‘best practice’ in multi-channel retailing by practitioners and academics alike.

2.4.2 Service Vs. Product Based Retailers

The existing multi-channel retailing research suggests that multi-channel retail strategic implementation constraints might also vary according to whether a retailer is service or product based. Zhang *et al.* (2010:168) claim that product based retailers face greater problems, than service based retailers, because their product management and delivery issues are more complex. This is since service based retailers can complete transactions electronically “...thus inspection, storage, and transportation of physical products is not necessary to complete a sale”. On the other hand, product based retailers do have to inspect, store and transport physical products to complete a sale. For these reasons, merchandise based retailers often face greater problems, than service based retailers, stemming from the need to ensure that the necessary infrastructure is in place to support a

multi-channel offer, including IT and logistics. Yet, while Zhang *et al.* (2010) claim that product based retailers face greater problems than service based retailers when using new and multiple channels, it can be argued that all retailers are in fact service organisations (George, 1990).

Nonetheless, the problems merchandise based retailers face when going multi-channel might differ according to the nature of a retailer's existing product range. One reason for this is that

“some retailers, such as those who sell furniture or white goods, already have home delivery systems in place and have been able to easily adapt their systems to accommodate online sales.” (Xing *et al.*, 2010:416).

Additionally, multi-channel retail strategic implementation issues may also alter since certain products are better suited to different channels (Coelho and Easingwood, 2008; Law, 2005; Lynch and Ariely, 2000). For example, according to Gensler *et al.* (2007) electrical products are better suited to being sold via the Internet compared to what they term 'sophisticated' products, such as jewellery. This is because customers expect high levels, of often personal, service when buying 'sophisticated' products, which might be difficult to replicate in an online shopping environment. Despite this, there is limited literature exploring how multi-channel retail strategic implementation problems vary by type of product and service levels.

2.4.3 Retailer Size

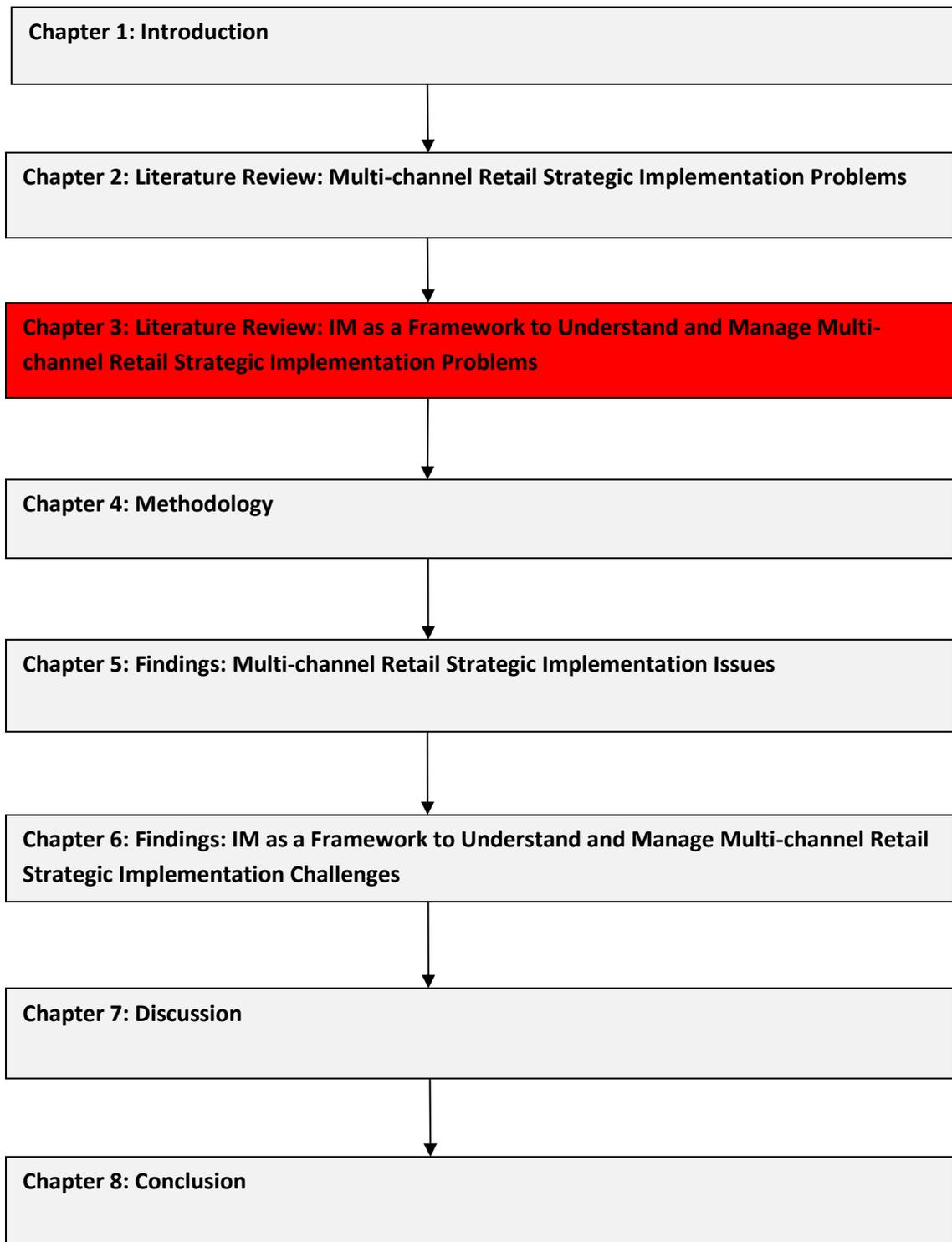
The challenges associated with multi-channel retailing can also differ according to the size of a retailer, for example, (as discussed in section 2.3.1.1.3) Levy and Weitz (2009) argue that small and medium sized retailers rarely possess the financial resources to implement an integrated multi-channel retail strategy. The multi-channel literature also suggests that as an organisation increases in size it becomes more rigid structurally (because channel power becomes institutionalised) and as a result, internal change is more problematic (Coelho and Easingwood, 2008; Grewal *et al.*, 2010; Konus *et al.*, 2008; Peterson *et al.*, 1997; Webb and Hogan, 2002). In addition, while not articulated in the multi-channel literature, it could be said that gaining multi-channel staff engagement becomes more challenging as a retailer increases in size simply because there are more staff the retailer needs to gain support from

(as discussed in section 2.3.1.4). However, due to the lack of multi-channel retailing literature in this area, again, there is a need for further empirical research to explore if this is the case.

2.5 Summary

This Chapter has reviewed the multi-channel and multi-channel retailing literature to understand what is meant by a multi-channel retail strategy, and, why the strategy has attracted attention. While the literature provides a persuasive rhetoric for a multi-channel retail strategy it also suggests that retailers face internal problems when making a multi-channel retail strategy happen, and, that these issues can vary by type of retailer. Despite this, to the best of the researcher's knowledge, no study to date has directly explored the internal difficulties retailers encounter when going multi-channel, in the context of the UK retail sector. This is because the multi-channel retailing literature is at an early stage with much of the literature of a conceptual nature aimed at practitioners. Given that a multi-channel retail strategy is the 'success model' for most retailers then this study asserts that there is a need for empirical research which understands multi-channel retail strategic implementation problems, in the context of the UK retail sector. From an academic perspective, this will make an original contribution to the existing academic literature. From a practical perspective, it is hoped that it will support retailers when using multiple channels to sell products and services to customers.

Chapter 3 LITERATURE REVIEW: IM AS A FRAMEWORK TO UNDERSTAND AND MANAGE MULTI-CHANNEL RETAIL STRATEGIC IMPLEMENTATION PROBLEMS



3.0 Introduction

Chapter two highlighted that while there are many advantages related to using multiple channels to sell products and services to customers there are also numerous problems. In spite of this, the multi-channel retailing literature provides little empirical insight into these issues, particularly in the context of the UK retail sector. Moreover, there is a lack of multi-channel retailing research which examines ways of managing these difficulties. Nonetheless, analysis of these multi-channel retailing problems according to the literature suggests that these issues are IM related. Also, a review of the IM literature suggests that IM offers a theoretical framework to examine and possibly manage these multi-channel retail strategic implementation difficulties. Therefore, this Chapter addresses the gap in knowledge by synthesising the relevant IM literature to argue that IM offers a framework to explore and potentially resolve the challenges retailers face when adopting a multi-channel retail strategy. The Chapter begins by critically examining how IM is defined. This is followed by a critical discussion of the conceptualisation and application of IM as a way of supporting strategic implementation. Criticisms of the literature are also discussed throughout the Chapter, however, the main criticism of the literature is the lack of research which explores the role of IM as a framework to understand and manage the issues associated with the implementation of a multi-channel retail strategy. The lack of studies in this area stems from a multi-channel retail strategy being a 'new' strategy and thus, the multi-channel retailing literature is at an early empirical stage. Furthermore, IM is an emerging area in the field of strategic implementation.

3.1 Defining Internal Marketing (IM)

This section considers how *IM as a vehicle to aid strategic implementation* is defined since an objective of this study, and the focus of this Chapter, is to explore the role of *IM as a way of understanding and helping multi-channel retail strategic implementation*. Ahmed and Rafiq (2004:11) define IM (as a tool to help strategic implementation) as

"...a planned effort using a marketing-like approach directed at motivating employees, for implementing and integrating organisational strategies towards customer orientation."

Ahmed and Rafiq's (2004) definition of IM (as a tool to aid strategic implementation) is used in this study since Ahmed and Rafiq offer the only definition of IM which *explicitly* recognises the role of *IM as a vehicle to aid strategic implementation*.

There are further reasons for using Ahmed and Rafiq's (2004) definition of IM in this study. One reason is that the focus of this research is a multi-channel retail strategy and therefore, any IM effort used to implement the strategy must comprise a strategic and tactical level. Ahmed and Rafiq's definition (2004) of IM, compared to other academics definition (Berry and Parasuraman, 1991; Gronroos, 1981) though similar to Piercy's (2009) definition, more clearly articulates the tactical elements (of a short term, transactional interaction orientation) and strategic elements (of a long term nature, comprising objectives with an external focus) of any IM programme (Voima, 2000). Ahmed and Rafiq's (2004) definition of IM also explicitly recognises the role of IM as a way of gaining staff engagement, changing organisational culture, acquiring/switching resources, and, in contrast to Piercy (2009), achieving integration to facilitate strategic implementation. Importantly, these are all areas (i.e. integration, resources, staff engagement and culture) which the multi-channel and multi-channel retailing literature implies retailers face problems with when using multiple channels to sell products and services to customers. This supports the argument then that IM might offer a framework to understand and possibly manage multi-channel retail strategic implementation issues.

Another reason for using Ahmed and Rafiq's (2004) definition of IM is that Ahmed and Rafiq claim that their definition of IM overcomes criticisms associated with other academics definitions and conceptualisations of IM (Berry, 1981; Berry and Parasuraman, 1991; Sasser and Arbeit, 1976). For instance, Berry and Parasuraman's (1991) and Sasser and Arbeit's (1976) conceptualisation of IM (which focuses on improving service quality) argues that organisations should view staff as 'customers' and jobs as 'products' and that the needs and wants of staff should be attended to prior to the needs and wants of customers. Ahmed and Rafiq (2004), however, argue that meeting the needs of staff before customers goes against a basic principle of the marketing concept, which is that primacy should be awarded to attending to the needs and wants of customers. Ahmed and Rafiq (2004) also question if, in reality, an organisation *can* meet and satisfy the needs of staff since it entails significant costs which an organisation may not be able to afford, or, which may not be commercially viable.

In addition, Ahmed and Rafiq (2004) identify several problems related to treating jobs as 'products', or, to say it another way, designing jobs to meet and satisfy the needs of staff.

Ahmed and Rafiq (2004) claim that the 'product' (job) 'sold' to staff may be unwanted or possess negative values. While customers in this situation can choose not to buy a product, staff are unlikely to have a choice in the 'product', possibly due to a financial need to work and/or no other job being available. Also, while customers cannot be coerced into accepting products that they do not want or that possess negative values, staff can be coerced into accepting 'products' (i.e. jobs) that they do not want or that possess negative values, often due to the contractual nature of their employment. For instance, staff may be coerced into accepting unwanted alterations to their job description due to the nature of their employment contract. Ahmed and Rafiq (2004) argue then that, given their definition of IM does not propose treating staff as customers, jobs as 'products', or, meeting the needs of staff over customers, then it overcomes criticisms associated with other academics' definitions of IM (Berry and Parasuraman, 1991; Sasser and Arbeit, 1976). Ahmed and Rafiq (2004) also assert that for these reasons their definition of IM is easier for organisations to apply in practice, compared to other definitions of IM (Berry and Parasuraman, 1991; Sasser and Arbeit, 1976).

Still, according to Ahmed and Rafiq (2004) their definition of IM does share some similarities with other definitions of IM since it incorporates the main elements of IM, which are; employee motivation and satisfaction, customer orientation and satisfaction, inter-functional co-ordination and integration, and, a marketing-like approach. For instance, the use of IM to satisfy and motivate staff via marketing-like activities is proposed by Berry and Parasuraman (1991). The role of IM using a marketing-like approach to achieve integration, create a customer orientation, and, attain customer satisfaction is proposed by Gronroos (1981). Similarly, Piercy (2009) claims that a pre-requisite of any IM effort is that an organisation must be customer orientated (Lings and Greenley, 2005). However, Piercy (2009) extends Gronroos' (1981) view that everyone in the organisation must be involved in serving the customer, to one where everyone in the organisation must be involved in serving the customer *and* delivering the strategy.

To summarise then, the above considerations highlight that Ahmed and Rafiq's (2004) definition of IM is used in this study for a number of reasons. A key reason being that Ahmed and Rafiq's (2004) definition of IM is the only definition of IM in the literature which explicitly recognises the role of IM as an aid to strategic implementation. Nonetheless,

Ahmed and Rafiq's (2004) definition of IM is also used in this study since it acknowledges the use of strategic and tactical elements in any IM programme. Besides, the definition of IM proposed by Ahmed and Rafiq (2004) clearly articulates the use of IM as a way of achieving integration, altering organisational culture, changing and acquiring resources, and, gaining the support of staff towards effective strategic implementation. This is important since the literature suggests that these are all areas which retailers struggle with when going multi-channel. This adds to the argument then that IM might offer a framework to examine and potentially redress multi-channel retail strategic implementation difficulties.

3.2. Conceptualisation of IM

The previous section has explored how IM as a tool to help strategic implementation is defined and this section critically discusses conceptualisations of IM as a tool to support strategic implementation. The two main contributors in this area are Ahmed and Rafiq (2004) and Piercy (2009) and so, this section first discusses Piercy's conceptualisation of IM followed by Ahmed and Rafiq's conceptualisation of IM.

3.2.1 Piercy's (2009) Conceptualisation of IM

3.2.1.1 The Need for IM

Piercy (2009) contends that firms face internal problems when implementing a strategy due to the internal alterations needed to make the strategy happen. Specifically, these issues are created

"...by the people, the systems and procedures, the departments and managers, whose commitment and participation are needed to implement strategies effectively, i.e. the internal customers for our plans and strategies." (Piercy, 2009:469)

To address these internal constraints, Piercy (2009) argues that organisations need to use an IM programme aimed at the internal marketplace (i.e. individuals employed by the organisation, as well as suppliers). In this sense then, Piercy's (2009) conceptualisation of IM is in line with that offered by other academics, who also argue that any IM programme should be aimed at staff and suppliers (Gilmore, 2000; Gummesson, 1991; Voima, 2000). On the other hand, Ahmed and Rafiq's (2004) conceptualisation of IM does not acknowledge the need to include suppliers in any IM programme.

3.2.1.2 Goals of IM

According to Piercy (2009) IM is concerned with making the internal alterations necessary to effectively implement a strategy and thus, similar to Ahmed and Rafiq (2004), the goals of IM might include changing and acquiring resources, altering organisational culture and gaining the support of people towards making the strategy happen. Though, in contrast to Ahmed and Rafiq (2004), Piercy (2009) does not clearly identify the role of IM as a way of aiding integration to facilitate strategic implementation. Nonetheless, Piercy's (2009) conceptualisation of IM is still relevant to this study and hence, the goals of IM, according to Piercy, are considered in the next section.

3.2.1.2.1 Gaining the 'Buy In' of People to Achieve Strategic Implementation

Piercy (2009) maintains that an essential goal of any IM programme should be to gain staff engagement with the strategy. Low staff support poses strategic implementation barriers in itself, but can also lead to other problems, such as getting the necessary resources to make the strategy happen (as discussed in section 2.3.1.4). Yet, gaining the support of staff towards strategic implementation can be problematic (Piercy, 2009). Some individuals may not be interested in making the strategy happen, for example, they may feel it will lead to them losing power within the organisation (Gilmore, 2000). In addition, managers often fail to recognise, or under estimate, the need to get staff buy-in towards a strategy. Moreover, even when managers do identify the vital role that staff support plays in strategic implementation then these managers often lack the natural skills to engender staff support (Maccoby, 2007; Piercy, 2009). Nevertheless, Piercy (2009) puts forward that IM offers a way of helping managers to understand the need to get staff engagement to implement a strategy, and, that IM provides managers with a theoretical framework to develop the necessary skills to gain this staff support.

3.2.1.2.2 Changing Organisational Culture

According to Piercy (2009) another goal of IM is to make cultural alterations since the 'right' internal culture is an antecedent to achieving strategic implementation. Section 2.3.1.3 revealed that multi-channel retailers need an organisational culture which is entrepreneurial, risk-taking and which adopts a 'learn as you go' (rather than a 'learn before you do')

approach in order to effectively adopt a multi-channel retail strategy. Many retailers, however, do not have this type of culture and thus, need to make cultural alterations to go multi-channel, which can be difficult (Piercy, 2009). Importantly though, Piercy (2009) proposes that IM provides a tool to help firms make these problematic internal cultural modifications, necessary to implement a strategy.

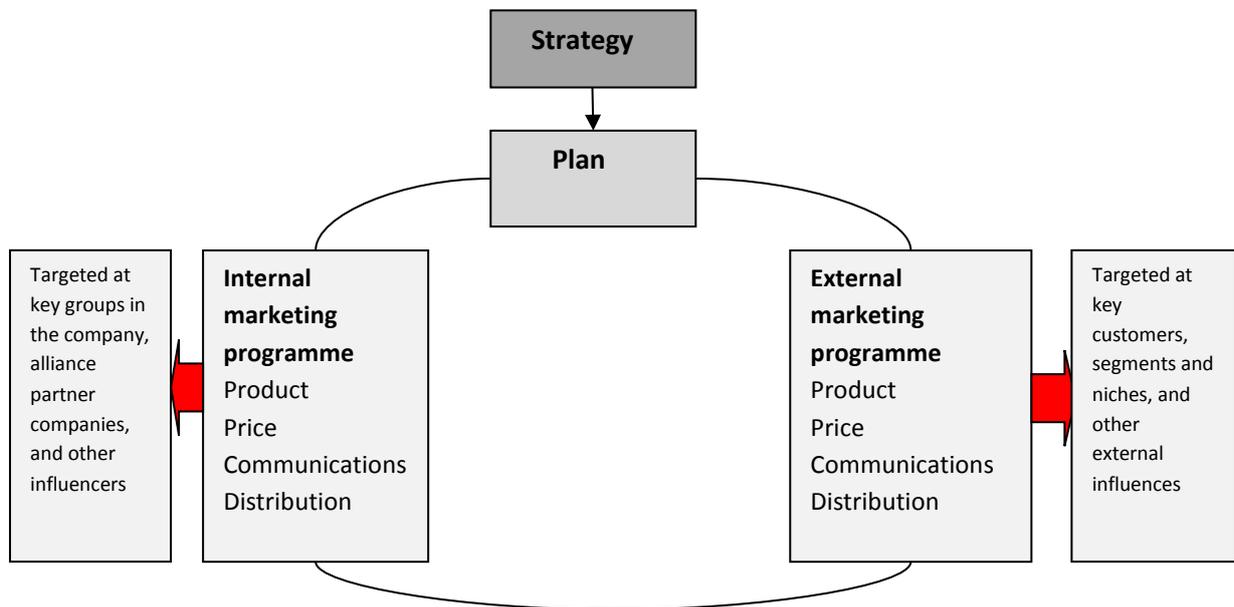
3.2.1.2.3 Acquiring and Changing Resources and Capabilities

Piercy (2009) also identifies that since firms encounter problems due to the need to acquire and change resources when implementing a strategy, then gaining and switching resources should be in most cases another goal of any IM effort. Moreover, according to Piercy (2009) since organisations face different resource related issues (i.e. according to a firm's existing resources and the nature of the strategy pursued) then the IM effort should vary accordingly. Similarly, Chapter two highlighted that retailers encounter different resource related problems (i.e. according to a retailer's existing resources and the nature of the strategy pursued) when implementing a multi-channel retail strategy (Agatz *et al.*, 2007; Berman and Thelan, 2004; Grewal *et al.*, 2010; Kwon and Lennon, 2009a; Reynolds, 2002; Tse, 2007; Zhang *et al.*, 2010). Piercy's (2009) conceptualisation of IM further suggests then that IM offers a theoretical framework to explore and potentially manage multi-channel retail strategic implementation problems, and that the IM effort might vary by retailer (i.e. according to a retailer's existing resources and the nature of the strategy pursued). In light of this, Piercy's (2009) model of IM is considered in greater detail in the following section.

3.2.1.3 Structure of an IM Programme

Piercy's (2009) IM framework, shown in figure 3.1, in line with Ahmed and Rafiq (2004), comprises strategic and tactical elements. The strategic elements directly parallel a firm's external strategy and provide a link between the internal and external focus of an organisation. This enables an organisation to develop an internal marketing orientation which aligns external marketing objectives with internal capabilities and therefore, enables firms to make the necessary internal alterations to implement a strategy (Ahmed *et al.*, 2003; Christopher *et al.*, 1991; Lings and Greenley, 2005; Palmer, 1994; Piercy, 2009).

Figure 3.1. A Structure for an Internal and External Marketing Programme (Piercy, 2009:503)



Piercy's (2009) model of IM, similar to Gronroos (1994) and Gummesson (1991), proposes the internal use of McCarthy's 4Ps schema (as shown in figure 3.1, the application of which will be discussed in detail in section 3.3). According to Piercy (2009), an advantage of using the 4Ps schema internally is that firms can use the same techniques of analysis and communication internally as externally which, in theory, makes IM more straightforward to apply. In practice though this may not be the case, as while internally and externally the terms product, price, communication and distribution are the same, the conceptualisation and operationalisation of these terms is different in an internal versus external context. For example, distribution in an external context refers to the channels used by an organisation to sell products and services to the customer, while distribution in an internal context refers to the environment in which IM takes place and/or the culture of the organisation. IM may also be more complex to operationalise in practice than Piercy (2009) suggests. A case in point is that internal customers, compared to external customers, know much more about the reality of an organisation and thus, gaining internal, versus external, engagement may be more problematic (Flipo, 1986).

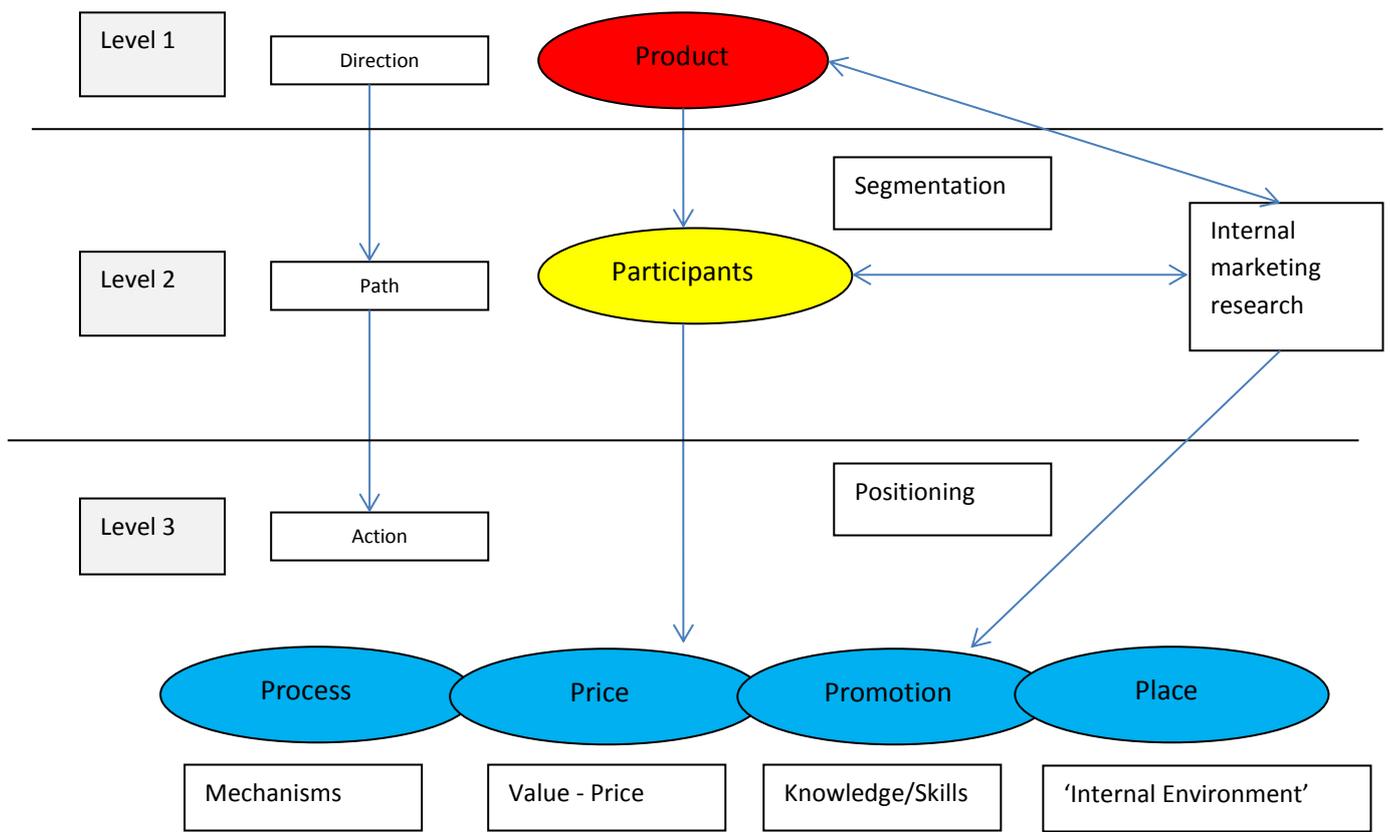
3.2.1.4 Criticisms of Piercy's (2009) model of IM

This section highlights key criticisms associated with Piercy's (2009) model of IM. One criticism, of Piercy's (2009) model of IM, is that while it supports the notion that IM might provide a way of understanding and possibly resolving multi-channel retailing issues, the model is specifically concerned with the role of IM as an aid to the implementation of any *marketing* strategy. Yet, the focus of this study is a multi-channel retail strategy, which is a type of *organisational* strategy and thus, Piercy's (2009) model of IM may have limited application to this study. Piercy's (2009) model of IM also proposes the internal use of the 4Ps schema and therefore, does not recognise the intangible nature of services. However, the context of this study is retailing, which has a service element (George, 1990) and so, Piercy's (2009) model of IM may have further limited application to this study. Piercy's (2009) model of IM also identifies the need for any IM effort to include suppliers, and, that the IM effort aimed at staff and suppliers should be homogeneous. Still, while IM strategies and plans aimed at staff and suppliers may be similar, they are also likely to differ. For example, staff have an employment contract with a firm where as in most cases suppliers do not have contracts with organisations and hence, the extent to which, and how, an organisation can alter supplier behaviour may be dissimilar to staff behaviour. Nonetheless, despite these criticisms Piercy's (2009) model of IM does remain relevant to this study.

3.2.2 Ahmed and Rafiq's (2004) Multi-level Model of IM

While Piercy's (2009) model of IM informs this study, it is argued that Ahmed and Rafiq's (2004) model of IM is more relevant. Part of the logic for this is that a multi-channel retail strategy is a type of organisational strategy, and, Ahmed and Rafiq (2004) argue that their model of IM can be used to aid the implementation of any *organisational* strategy. Another part of the logic is that Ahmed and Rafiq's (2004) model of IM uses the extended marketing mix for services (Booms and Bitner, 1981) and therefore, recognises the intangible nature of services. This is important since the context of this study is the retail sector which is a hybrid of products and services. The use of the extended marketing mix for services internally also clearly identifies the inter-functional interdependence and integrated effort necessary to achieve strategic implementation, which (as discussed in section 2.3.1.2) the multi-channel retailing literature suggests is necessary to implement a multi-channel retail strategy.

Figure 3.2. Multi-Level Model of IM (Ahmed and Rafiq, 2004:37)



Nevertheless, although Ahmed and Rafiq’s (2004) model of IM (shown in figure 3.2) uses the extended marketing mix, it is necessary to highlight here that the model does not include the use of physical and tangible evidence. According to Ahmed and Rafiq (2004:34) physical and tangible evidence

“...refers to the environment in which a product is delivered and where interaction takes place between contact staff and customers, as well as any tangible goods that facilitate delivery or communication of the product. Physical evidence can be categorised as either essential or peripheral evidence. Peripheral evidence refers to tangible cues that a product has been delivered.”

It is, however, unclear why physical and tangible evidence has been omitted from the model, although one reason appears to be that Ahmed and Rafiq (2004) classify peripheral evidence also as other elements of the IM mix, for example, training manuals are classified as both physical peripheral evidence and internal promotional activities. Therefore, excluding physical and tangible evidence appears to avoid confusion and duplication between

elements of the IM mix. A further reason for the absence of physical and tangible evidence seems to be that Ahmed and Rafiq (2004:34) view essential evidence as “...*the environment in which the product is delivered*” and that (in the context of IM),

“...*the environment in which the product is delivered is not as important as for services in general (i.e. the external marketing environment), because this will usually be the same as the normal work environment.*”

In other-words, Ahmed and Rafiq (2004) appear to imply that essential evidence is not necessarily relevant to IM. Still, a criticism of Ahmed and Rafiq’s (2004) model of IM is that a clearer explanation is needed why physical and tangible evidence is not included in their IM model, although having said that, physical and tangible evidence is not featured in other IM models.

Returning back to the logic for using Ahmed and Rafiq’s (2004) model of IM in this study, a further reason is that it proposes the use of HR tools and a marketing-like approach in any IM effort. In brief, a marketing-like approach entails the use of internal market research, internal segmentation and internal positioning. Indeed, it can be argued that Ahmed and Rafiq’s (2004) model of IM, compared to Piercy’s (2009) model of IM, more clearly identifies the internal role of internal market research, segmentation and positioning (Ballantyne, 2000). Ahmed and Rafiq’s (2004) model of IM then, versus Piercy’s (2009), may be easier for firms to operationalise in practice. Still, it can be argued that the relationship between segmentation, positioning and other elements of the IM mix needs to be more clearly delineated in the diagrammatic representation of Ahmed and Rafiq’s (2004) model of IM, shown in figure 3.2.

3.2.2.1 Strategic Levels: Direction, Path and Action

Ahmed and Rafiq (2004) embed their IM model in a strategic framework (shown in figure 3.2) which comprises three strategic levels; direction, path and action. The three levels clearly highlight the role of IM *in the implementation of any organisational strategy*. Each of the three strategic levels is discussed in brief in the following sections (3.2.2.1.1, 3.2.2.1.2 and 3.2.2.1.3). Then in section 3.3 Ahmed and Rafiq’s (2004) model of IM is compared to Piercy’s (2009) model of IM (and other relevant IM literature) to enable a better

understanding of the extent to which IM might offer a way of exploring and possibly resolving multi-channel retail strategic implementation issues.

3.2.2.1.1 Direction

Level one of Ahmed and Rafiq's (2004) model of IM is 'direction', which is concerned with evaluating external opportunities and understanding organisational capabilities to develop an internal marketing orientation. From this a firm sets the general agenda of a particular mission or change programme, which defines the direction of any organisational effort. In essence, this level is concerned with the goals of the IM programme. According to Ahmed and Rafiq (2004), the goals of any IM effort might include the need to acquire and change resources. This is since firms often face significant resource related issues when implementing a strategy. Accordingly, section 2.3.1.1 highlighted that retailers often face major resource-related problems when using new and multiple channels to sell products and services to customers (Zentes *et al.*, 2011). Ahmed and Rafiq (2004) also suggest that other goals associated with IM strategies and plans might include changing the organisational culture, achieving organisational integration, and, gaining the support of staff towards the strategy. Similarly, sections 2.3.1.2, 2.3.1.3 and 2.3.1.4 highlighted that retailers often experience cultural, integration and engagement challenges when adopting a multi-channel retail strategy. This further supports the argument then that IM could be used as a vehicle to examine and possibly manage multi-channel retail strategic implementation constraints.

3.2.2.1.2 Path

The second level of Ahmed and Rafiq's (2004) model of IM is 'path'. Ahmed and Rafiq (2004:133) contend that this *"...requires specification of the route from the numerous alternative possibilities to achieve change or the mission which the organisation opts to follow."* Each of the alternatives need to be closely examined, in particular, consideration needs to be given to the types of strategic implementation barriers likely to be encountered when making a strategy happen, and, the potential mechanisms for overcoming these obstacles (Ahmed and Rafiq, 2004).

3.2.2.1.3 Action

The third stage of Ahmed and Rafiq's (2004) model of IM is 'action'. Ahmed and Rafiq (2004:133) postulate that *"this requires a translation of a particular option into specific courses of action and activities."* Actions should be detailed to ensure that implementation is straightforward and trouble-free. Besides, actions at this level should also be informed by decisions made at level two, which in turn, are informed by the direction set at level one (Ahmed and Rafiq, 2004).

3.3. Application of IM in Strategic Implementation

Section 3.2 has briefly discussed, and to some extent compared, the conceptualisations of IM offered by Ahmed and Rafiq (2004) and Piercy (2009). This section further discusses, compares and contrasts the conceptualisations of IM provided by Ahmed and Rafiq (2004) and Piercy (2009), along with other academics, in greater detail. In essence then, this section offers a more in-depth case that IM, as a theoretical framework, offers a way of understanding and possibly managing the issues retailers face when using multiple channels to sell products and services to customers. Furthermore, since prior sections have argued that Ahmed and Rafiq's (2004) model of IM is most relevant to this study, then Ahmed and Rafiq's model of IM is used to structure this section.

3.3.1 Level One: Direction

3.3.1.1 'Product'

As shown in figure 3.2, the first level of Ahmed and Rafiq's (2004) model of IM is 'product', which sets the direction for the IM programme. Piercy (2009:503) asserts that the 'product', in the context of IM, is

"...at the simplest level the marketing strategies and the marketing plan in which they are written up, as well as the values, attitudes and behaviours that are needed to make the marketing plan work effectively."

Similarly, Ahmed and Rafiq (2003:34) posit that

"the product can be viewed as the change which is required, which may be to effect change in attitudes and behaviours, or involve more tangible activities such as changed production activities or some other goal."

Ahmed and Rafiq (2004) and Piercy (2009) further claim that the internal 'product' must be viewed from the perspective of staff, owners and managers and therefore, to do this then organisations must conduct internal market research. For instance, organisations should conduct internal market research to understand any required alterations to resources and competencies. Moreover, since these resource related, and other internal, changes vary by firm then so should the 'product', and, the internal marketing orientation required to implement the strategy (Rafiq and Ahmed, 1995).

In contrast to Ahmed and Rafiq's (2004) and Piercy's (2009) definition of the internal 'product', Collins and Payne (1991) argue that the internal 'product' can be training courses. For example, Collins and Payne (1991) argue that training courses can help staff to develop the necessary skill-set to implement a strategy. However, in Ahmed and Rafiq's (2004) model of IM, training is not defined as the internal 'product' and is, instead, defined as other elements of the internal marketing mix, including internal 'promotion'. For example, Ahmed and Rafiq (2004) define training as internal 'promotion', since training can be used as a way of internally promoting a strategy to staff (as discussed in section 3.3.3.4). Consequently, classifying training as the internal 'product' *and* internal 'promotion' would create duplication and overlap between these two elements of the internal marketing mix, which, it could be argued, would make IM theoretically and practically challenging to apply. Furthermore, dissimilar to Ahmed and Rafiq (2004) and Piercy (2009), numerous academics argue that the 'product' is the 'job' (Dunne and Barnes, 2000; Flipo, 1986; Berry and Parasuraman, 1991). Yet, as discussed in section 3.1, a problem associated with treating jobs as 'products' is that the job 'sold' to staff may be unwanted or possess negative values and while customers in this situation can choose not to buy a product this may not be the case with staff, perhaps due to a financial need to work and/or no other job being available.

Taking into account the above criticisms then, this study uses Ahmed and Rafiq's (2004) and Piercy's (2009) definition of 'product'. That is, that the internal 'product' is the strategies and plans, as well as any internal alterations necessary to make these strategies and plans happen. The 'product' in a multi-channel retailing context is likely to be the multi-channel retail strategy. Besides, Chapter two suggests that the internal modifications required to implement a multi-channel retail strategy and thus, the goals of the strategy might be to; acquire and change resources (Berman and Thelan, 2004; Dholakia *et al.*, 2005), achieve

channel integration (Berman and Thelan, 2004; Webb and Hogan, 2002), alter the organisational culture (White and Daniel, 2004), and, gain staff motivation towards the strategy (Berman and Thelan, 2004). However, since the multi-channel and multi-channel retailing literature implies that the internal alterations required to go multi-channel can vary by retailer, then this suggests that the precise alterations and goals related to IM strategies and plans may also differ by retailer.

3.3.2 Level Two: Path

As shown in figure 3.2, stage two of the model of IM proposed by Ahmed and Rafiq (2004) refers to 'participants', internal marketing research and segmentation. This stage concerns *who* is involved in the IM effort; the people involved in delivering the IM programme and the people who are the target of any IM effort.

3.3.2.1 'Participants'

To recap, 'participants' are those people involved in producing and delivering the 'product', and, those people receiving the 'product' who may then influence a customer's perception of an organisation's products and services (Ahmed and Rafiq, 2004). This stage involves careful consideration as to which people are involved in delivering the 'product'. According to Ahmed and Rafiq (2004) people with the appropriate level of authority should deliver the 'product', because these individuals are most effective at communicating the 'product'. Indeed, Ahmed and Rafiq (2004) claim that the most successful communication is that from immediate supervisors to their staff. Likewise, London (1986) claims that staff tend to be most influenced by their immediate supervisors. On the other hand, London (1986) argues that inter-departmental or inter-functional communication tends to be least effective since staff have equal status and no direct authority to enforce compliance. The views of Ahmed and Rafiq (2004) and London (1986) then imply that any IM effort is 'top-down' in an organisation. Yet, Kellerman (2008) observes that it is often low ranking staff, not managers, who drive organisational change to implement strategy, which implies that IM may also be 'bottom-up'. Besides, van Knippenberg and Hogg (2003) suggest that communication is more effective from 'prototypical' group members (i.e. those individuals who are at all levels, and perceived to comply with the accepted norms, of the organisation), which further suggests that IM may not always be 'top-down' in a firm.

Although Ahmed and Rafiq (2004) suggest that careful consideration should be given to who is involved in delivering the IM effort, the multi-channel retailing literature gives little insight into who these individuals should be. However, since a multi-channel retail strategy is a type of organisational strategy then this implies that numerous 'participants' would be involved in delivering IM strategies and plans, in a multi-channel retailing context. For example, staff at all levels of the retailer, in a range of functions, such as marketing, finance and HR, and, in different channels such as physical stores, the Internet and catalogues, are likely to be involved in producing the IM effort.

3.3.2.2 Internal Market Research

Internal market research has been discussed very briefly in section 3.3.1.1 and is revisited here in more detail. Level two of Ahmed and Rafiq's (2004) model of IM proposes the use of internal market research in any IM effort. Flipo (1986) contends internal market research should be conducted to understand if staff are upset by the 'changes' required for strategic implementation and if so, the reasons why. In addition, Wasmer and Bruner (2000) claim that internal market research should be carried out to identify the needs of staff. Accordingly, Ahmed and Rafiq (2004) and Piercy (2009) argue that internal market research should be conducted to understand staff needs but extend this to also understanding any strategic implementation barriers. On this basis then, Ahmed and Rafiq's (2004) and Piercy's (2009) definition of internal market research is most applicable to this study. This is since the multi-channel retailing literature suggests that there is a need to explore staff needs, but also multi-channel retail strategic implementation constraints, when adopting a multi-channel retail strategy. This also strengthens the case for the use of IM as a theoretical framework to examine and potentially redress multi-channel retail strategic implementation constraints.

3.3.2.3 Internal Segmentation

Ahmed and Rafiq (2004) state that level two of their model of IM also entails segmenting the internal market, which, as with external market segmentation, involves the identification of staff with similar needs. Activities are then targeted at these groups, or

segments, to facilitate implementation of the 'product' (Wasmer and Bruner, 2000). According to Ahmed and Rafiq (2003: 43)

“the logic is that, if specific needs and resistance can be associated with particular segments, then these needs and fears can be overcome by directing a specific package in a manner designed to satisfy employee needs and reduce their fears.”

Piercy (2009) suggests that the choice of key internal target markets should be informed by the goals of the IM programme. In other-words, the organisational and human change required to implement the strategy. Additionally,

“the internal marketplace may be segmented at the simplest level by the job roles and functions played by other people, e.g. top management, other departments and marketing and sales staff.” (Piercy, 2009:505)

A key difference, however, between Ahmed and Rafiq (2004) and Piercy's (2009) model of IM is that Piercy claims that internal market segmentation should include suppliers. The line of reasoning being that strategies are becoming increasingly complex and thus, often require the involvement of suppliers to make them happen (Piercy, 2009). Therefore, a criticism of Ahmed and Rafiq's (2004) model of IM, as discussed in section 3.2.1.1, is that it does not consider suppliers.

Still, Ahmed and Rafiq's (2004) and Piercy's (2009) conceptualisation of IM, in terms of segmenting the internal market to target the message accordingly, strengthens the notion that IM might offer a way of understanding and possibly managing multi-channel retail strategic implementation difficulties. For instance, section 2.3.1.4 revealed that staff can have different levels of support towards a multi-channel strategy (Coughlan *et al.*, 2001). It can be argued then, that internal market segmentation would enable retailers to identify groups of staff with similar levels of support, and, to target activity at these segments, to improve the engagement these groups have with the strategy. Yet, these themes have not been the subject of any empirical study to date in the context of multi-channel retailing and thus, are open to debate.

3.3.3 Level three: Action

3.3.3.1 Internal 'Positioning'

The third, and final, level of Ahmed and Rafiq's (2004) model of IM is 'action', which concerns what is needed to make the IM effort happen in practice. The first part of 'action' involves positioning the message accordingly to staff (Ahmed and Rafiq, 2004; Piercy, 2009) and supplier segments (Piercy, 2009). Internal positioning is the focal point in the design of any IM programme because

"poor internal segmentation and positioning, even with very clearly defined and precise tactical actions, are unlikely to produce positive results." (Ahmed and Rafiq, 2003: 34)

Similar to positioning in the external market, internal market positioning requires the selection of associations to be built on and emphasised, along with those to be omitted and de-emphasised (Ahmed and Rafiq, 2004). The aim of internal positioning, however, is to minimise barriers to the implementation of the 'product', while meeting the needs of staff (Ahmed and Rafiq, 2004). The multi-channel retailing literature provides some insight into the associations to be *de-emphasised* and *omitted* to aid multi-channel retail strategic implementation. For instance, some individuals can view the strategy as adding complexity to, and increasing, the day-to-day work of staff (Webb and Lambe, 2007), although these associations have not been the focus of any study to date. Moreover, there is limited multi-channel retailing research which explores the staff associations to be *highlighted* to support multi-channel retail strategic implementation. In the absence of literature, however, a staff association to be built on and emphasised might be that adopting a multi-channel retail strategy can increase sales and therefore, the strategy can help staff to achieve sales and performance targets. Nonetheless, further research is needed in this area.

Internal market positioning should then be leveraged using the internal marketing mix of 'price', 'promotion', 'place' and 'process' with the aim of effectively implementing the strategy (Ahmed and Rafiq, 2004; Rafiq and Ahmed, 1995). These elements are discussed in the following section, starting with 'process'.

3.3.3.2 'Process'

Rafiq and Ahmed (1995) define internal 'process' using Giddens's (1979) definition. That is that 'process'

“... defines the context and mechanisms through which price, promotion and place elements are structured and includes issues such as power, authority and resources.” (Rafiq and Ahmed 1995:34)

The ‘process’ element of any IM effort involves designing an appropriate delivery format for the ‘product’. Consideration should be given to factors such as organisational structure, group and team structure, reward systems, power, responsibility and leadership (Ahmed and Rafiq, 2004). More specifically then, thought should be given to: who, where and how changes are communicated (for example videos, face-to-face meetings); training (or re-training) of staff; and how new policies are introduced, either by negotiating with unions or whether they are imposed unilaterally. For example, in their empirical study, Ahmed and Rafiq (2004) adopt a case study method to understand the use of IM in strategic implementation. The case used is Pearl Assurance; a financial services organisation. The change in ‘product’ was a move from selling predominantly life assurance based on “with profits” policies to selling life assurance based on “unit-linked” profits. The ‘process’ to facilitate change was ‘roadshows’ held for managers and sales representatives who sold life assurance policies.

Yet, while Ahmed and Rafiq’s (2004) case only used roadshows to facilitate change, it could be argued that, in reality, retailers might use numerous ‘processes’ to deliver the ‘product’, including conferences, meetings, internal magazines, newsletters and business TV (Ballantyne, 2000). As a result, applying ‘process’ may be convoluted and long-winded for many retailers. Closer examination of Ahmed and Rafiq’s (2004) definition of internal ‘process’ also reveals that many of the delivery formats included here (i.e. in ‘process’) are included in other elements of Ahmed and Rafiq’s (2004) IM mix. Specifically, ‘who’ internally communicates changes in the ‘product’ is referred to in ‘process’, but also in internal ‘participants’. Also, ‘where’ and ‘how’ changes are communicated (for example videos, face-to-face meetings and training) is included in ‘process’ and in ‘promotion’. To explain it another way, there is a degree of ambiguity in the way that Ahmed and Rafiq (2004) define ‘process’ since, for example, leadership is included in ‘participants’ and ‘process’, while organisational structure is included in ‘place’ and, again, also in ‘process’ .

To avoid duplication and delineate the elements of the IM mix more clearly then, this study proposes defining internal ‘process’ as the use of HR tools (such as reward systems and

group/team structure), in the context of multi-channel retailing. This is since HR tools, other than training, are not explicitly covered in other elements of the IM mix proposed by Ahmed and Rafiq (2004). Yet, the multi-channel literature suggests that the use of HR tools (such as organisational structure and reward systems) can influence multi-channel strategic implementation. A case in point is that Webb and Lambe's (2007) empirical study, in a B2B context, demonstrated that where an organisation had an internal structure which clearly delineated staff roles and responsibilities, along with dedicated groups of staff to manage channel strategies, then this helped the firm to integrate channels and so, aided multi-channel strategic implementation.

Webb and Lambe (2007), in their empirical study, also found that reward systems played a key role in supporting the integration of channels, departments and functions, especially when these reward systems were linked to the overall performance of the organisation. Similarly, Tsay and Agrawal (2004) and Zhang *et al.* (2010) claim that incentives can help retailers to integrate channels and hence, facilitate multi-channel retail strategic implementation. Though Zhang *et al.* (2010:172) posit that this means that retailers often have to

"...re-examine and revise their current compensation systems, ranging from those for the top management executives to sales associates and customer service representatives who interact with consumers at the front line."

Zentes *et al.* (2011) also argue that incentives can help retailers to make internal alterations, including cultural and engagement, to facilitate multi-channel retail strategic implementation. Though Zentes *et al.* (2011:173) highlight that creating the right compensation schemes can be difficult. For instance,

"...if the catalogue channel brings additional sales to stores and the Internet channel, how should it be properly credited when the additional sales do not show up on catalogues' accounting books? How can retailers reward store associates who do an excellent job cross-selling merchandise available only in the online or catalogue channels? How can they motivate store associates to provide flawless service to customers who come to their stores to return merchandise bought from another channel?"

Indeed, several academics contend that there is a need to better understand the use of reward systems and other HR tools (including organisational structure), as a way of

supporting the use of new and multiple channels (Wilson and Daniel, 2007; Zhang *et al.*,2010).

3.3.3.3 'Price'

Piercy (2009) asserts that 'price' can be a barrier to strategic implementation. That is, firms may experience issues due to the 'price' which staff incur in the process of strategic implementation. Piercy (2009:503) defines 'price' from the viewpoint of staff, which is that it is

"...not our (i.e. the firm's) costs, but what we are asking our internal customers to 'pay', when they buy in to the product and the marketing plan, such as sacrificing other projects that compete for resources with our plan, but more fundamentally the psychological cost of adopting different key values, and changing the way jobs are done, and asking managers to step outside their 'comfort zones' with new methods of operation."

Piercy (2009) also defines internal 'price' as the 'opportunity cost' that staff incur due to the internal alterations necessary to implement a strategy. Likewise, other academics concur that internal 'price' is the psychological 'cost' experienced by staff (including the 'opportunity cost') when implementing a strategy (Barnes, 1989; Dunne and Barnes, 2000; Flipo, 1986; Piercy and Morgan, 1991). Furthermore, according to Piercy (2009), measuring internal 'price' can be challenging due to its intangible nature, unlike the tangible nature of 'price' in the external market.

In general then, the IM literature focuses on internal 'price' in terms of the 'costs' (and the 'opportunity cost') incurred by staff during the course of strategic implementation (Barnes, 1989; Piercy, 2009). Ahmed and Rafiq (2004), however, delineate internal 'price' as the 'costs' and 'benefits' (or value) that staff relate to strategic implementation. Rafiq and Ahmed (1995:43) then see internal 'price' as

"... a balance between utility/value against cost, to both the organisation and the individual. This way of operationalising price is preferred since it directs attention, not only to what the costs to the employee are (psychological or otherwise) of the required change actions, but also to the utility/value which can be derived from these changes."

That is to say, that while strategic implementation may necessitate, for example, staff working harder, having to learn something new, or even doing a new role, at the same time

it can give staff the opportunity to increase pay, be awarded bonuses, gain an internal promotion, or, to enhance their attractiveness in the external job market (Ahmed and Rafiq, 2004). In fact, Ahmed and Rafiq (2004) claim that the staff 'benefits' related to strategic implementation may outweigh the staff 'costs' (or 'price') and therefore, help strategic implementation.

For these reasons (i.e. that it includes staff 'costs' and 'benefits'), Ahmed and Rafiq's (2004) definition of internal 'price' is used in this study. The multi-channel retailing literature implies that staff often incur 'costs' in the implementation of a multi-channel retail strategy, due to internal alterations (Noble *et al.*, 2005, Zhang *et al.*, 2010). For example, the strategy requires a 'learning by doing approach' (Coughlan *et al.*, 2001; White and Daniel, 2004; Wilson and Daniel, 2007), which may mean that staff have to change their behaviour from a 'learning before doing approach' and, work in an unfamiliar way. In addition, despite the lack of literature which explores the 'benefits' staff can associate with a multi-channel retail strategy, a 'benefit' might be that adopting the strategy can increase sales and help staff to achieve sales and performance targets (as discussed in section 3.3.3.1.).

However, in line with Piercy's (2009) definition of internal 'price', this study also proposes defining 'price' according to the 'opportunity cost' incurred by staff when using multiple channels to sell products and services to customers. This is because the multi-channel literature suggests that staff often experience an 'opportunity cost' when implementing a multi-channel strategy, due to the internal change necessitated. For instance, Coelho and Easingwood (2008) argue that adding new and using multiple channels can increase the workload of managers. This implies then that staff might have to work longer hours to cope with the extra workload, and, that an opportunity cost to staff related to this might be that staff have to put projects on hold inside and outside work, such as spending time with their family. Though the multi-channel retailing literature, again, offers limited, if any, insight into what 'opportunity costs' staff experience due to a retailer adopting a multi-channel retail strategy. Yet, this study argues that defining internal 'price' as the 'costs' (including the 'opportunity cost') and 'benefits' which staff associate with the strategy offers a way of exploring these 'costs' and benefits, in greater detail.

3.3.3.4 'Promotion'

The terms internal 'communication' and 'promotion' are used interchangeably in the IM literature. Indeed, Voima (2000) claims that internal 'promotion' is the communication that takes place within an organisation which explains the strategy. Piercy (2009) asserts that internal 'promotion' is the most tangible aspect of IM. Ahmed and Rafiq (2003:1179) also argue that *"...undoubtedly, one of the most common IM applications is in the crafting of internal communication strategies."* Numerous other academics further claim that internal communication is one of the most critical parts of the IM mix (George, 1990; George and Gronroos, 1989; Tansuhaj *et al.*, 1988). Despite this, Stauss and Hoffman (2000) postulate that internal 'promotion' (or communication) still receives much less attention from academics and practitioners than external marketing communications.

According to Piercy (2009:503) internal 'promotion' is

"...the communications media and the messages used to inform and to persuade, and to work on the attitudes of the key personnel in the internal market-place."

Similarly, Rafiq and Ahmed (1995:44) argue that

"...with respect to the promotion element, operationalisation in the internal context can be achieved by examination of how the range of promotional devices can be used to increase knowledge, skills and awareness of strategic change issues."

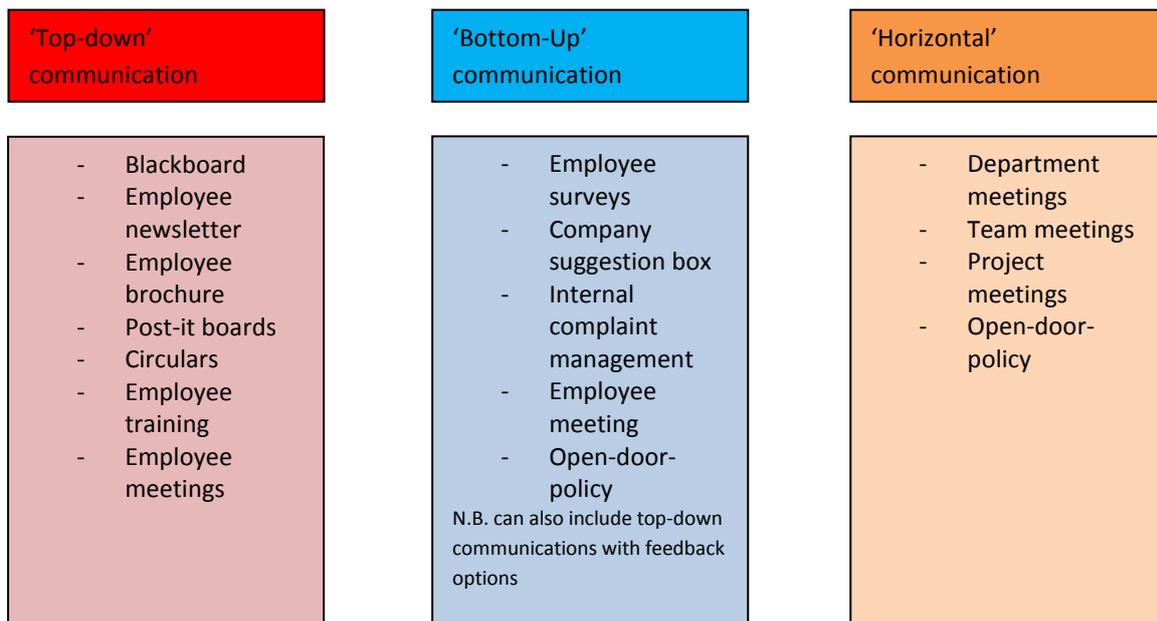
Therefore, Ahmed and Rafiq (2004) use the term 'skills and knowledge generating function' to describe internal 'promotion'. Accordingly, Stauss and Hoffman (2000) claim that internal 'promotion' comprises the media and messages used to influence the knowledge, attitudes, and behaviours of internal customers at different hierarchical levels in the organisation. According to Thompson and Hecker (2000) empirical evidence exists which shows a direct link between effective communication and strong support from staff towards the implementation of a strategy. As such internal 'promotion' plays a key role in the implementation of IM and strategy *per se* (Ahmed and Rafiq, 2004; Ballantyne, 1997; Barnes, 1989; Davis, 2001; Piercy and Morgan, 1991; Rafiq and Ahmed 1993).

Internal 'promotion' involves

"not only written communications, but also face-to-face presentations to individuals and groups who are important to the success of the plan." (Piercy, 2009:503)

Internal ‘promotion’ can take the form of newsletters or bulletins, training sessions or informal coaching, and, staff recognition and encouragement (Dunne and Barnes, 2000). Papasolumou and Vrontis (2006), similar to Ahmed and Rafiq (2004), also claim that internal ‘promotion’ can include internal advertising, presentations, training, newsletters and internal magazines. In addition, Stauss and Hoffman (2000) classify internal ‘promotion’ (shown in figure 3.3) as; top-down communication, bottom-up communication, and, horizontal communication. According to Stauss and Hoffman (2000), horizontal communication aids the internal co-ordination and alignment of procedures, which suggests that horizontal internal ‘promotion’ might be a way of potentially addressing channel integration issues associated with the implementation of a multi-channel retail strategy. Besides, this further suggests that IM may be ‘top-down’ and ‘bottom-up’, as discussed in section 3.3.2.1.

Figure 3.3 Traditional instruments of employee communication (Strauss and Hoffman, 2000:145)



Likewise, the multi-channel literature suggests that internal communication can aid channel integration (Barclay, 1991; Celly and Frazier, 1996; Coughlan *et al.*, 2001; Moller and Rajala, 1999; Webb and Lambe, 2007). For example, in their empirical study, Wilson and Daniel (2007) found that internal communication helps firms to integrate channels because it establishes a common knowledge and understanding of the strategy within the organisation.

Furthermore, Berman and Thelan (2004) claim that internal communication can enable retailers to gain staff engagement with the strategy.

3.3.3.5 'Place'

The final element of Rafiq and Ahmed's (1995) model of IM, is 'place'. Piercy (2009:503) defines internal 'place' as being

"... concerned with the physical and socio-technical venues at which we have to deliver our product and its communications: meetings, committees, training sessions for managers and staff, seminars, workshops, written reports, and so on."

Also, Rafiq and Ahmed (1995: 44) define internal 'place' as

"...the setting within which transactions/exchange between parties occurs, namely between the organisation and its employees."

Dunne and Barnes (2000) claim that internal 'place' refers to the environmental conditions, or the culture, of the workplace. This means that the same level of treatment given to external customers should also be accorded to staff, and, it becomes the expected standard of behavior in all internal functioning (Dunne and Barnes, 2000). Moreover, Dunne and Barnes (2000) argue that it is the responsibility of management to develop an appropriate environment and organisational culture. Correspondingly, Ahmed and Rafiq (2004) and Piercy (2009) claim that internal 'place' includes the culture of the organisation, namely the cultural, symbolic and metaphoric aspects of the workplace which engender allegiance from staff to the organisation (Smircich, 1983; Turner, 1986; Rafiq and Ahmed, 1995).

In essence then, Piercy (2009) and Ahmed and Rafiq (2004) define internal 'place' as where the internal 'product' and internal 'promotions' are delivered, and, the organisational culture needed to effectively implement the strategy, including any cultural modifications. Yet, 'where' the internal 'product' and internal 'promotions' are delivered is implicitly included in other elements of the IM mix, such as internal 'promotion'. Therefore, to avoid duplication this study proposes defining internal 'place' as the identification of the requisite organisational culture, and the necessary changes to achieve this, through the use of marketing and HR tools. Defining internal 'place' in this way is in line with the definitions of internal 'place' offered by Ahmed and Rafiq (2004) and Piercy (2009), but, omits where delivery of the internal 'product' and 'promotion' takes place. The focus on cultural issues is

also more relevant to this study since the multi-channel retailing literature indirectly identifies that implementing a multi-channel retail strategy requires an organisational culture which is, for example, entrepreneurial, dynamic and makes decisions based on 'gut feel'. For many retailers this requires a change in their existing organisational culture, which can be problematic (Coelho and Easingwood, 2008; Daniel and Wilson, 2006; Grewal *et al.*, 2010; Wilson and Daniel, 2007). This further supports the argument then that IM could provide a theoretical framework to examine and redress the issues retailers face when using multiple channels to sell products and services to customers.

While there are many definitions of organisational culture offered in the literature (Brown 1998; Hogg *et al.*, 1998), Pacanowsky and O'Donnell-Trujillo (1983:126) describe culture as

"not just another piece of the puzzle, it is a puzzle. From our point of view, a culture is not something an organisation has: a culture is something an organisation is."

Other academics share this view, but also highlight that since an organisation is composed of people, it is their beliefs, attitudes and behaviours that shape organisational culture (Dowling, 1993; Sackman, 1992). For instance, Schwartz and Davis (1981:33) maintain that

"culture...is a pattern of beliefs and expectations shared by the organisation's members. These beliefs and expectations produce norms that powerfully shape the behavior of individuals and groups in the organisation."

Similarly, Hogg *et al.* (1998:881) postulate that

"an organisation's strategic values are, as Osborne (1996) points out the rationale for the viability of a business and link the firm to its environment. These values are reflected in, and are a reflection of, the prevailing culture within the organisation. As organisations are collections of people, the climate or culture of an organisation is dependent on how the employees view that organisation and its goals."

The above views have led various academics to argue that organisational culture can be changed by altering the behaviours of staff, which, in turn, can be modified using an IM effort (Berry, 1981; Gronroos, 1981; Hogg *et al.*, 1998; Kelemen and Pappasolomou-Doukakis, 2004; Rafiq and Ahmed, 1995). Besides, 'leaders' play a crucial role in any IM effort designed to change staff behaviour with the aim of changing organisational culture. This is since 'leaders' are 'culture creators'; they signal to staff what attitudes, behaviours and orientations are expected of them (George, 1990; Gronroos, 1990; Pettigrew, 1979;

Wieseke *et al.*, 2009). Furthermore, it is charismatic leaders who have the greatest influence on staff attitudes and behavior and thus, the greatest impact on changing internal culture (Wieseke *et al.*, 2009). In brief, charismatic leaders are those who clearly communicate a 'vision' to staff, inspire and motivate staff to buy into their attitudes and beliefs, and, who are sensitive to the organisational environment and the needs of staff (Conger and Kanungo, 1998). For these reasons, it is claimed that 'followers' (i.e. staff) have greater levels of trust in charismatic leaders, low job conflict, and, a greater motivation to do their job well (Conger and Kanungo, 1998; Wieseke *et al.*, 2009).

Several academics also argue that the culture of an organisation can be changed through using an IM effort comprising internal 'promotion' and 'process' (i.e. HR tools). For example, in their empirical study (exploring the use of IM in a medium sized firm operating in a declining market), Hogg *et al.* (1998) found that staff behavior can be changed through using training, and, by communicating key success factors to staff. Likewise, in their empirical study in the banking sector, Kelemen and Pappasolomou-Doukakis (2004) demonstrated that organisations altered their internal culture by using training and performance measures. Accordingly, Wasmer and Bruner (2000), in their empirical study, identified that training programmes offered a way of changing organisational culture, in fact, they were the most important tool to do so. Still, while the aforementioned studies inform this research, the focus of these studies is on the use of IM to improve service delivery and not as a way of helping strategic implementation. Further empirical research is therefore needed which understands the extent to which these findings are applicable to the use of IM in a (multi-channel retail) strategic implementation context.

However, in a strategic implementation context, Piercy and Morgan (1991) posit that organisational culture can be changed using an IM effort comprising HR tools, such as training and reward systems. Rafiq and Ahmed (1995:47) also argue that cultural modifications can be made through using an IM programme which redistributes

"...resources, power and responsibility away from some individuals to others more likely to champion the cause of change."

While a review of the IM literature presents a compelling argument though that organisational culture can be changed, Brown (1998:161) states that

“...there has been considerable debate concerning whether culture can be actively managed, much of the debate centering on the extent to which a culture can be modified to resemble a pre-stated ideal.”

For example, changing the culture of a firm can be difficult due to the intangible and enduring nature of culture (Eldridge and Crombie, 1974). Yet, Wasmer and Bruner (2000) (in their study of IM from a service quality perspective) assert that organisational culture *can* be managed and changed, and this is echoed by other academics (Anthony 1994; Ouchi 1981; Peters and Waterman, 1982). Indeed, as mentioned above, Ahmed and Rafiq (2004) and Piercy (2009) argue that IM offers organisations a way of making these problematic internal cultural modifications to implement a strategy. This strengthens the argument then that IM offers a framework to understand and potentially overcome the obstacles retailers face when going multi-channel.

3.4 Conceptual Framework

The previous Chapters have highlighted two key points. Firstly, that retailers face a number of issues when implementing a multi-channel retail strategy and secondly, that IM offers a framework for understanding and possibly managing these problems. In spite of this, prior research has not examined the extent to which IM offers a way of exploring and possibly addressing multi-channel retail strategic implementation issues. To contribute to gaps in the literature then, the conceptual framework, shown in figure 3.4, offers a way of exploring these themes.

The strategic formulation stage of a multi-channel retail strategy (1) is not the focus of this study, however, it is included here since Ahmed and Rafiq (2004) claim that the strategic formulation (1) and strategic implementation (2) stages of strategy are separate, but intertwined stages and thus, should not be considered in isolation. The implementation of a multi-channel retail strategy (2) is, though, the focus of this study. This is since the multi-channel and multi-channel retailing literature implies that retailers face internal problems when adding new and using multiple channels (Zentes *et al.*, 2011; Zhang *et al.*, 2010). While the literature is of a descriptive nature, it suggests that these multi-channel retailing constraints are IM related. Moreover, a review of the IM literature reveals that IM offers a theoretical framework to explore and possibly manage the difficulties associated with multi-

channel retail strategic implementation. Furthermore, this study argues that, in the main, Ahmed and Rafiq's (2004) model of IM provides the most suitable model to use as a way of examining these multi-channel retail strategic implementation issues. Ahmed and Rafiq (2004) embed their IM model in a strategic framework, which comprises three levels; direction (a), path (b) and action (c).

The first level of Ahmed and Rafiq's (2004) model of IM is 'direction' (a), which comprises the internal 'product' (4); the strategy, and, any internal changes required to implement the strategy. In a multi-channel retailing context then, the 'product' would be the multi-channel retail strategy, and, according to the multi-channel and multi-channel retailing literature, the key internal modifications would be resource, engagement, integration and cultural related.

The second level of Ahmed and Rafiq's (2004) model of IM is path (b); 'who' is involved in the IM effort. That is, the people involved in delivering the IM programme, and, the people who are the target of any IM effort. A multi-channel retail strategy is an organisational strategy and thus, in the absence of literature, it can be assumed that numerous 'participants' (7) would be involved in producing and delivering the 'product'. For example, staff at all levels of the retailer, in a range of functions, such as marketing, finance and HR, and, in different channels such as physical stores, the Internet and catalogues. Moreover, in contrast to Ahmed and Rafiq (2004), but similar to Piercy (2009), this study argues that 'participants' should include suppliers, since the implementation of a multi-channel retail strategy often entails the use of suppliers, for example, to provide IT knowledge and expertise.

At this level (i.e. 'path'), internal market research (5) is conducted to identify staff needs. In the context of multi-channel retailing, conducting internal market research would facilitate retailers to better understand multi-channel retail strategic implementation issues.

The findings from internal market research (5) are then used to segment the internal market (6); identifying groups of staff with similar needs. Organisations can then create and target activities at internal segments to aid strategic implementation. This adds to the argument then that IM as conceptual framework might offer a way of examining and possibly managing the problems retailers face when adopting a multi-channel retail strategy. For

instance, the literature suggests that where a retailer adds a new channel then staff in incumbent channels can view this new channel as a threat, in terms of sales. This then creates conflict between staff in incumbent channels towards new channels, impeding channel integration, and, posing barriers to multi-channel retail strategic implementation. Segmenting the internal market according to, for example, levels of conflict would enable retailers to create and target specific activity at these staff to minimise conflict.

The third level of Ahmed and Rafiq's (2004) model of IM is 'action' (c). Following internal market research and segmentation, organisations need to consider internal positioning (8) as a way of supporting strategic implementation. This broadens the argument then that IM offers a theoretical framework to examine and possibly redress multi-channel retail strategic implementation constraints. For example, the multi-channel and multi-channel retailing literature suggests that staff can perceive multi-channel operations as adding complexity to, and increasing, workload. Therefore, IM could provide a tool to help retailers position the strategy in a way which minimises these negative associations, while emphasising the benefits associated with the strategy, including, for example, the advantage that the strategy can lead to increased sales, which may help staff to achieve sales and performance targets.

According to Ahmed and Rafiq (2004), internal positioning should then be leveraged using the IM mix; 'process' (9), 'price' (10), 'promotion' (11) and 'place' (12). Consideration of the IM mix further opens the debate regarding the use of IM, conceptually and practically, as a way of understanding and potentially managing multi-channel retail strategic implementation difficulties.

In this study, similar to Ahmed and Rafiq (2004), the 'process' (9) element of any IM effort comprises HR tools, such as group/team structure and reward systems. However, in contrast to Ahmed and Rafiq (2004), 'process', in this research, does not include other delivery formats, such as training. One reason for this is that other delivery formats, including training, are delineated as 'process' (9) *and* as other elements of the IM mix in Ahmed and Rafiq's (2004) model of IM. For example, 'who' internally communicates changes in the 'product' is referred to in 'process' and in 'participants'. Defining internal 'process' as HR tools (with the exception of training) then avoids duplication, and,

categorises elements of the IM mix more clearly. Besides, it can be argued that delineating 'process' as HR tools is more relevant to multi-channel retailing since the multi-channel and multi-channel retailing literature suggests that HR tools, such as reward systems, are influential in the effective implementation of a multi-channel retail strategy (Tsay and Agrewal, 2004; Zhang *et al.*, 2010). Yet, HR tools are not explicitly recognised in Ahmed and Rafiq's (2004) model of IM.

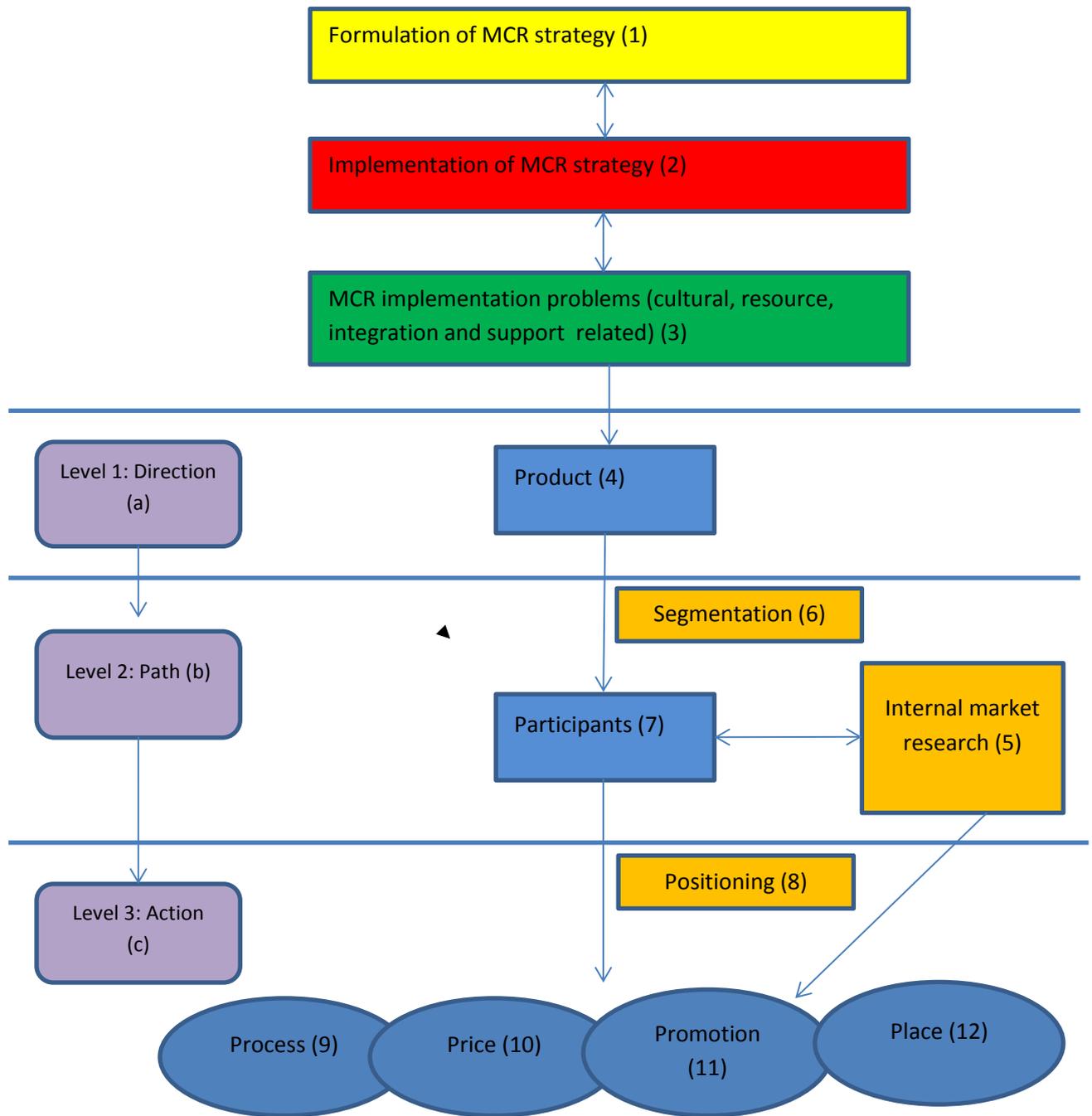
Internal 'price' (10), similar to Ahmed and Rafiq (2004), is defined as the costs and benefits (or value) that staff associate with organisational change. In addition, in line with Piercy (2009), this study also defines 'price' as the 'opportunity cost' which staff incur during the course of strategic implementation. Understanding the costs (including the 'opportunity cost') that staff incur in the implementation of a multi-channel retail strategy might help retailers to understand barriers to implementation. Besides, understanding the benefits staff relate to the strategy might help retailers to better position the strategy (8) and thus, facilitate the addition of new, and use of multiple, channels.

Internal promotion (11) is the use of promotional activity to assist organisational change (Ahmed and Rafiq, 2004). Several academics argue that internal 'promotion' can minimise conflict and aid channel integration (Barclay 1991; White and Daniel 2004; Webb and Lambe 2007). Additionally, internal promotion can help to gain the motivation of key decision makers and staff towards the strategy (Berman and Thelan, 2004; Coughlan *et al.*, 2001). In light of retailers facing problems stemming from the need to achieve channel integration, and, gain the support of staff towards the strategy then this suggests that IM could provide a tool to explore and redress these constraints.

Internal 'place' (12), in line with Piercy (2009) and Ahmed and Rafiq (2004), is defined as the organisational culture needed to effectively implement the strategy, including any cultural alterations required. However, dissimilar to Ahmed and Rafiq (2004) and Piercy (2009), 'place', in this study, is not defined as where the internal 'product' and internal 'promotions' are delivered, since this is implicitly included in other elements of Ahmed and Rafiq's (2004) model of IM, including in internal 'promotion'. Moreover, defining internal 'place' as the organisational culture and any cultural modifications required to go multi-channel, again, avoids duplication between elements of the IM mix and thus, makes the framework more

straightforward to conceptually and practically use. Furthermore, it also creates a framework which is more relevant to multi-channel retailing. This is because, for example, the multi-channel and multi-channel retailing literature implies that multiple channel operations require an organisational culture which is entrepreneurial, innovative and dynamic. For many retailers this requires a change in their existing organisational culture, which can be problematic (Wilson and Daniel, 2007). Yet, IM could assist retailers in understanding and perhaps managing these cultural modifications.

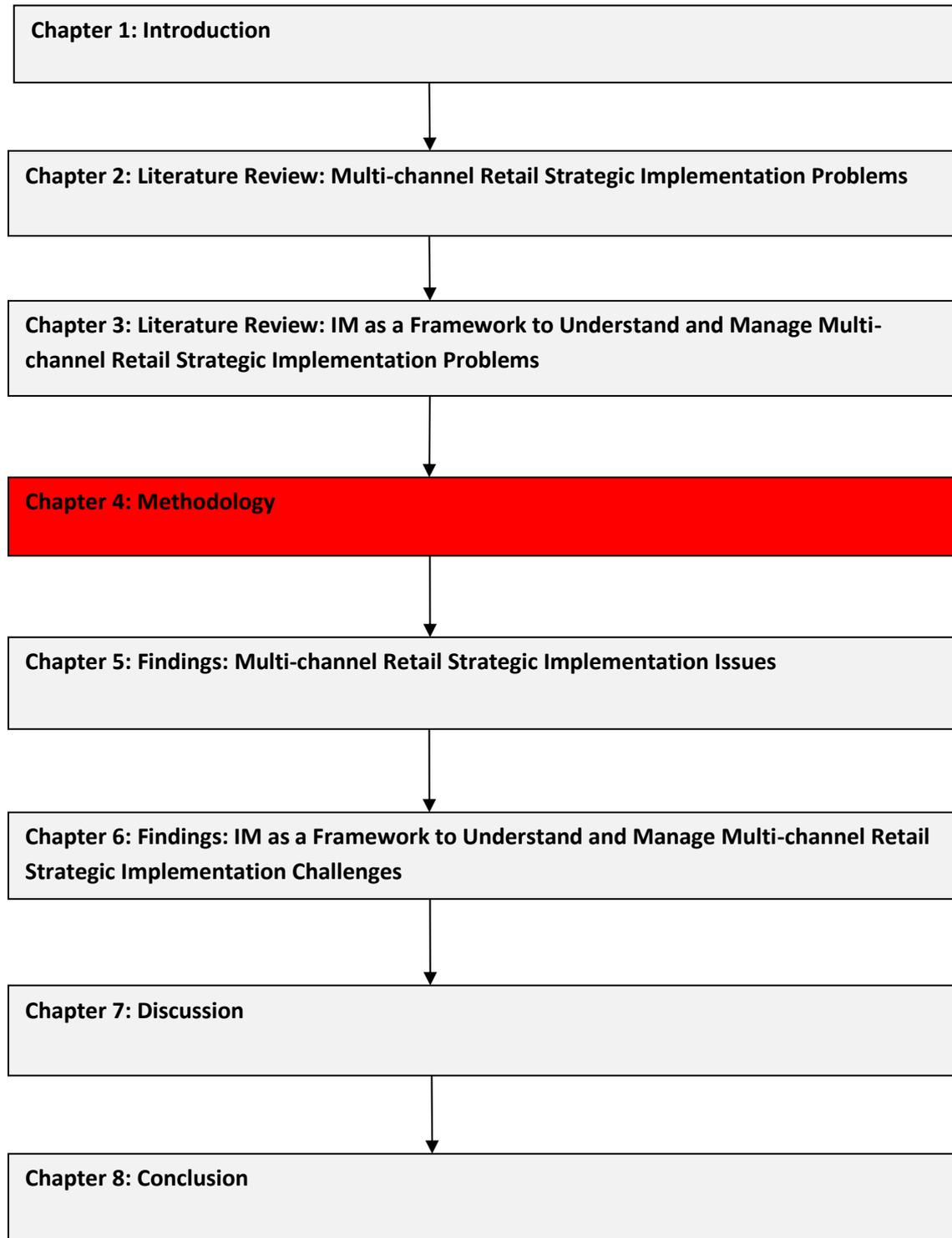
Figure 3.4. Conceptual framework



3.5 Summary

A review of the IM literature suggests that IM offers a theoretical framework to explore and possibly manage the issues associated with multi-channel retail strategic implementation. Part of the rationale for this is that the goals of IM include; acquiring and switching resources, achieving channel integration, changing the organisational culture, and, gaining the support of staff towards the strategy (Ahmed and Rafiq, 2004; Piercy, 2009). These goals correspond with the challenges that retailers experience when going multi-channel, as discussed in Chapter two. In spite of this, prior research has not explored these themes, especially in the context of the UK retail sector. To address gaps in the literature then, this study uses IM as a theoretical framework to understand and possibly redress the difficulties retailers encounter when using multiple channels to sell products and services to customers. From an academic perspective, it is hoped that this research will make an original contribution to the IM and multi-channel retailing literature. From a practical perspective, this research might help retailers to better understand the barriers related to multi-channel retailing, along with the extent to which IM could offer a way of overcoming these obstacles. In light of this, the purpose of the next Chapter is to discuss the methodology proposed to examine the use of IM, theoretically and operationally, as a way of understanding and addressing the difficulties retailers encounter when adopting a multi-channel retail strategy.

Chapter 4 METHODOLOGY



4.0 Introduction

This Chapter explains the methodology adopted in this study. It: revisits the research aims and objectives of this study; discusses the theoretical debates surrounding research design; explains the research design adopted; and discusses how the materials were analysed. In addition, this Chapter explains ethical considerations. The research design used in this study adopts an interpretive philosophical position, a primarily inductive approach and a qualitative multiple exploratory case study research strategy. Three retailers, each classified as a case study, were selected using purposive sampling. In brief, these organisations were selected because they have different approaches to, and are at different stages of, multi-channel retail strategic implementation. Furthermore, they have different backgrounds such as size, ownership, culture, structure, product range, sector and type. This is since a review of the multi-channel retailing literature reveals that the constraints retailers face when implementing a multi-channel retail strategy can vary according to the size, type and product range of a retailer. Likewise, a review of the IM literature reveals that the difficulties organisations face when implementing a strategy can vary according to the nature of the strategy being applied as well as the type of firm and correspondingly, the IM effort should vary accordingly (Ahmed and Rafiq, 2003; Piercy, 2009).

It is hoped then that collecting materials from these three different case study retailers will produce contrasting, but also some similar, results within the same study. The principal methods used to gather a combination of data in this study were semi-structured interviews and documentation. All materials gathered during this study have been managed, stored, organised and coded using the computer-assisted software NVivo, and, data has been analysed using the Template Analysis method (Waring and Wainwright, 2008).

4.1 Revisiting the Research Aim and Objectives

While the overall aim and objectives of this study have been discussed in previous Chapters, it is necessary to revisit them here prior to discussing the methodology and methods used in this study. The research aim and objectives of this study address the gaps in the existing multi-channel retailing and IM literature. To recap, the multi-channel retailing literature suggests retailers face major problems when implementing a multi-channel retail strategy (Zentes *et al.*, 2011; Zhang *et al.*, 2010). In addition, analysis of these multi-channel retailing

issues according to the literature suggests these challenges are IM related. Moreover, a review of the IM literature suggests that IM offers a theoretical framework to explore and, possibly, manage these constraints. Despite this, prior conceptual and empirical research has not explored the use of IM, and how it differs by retailer, as a way of managing multi-channel retail strategic implementation constraints. Also, there is a lack of empirical multi-channel retailing literature which understands the issues retailers face when implementing a multi-channel retail strategy, and, how these problems vary by retailer, especially in the context of the UK retail sector. In light of this, the purpose of this study is to address the gap in knowledge by utilising IM as a theoretical framework to understand the problems faced by retailers when adopting a multi-channel retail strategy, and, the role of IM as a way of addressing these issues, in the context of the UK retail sector. Specifically then, the objectives of this thesis are:

- i. What IM related problems have retailers experienced when implementing a multi-channel retail strategy?
- ii. How have IM strategies and plans been used by retailers when implementing a multi-channel retail strategy?
- iii. How do the IM related problems, and, the use of IM strategies and plans vary by type of retailer?

4.2 Research Design

This section provides an explanation of the research design assumed in this study. That is, the research philosophy, approach, strategy and methods. It also explores the theoretical debates surrounding research design.

4.2.1 Research Philosophy

Gill and Johnson (2010) assert that when conducting research the researcher must make decisions about the approach adopted and that these decisions are more complex than simply choosing an appropriate methodology. The researcher must understand the philosophical assumptions which influence how themes are understood and developed. Gill and Johnson (2010:188) contend that

“...this is because the philosophical commitments which are inevitably made in under-taking research always entail varying stances with regard to human knowledge constituting assumptions about: the nature of the truth; the nature of human behaviour; the possibility of neutral representation of the facts; and the independent existence of the social reality we are supposed to be investigating.”

Weick (1999) uses the term ‘reflexive turn’ to describe the process the researcher goes through to understand the philosophical assumptions underpinning how the researcher understands and constructs concepts. The researcher should notice, evaluate and be *“...suspicious of the relationship between the researcher and ‘objects’ of research”* (Johnson and Duberley, 2003:1279). However, researchers frequently ignore research philosophy when choosing methodology (Guba and Lincoln, 1994; Johnson and Duberley, 2003; Partington, 2000). Yet, ignoring the influence of pre-disposed tacit philosophical assumptions about the research design limits consideration of methodological approaches and thus, the researcher may use a methodology which is not the most appropriate for the research being conducted (Gill and Johnson, 2010). According to Easterby-Smith *et al.* (2008) a researcher must contemplate the main philosophical positions that underlie the designs of management research to elucidate research designs, identify designs which will or will not work, and to recognise, and even build, designs that may be outside his or her previous experience.

It is suggested that there are two main philosophical positions, which are positivism and interpretivism (Gill and Johnson, 2010). However, while the philosophical assumptions and methodological implications associated with interpretivism and positivism can be identified, it is not possible to identify any philosopher who assigns to all of the characteristics of one position (Bryman, 2008; Easterby-Smith *et al.*,2008). This is due to the different ways in which the positions are used by authors. Bryman (2008:13) defines positivism as

“...an epistemological position that advocates the application of the methods of the natural sciences to the study of social reality and beyond.”

Easterby-Smith *et al.* (2008:57) argue that

“the key idea of positivism is that the social world exists externally and that its properties should be measured through objective methods, rather than being inferred subjectively through sensation, reflection or intuition.”

Easterby-Smith *et al.* (2008) maintain that the French philosopher Auguste Comte (1853) was the first person to encapsulate the view of positivism when he postulated that, the only real knowledge is that which is based on observations of external reality. They contend that this statement contains two assumptions: first, an ontological assumption, that reality is external and objective; and second, an epistemological assumption, that knowledge is only of significance if it is based on external reality. They profess a number of assumptions regarding positivism, although not all are identified by Comte (1853) (see table 4.1).

Table 4.1. Philosophical assumptions of positivism (Easterby-Smith *et al.*, 2008:58)

Independence: the observer must be independent from what is being observed
Value-freedom: the choice of what to study, and how to study it, can be determined by objective criteria rather than by human beliefs and interests
Causality: the aim of social sciences should be to identify casual explanations and fundamental laws that explain regularities in human social behaviour
Hypothesis and deduction: science proceeds through a process of hypothesising fundamental laws and then deducing what kinds of observations will demonstrate the truth or falsity of these laws
Operationalisation: concepts need to be operationalised in a way which enables facts to be measured quantitatively
Reductionism: problems as a whole are better understood if they are reduced into the simplest possible elements
Generalisation: in order to be able to generalise about regularities in human and social behaviour it is necessary to select samples of sufficient size, from which inferences may be drawn about the wider population
Cross-sectional analysis: such regularities can most easily be identified by making comparisons of variations across samples

In contrast to the positivist position, this study adopts an interpretive philosophical stance since it is concerned with using the IM framework to understand, and possibly manage, the complex internal problems retailers face when implementing a multi-channel retail strategy, including organisational culture, staff behaviour and channels of distribution (Webb and Lambe, 2007; Zhang *et al.*, 2010). In essence then, the area of this study is

“...far too complex to lend itself to theorising by definite ‘laws’ in the same way of the physical sciences.” (Saunders et al., 2007:106)

This study also adopts an interpretive philosophical stance since the multi-channel retailing and IM literature is new, under-developed, and, at an early empirical stage (Ahmed and Rafiq, 2003; Zhang *et al.*, 2010). Given there is little knowledge about the phenomena to be investigated then a stance is required which enables the researcher to understand the subjective, interpretive views and experiences of people along with how they interact socially, not reflecting objectively an *a priori* reality, in order to build theory (Bryman and Bell, 2007). Bryman and Bell (2007) postulate that this is a key difference between the interpretivist and positivist philosophical stances; the former focuses on *understanding* human behaviour, while the latter emphasises *explaining* human behaviour (Bryman and Bell, 2007). In light of this, an interpretive philosophical stance is well suited to this study. Indeed, Gill and Johnson (2010:190) claim

“...that interpretive qualitative approaches to research, arise out of a critique of positivism’s tendency to reduce human action to the status of automatic responses elicited by external stimuli...as a result of the positivist’s concern to emulate natural science methodology thus a denial of the importance of human subjective, or interpretive processes, because the physical objects that constitute the subject matter of social science do not display such processes – their behaviours are merely responses elicited by causal stimuli.”

In addition, a review of the marketing literature shows that studies have predominately adopted a positivist philosophical stance (Burt *et al.*, 2004; Webb and Lambe, 2007). This has led to calls for marketing research which adopts an interpretive philosophical stance, in particular, in new, emerging areas (Bonoma, 1985; Eisenhardt, 1989). In fact, there has been an increase in marketing studies which have adopted an interpretive philosophical stance over recent years (Moore *et al.*, 2004; Deshpande, 1983; Hyde, 2000).

4.2.2 Deductive and Inductive Approach

According to Hyde (2000:82)

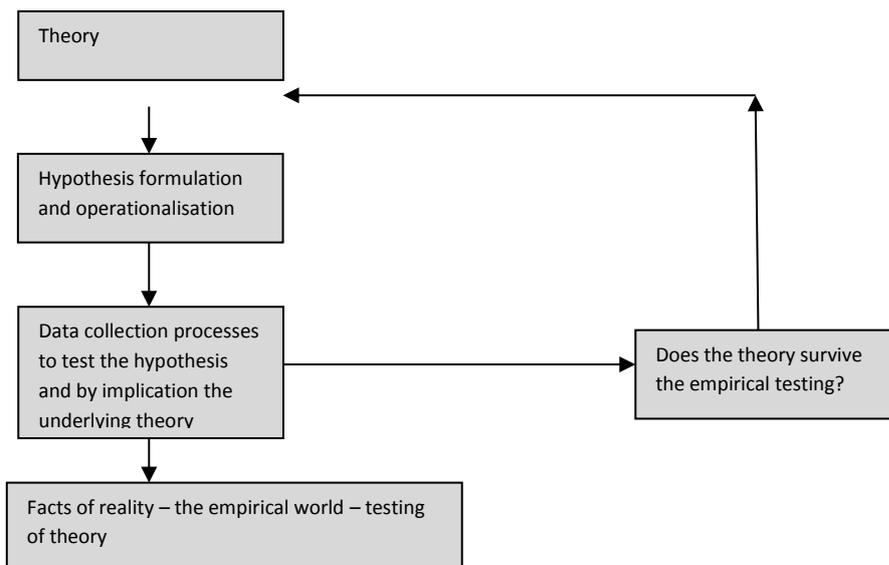
“there are two general approaches to reasoning which may result in the acquisition of new knowledge, namely inductive reasoning and deductive reasoning.”

Gill and Johnson (2010:46) posit, as illustrated in figure 4.1, that

“deduction entails the development of a conceptual and theoretical structure prior to its testing through empirical observation of the facts ‘out there’ in the world through data collection.”

For this reason, a deductive approach is typically, though not wholly, associated with positivism (Saunders *et al.*, 2007).

Figure 4.1 Processes of deductive logic (Gill and Johnson, 2010:47)



Gill and Johnson (2010) propose that a researcher adopting a positivist stance might start with deciding which concepts represent key themes of the theory, or problem, under investigation. The researcher would then move onto the next stage, which is operationalisation. This is a central tenet of a deductive approach; the researcher develops clear and concise instructions about what, and how, to observe. This

“...enables the testing of hypotheses and theories by confronting them with empirical data, which is then collected.” (Gill and Johnson, 2010:50)

The researcher, during this stage, focuses on directly observable phenomena, not subjective or intangible phenomena. Standardised approaches are then developed by the researcher, which can be used by other researchers, though this can cause the researcher to ignore different explanations of what is happening (Saunders *et al.*, 2007). The third stage of the deductive process is theory testing. There can be problems corroborating theory, given that

“...no matter how many confirmatory instances have been observed that support the theory, we can never be certain whether or not future observations might demonstrate the falsity of the theory.” (Gill and Johnson, 2010:52)

Nonetheless, Popper’s (1967, 1972a, 1972b) hypo-deductive approach can be used to overcome this since it claims that the researcher should attempt to disprove, rather than prove, a theory. Despite this, many social researchers are still cautious of a deductive approach as they are

“...critical of an approach that enabled a cause-effect link to be made between particular variables without an understanding of the way in which humans interpreted their social world.” (Saunders *et al.*, 2007:118)

An evaluation of the marketing literature shows that marketing research has tended to adopt a positivist philosophical stance *and* a deductive approach (Hyde, 2000). While there have been calls for marketing research which adopts an interpretive philosophical position, there have also then been requests for marketing research which adopts an interpretive philosophical position *and* an inductive approach (Deshpande, 1983; Bonoma, 1985). An inductive approach *“...commences with observation of specific instances, and seeks to establish generalisations”* (Hyde, 2000:82). It

“...is the reverse of deduction as it involves moving from the ‘plane’ of observation of the empirical world to the construction of explanations and theories about what has been observed.” (Gill and Johnson, 2010:56)

Advantages of adopting an inductive approach include that the theory is more likely to fit the data, and, it recognises the importance of the context as well as the role of the researcher (Glasser and Strauss, 1967; Partington, 2000). Another benefit associated with using an inductive approach is that the research approach addresses problems faced by organisations and so, is not only of use to academics but also to practitioners (Saunders *et al.*, 2007). For these reasons, the process of induction is typically, though not exclusively, associated with an interpretive philosophical position (Bryman, 2008; Bryman and Bell, 2007).

While much of the academic literature suggests researchers adopt an inductive *or* deductive approach to research, in reality, researchers frequently adopt characteristics of both (Hyde, 2000). Saunders *et al.* (2007:119) assert that

“...not only is it perfectly possible to combine deduction and induction within the same piece of research but in our experience it is often advantageous to do so.”

Furthermore, Hunt (1994) claims that if, when adopting an inductive and deductive approach, researchers acknowledged this then it would increase confidence in the research outputs. Webb and Lambe's (2007:30) empirical study, which explores conflict in the use of multiple channels of distribution, utilises an inductive and deductive approach since

“...such a research approach is the most philosophically sound and appropriate for this topic, given the relative lack of understanding and conceptualisation of multi-channel conflict to date.”

This study shares most parallels with an inductive approach. This is on the basis that while the extant multi-channel retailing and IM literature provide a catalyst for this study, little is known empirically about the complex phenomena to be investigated. Adopting an inductive approach then enables the researcher to gain a detailed understanding of the phenomena, by identifying patterns and meaning from the data to build theory. Besides, adopting an inductive approach recognises the importance of the context, specifically that this study is in the UK retail sector and that IM is context specific in nature (Ahmed and Rafiq, 2003). The approach also recognises the role of the researcher, which will be discussed later in this section.

While this study shares most similarities with an inductive approach, however, it does share some similarities with a deductive approach. Several concepts and variables were identified during the early stages of the study before the research aims and constructs were identified and prior to fieldwork commencing. Precisely, the literature was used as a background to this study since it suggests that retailers face internal problems when implementing a multi-channel strategy, and, that these issues are IM related. In addition, a review of the IM literature suggests that IM offers a theoretical framework to explore and potentially manage these multi-channel retail strategic implementation issues. The aims and constructs of this study were also informed by the researcher's current and previous roles.

At this point it is relevant to mention the researcher's background. The researcher has over eight years' experience in the UK retail sector. This includes working for Sainsbury's in roles such as Regional Marketing Manager for the Midlands and Northern Ireland, and Argos, in roles such as Trading Marketing Manager. Although these roles did not have any direct

involvement with any of the cases used in this study, it did enable the researcher to gain an insight into the problems retailers face when implementing a multi-channel retail strategy, and, the organisational culture, working environment and organisation of retailers. At present the researcher is working as a Senior Lecturer in Marketing.

While the aims and constructs of this study were informed by both the literature and the role of the researcher prior to commencing fieldwork, Eisenhardt (1989:536) argues that this can be beneficial. This is since *"...a priori specification of constructs can also help to shape the initial design of theory building research."* Also, without a research focus the researcher can be overwhelmed by the volume of data and the scope of the study, particularly when adopting a qualitative approach.

4.2.3 Quantitative and Qualitative Research

Although quantitative and qualitative research can be associated with a deductive and an inductive approach (Cassell *et al.*, 2006; Hansen and Grimmer, 2007), in general, a deductive approach tends to be associated with quantitative research and an inductive approach with qualitative research (Bryman, 2008; Bryman and Bell, 2007; Hunt, 1994; Saunders *et al.*, 2007). Easterby-Smith *et al.* (2008:82) highlight a superficial difference between qualitative and quantitative research whereby

"the former involves collecting data that is mainly in the form of words, and the latter involves data which is either in the form of, or can be expressed as numbers."

The overriding concern of quantitative research is to

"...describe the general characteristics of a population and to ignore the details of each particular element studied." (Hyde, 2000: 84)

It involves collecting large samples of numerical data (Saunders *et al.*, 2007) and entails

"exhibiting a view of the relationship between theory and research as deductive, a predilection for a natural science approach (and of positivism in particular)." (Bryman and Bell, 2007:153)

It is for these reasons, that quantitative researchers tend to adopt a positivist stance, while qualitative researchers often adopt an interpretive stance (Easterby-Smith *et al.*, 2008; Hyde, 2000).

In their empirical study, exploring the use and role of qualitative research in management research, Cassell *et al.* (2006) found that researchers had different views of the term 'qualitative research'. Many academics described qualitative research as adopting an interpretivist stance, concerned with trying to understand meaning, and, how this is constructed through social interaction, but others viewed it as a set of tools (e.g. focus groups, interviews) for the researcher to use. Cassell *et al.* (2006) claim that although this could be viewed as problematic, conversely it highlights a strength of qualitative research. It covers a diverse range of research, especially in areas such as management and marketing research which are multi-disciplinary and inter-disciplinary (Brown, 1997; Gummesson, 2005; Hanson and Grimmer, 2007; Long *et al.*, 2000; Watson, 1997; Wilson and Natale, 2001).

As prior mentioned, marketing studies have largely adopted a positivist philosophical stance and a deductive approach. They also tend to be of a quantitative nature (Bettis, 1991; Hanson and Grimmer, 2007; Hyde, 2000). Adopting a positivist, deductive and quantitative approach can improve credibility, but, it can prevent new ways of thinking in areas which are new and under-developed. This is because researchers focus on testing theory without gaining the necessary understanding of the phenomena first (Bonoma, 1985; Milliken, 2001). In addition then to requests for marketing studies which adopt an interpretive philosophical stance and an inductive approach, there are calls for marketing studies, particularly in areas where the literature is at an early empirical juncture, which also adopt a qualitative approach (Bonoma, 1985; Fazier and Antia, 1995).

This study asserts that an interpretivist philosophical position, a predominantly inductive and a qualitative approach is appropriate for this study because it rejects the

"...practices and norms of the natural scientific model and of positivism in particular in preference for an emphasis on the ways in which individuals interpret their social world."

(Bryman and Bell, 2007:28)

It uses small samples to do this. In other-words, it uses small samples to gain a detailed understanding of the complex phenomenon under investigation, to form theory, in an area where the literature is at an early empirical stage, and, little is known about the phenomena under investigation (Easterby-Smith *et al.*, 2008; Eisenhardt, 1989; Gummesson, 2005; Hyde, 2000). If we consider recent studies on IM, then these have predominately adopted a qualitative approach (Ahmed and Rafiq, 2004; Rafiq and Ahmed, 1995). For example,

Kelemen and Pappasolomous (2007:750) in their empirical study of IM, concerned with service quality in the banking sector, used a qualitative approach “...to understand peoples’ views and experiences rather than reflect objectively an a priori reality.” Similarly, Sargeant and Asif’s (1998) study of the strategic application of IM, also in the banking sector and concerned with service quality, used a qualitative methodology since its aim was to identify current IM practice along with the rationale and perceptions of IM. Webb and Lambe’s (2007) empirical study, which explored conflict in a multi-channel context, also used a qualitative methodology since Webb and Lambe claim that qualitative research lends itself well to multi-channel studies, where the literature is still at an early empirical stage.

4.2.4 Research Strategy

Yin (2009:18) claims that a case study

“...is an empirical inquiry that investigates a contemporary phenomenon in-depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident.”

This study uses a case study strategy because the study is concerned with gaining a detailed understanding of sensitive and complex phenomena which the researcher has no control over, the study is within a real-life context, and, it reflects the role of the researcher (Gomm *et al.*, 2007; Perry, 1998; Yin, 2009). Yin (2009) posits that a case study is the preferred method when ‘how’ or ‘why’ questions are being asked. The questions posed in this study are:

- i. What IM related problems have retailers experienced when implementing a multi-channel retail strategy?
- ii. How have IM strategies and plans been used by retailers when implementing a multi-channel retail strategy?
- iii. How do the IM related problems, and, the use of IM strategies and plans vary by type of retailer?

Therefore, although Yin (2009) approaches case study research from a positivist stance, this study uses a case study research strategy since research questions ‘b’ and ‘c’ are ‘how’ questions and thus, are explanatory questions (Yin). This research also uses an exploratory case study strategy because question ‘a’ is a ‘what’ question. Hence, this research is not

attempting to quantify phenomenon, rather, it is seeking to gain a detailed understanding of the problems retailers experience when going multi-channel, and, how these issues vary by retailer. Moreover, to understand the extent to which IM might offer a way of understanding and addressing these issues, and, how the IM effort varies by retailer (Eisenhardt, 1989; Stake, 2000). Furthermore, the multi-channel retailing and IM literature is at an early empirical juncture and according to Yin (2009:36), where

“...the knowledge base is poor, and the available literature provides no conceptual framework or hypothesis to note then such a knowledge base does not lend itself to the development of good theoretical statements, and any new empirical study is likely to assume the characteristic of an exploratory case study.”

Specifically, this study uses a *qualitative* case study research strategy. This is because while positivist researchers (Yin, 2009) argue that case study research can include, and be limited, to either quantitative or qualitative research, interpretive researchers tend to argue that qualitative materials should be given superiority (Gomm *et al.*, 2007; Grunbaum, 2007). As discussed in section 4.2.3, the use of qualitative research also enables the researcher to gain a detailed understanding of the complex phenomena to be investigated to build theory. Again, this is necessary due to the early empirical stage of the multi-channel retailing and IM literature. Also, an examination of empirical IM research which explores the role of IM as an aid to strategic implementation reveals that these studies tend to use a qualitative case study strategy. For example, in their empirical study, which explores the use of IM as a tool to aid strategic implementation in the banking sector, Ahmed and Rafiq (2004) use a qualitative case study. Ahmed and Rafiq (2003) also highlight a need for further empirical qualitative case-based research which explores the use of IM in organisations.

Yin (2009:27) posits that when conducting case study research, the following

“...components of a research design are important: a study’s questions; its propositions, if any” and “...its unit of analysis.”

First, this study’s questions have been discussed above, in section 4.1. Second, propositions are not relevant to this study since it is an exploratory study, but, it should have a purpose (Yin, 2009). The purpose of this study is to use IM as a theoretical framework to understand, and possibly manage, the issues retailers encounter when implementing a multi-channel retail strategy. Also, to explore how these problems and the IM effort differs by retailer.

Third, the unit of analysis, or 'case' (Miles and Huberman, 1994; Stake, 2000), can be "...an individual, an event, an institution or even a whole national society," and, a case study can use a single-case or multiple-case design (Gomm *et al.*, 2007:22).

This study uses a multiple case study strategy, utilising three case studies. The case studies were selected, using purposive sampling, due to their different characteristics such as product range and type of retailer. As discussed in section 4.0, this is because a review of the multi-channel retailing and IM literature reveals that the problems retailers face when implementing a multi-channel retail strategy can vary according to variables such as product range and type of retailer and thus, the IM effort should alter accordingly. As a result, the three retailers were selected in the hope of producing contrasting results within the same study, but also some similarities (Eisenhardt, 1989; Stake, 2000; Yin, 2009). It is hoped that the use of three different case studies also increases validity of the study (Herriot and Firestone, 1983; Miles and Huberman, 1994; Patton and Applebaum, 2003; Yin, 2009).

However, while this study asserts that the use of a qualitative exploratory case study strategy is the most appropriate methodology to use in this study, it acknowledges that there are criticisms of such an approach. Case studies can be time-consuming and difficult to manage (Kelemen and Pappasolomou, 2007; Yin, 2009). They can also offer little basis for scientific generalisation (Gomm *et al.*, 2007; Yin, 2009). In particular, the latter point has attracted considerable debate in the literature. Gomm *et al.* (2007) claim that this debate has arisen due to the different views researchers have, depending on their philosophical stance, of the aim of case study research. Gomm *et al.* (2007:3) posit that

"...it is sometimes argued that the aim of case study research should be to capture cases in their uniqueness, rather than to use them as a basis for wider generalisation or for theoretical inference of some kind."

Indeed, Yin (2009) argues that the aim of case studies is not to make scientific generalisations, but to ensure that case study findings are generalisable to theoretical propositions. Similarly, Daymon and Holloway (2002) argue that the quantitative idea of generalising is not appropriate for qualitative case studies, because qualitative case studies are not statistically selected to represent a larger population. Accordingly, Thomas (2011) claims that the aim of a case study is not to generalise from it but is the use others make of

them, either that they input into the processes of ‘naturalistic generalisation’ (Donmoyer, 2007; Stake, 2000), or, that they enable the ‘transfer’ of research outputs from one context to another on the grounds of ‘fit’ (Lincoln and Guba, 2007).

4.2.5 Research Methods

Bryman and Bell (2007:40) define a research method as “...*a technique for collecting data*”. This study uses the methodological process of triangulation. Multiple research methods have been used in this study, namely semi-structured interviews and documentation (Silverman, 2003). According to Denzin and Lincoln (2000:5), when conducting qualitative research triangulation should not be used as a way of gaining an accurate portrayal of phenomena, but,

“...is best understood as a strategy that adds rigor, breadth, complexity, richness and depth to any inquiry.”

Hence, the process of methodological triangulation addresses the concerns about construct validity when conducting case study research (Lincoln and Guba, 2007; Yin, 2009). Gill and Johnson (2010:221) assert that this is because where more than one method is used

“...different methodological strengths will be enhanced, and inherent weaknesses will be cancelled out, to produce more convincing findings.”

The use of different research methods also permits the researcher to gain a detailed understanding of each case to build theory (Bonoma, 1985; Beverland and Lindgreen, 2008; Grunbaum, 2007; Eisenhardt, 1989; Stake, 2000; Silverman, 2003; Lincoln and Guba, 2007; Yin, 2009). While not relevant to this study, Silverman (2003), states that triangulation can also refer to comparing different types of data (i.e. quantitative and qualitative), combining multiple theories (using theories from one field to explain phenomena in other fields) and respondent validation (taking findings back to the subjects being studied).

In terms of the specific methods adopted in this study, Bryman and Bell (2007:209) postulate that

“...in the business research interview, the aim is for the interviewer to elicit from the interviewee or respondent...all manner of information: interviewees’ own behaviour or that of others, attitudes, norms, beliefs and values.”

Interviews can be structured, semi-structured, or unstructured (i.e. in-depth) (Saunders *et al.*, 2007). Since this study adopts an interpretive philosophical position, a primarily inductive approach and a qualitative exploratory case study, and also is in a novel area, then one-to-one semi-structured interviews are the most appropriate method to gather data (Bonoma, 1985; Perry, 1998; Saunders *et al.*, 2007; Silverman, 2003; Yin, 2009). This is because semi-structured interviews allow the researcher to guide, but not influence, respondents through the interview process to ensure certain topics are covered. Yet, at the same time semi-structured interviews also enable the researcher to explore new themes which may not be identified in the literature, especially given the literature is at an early empirical stage. Structured interviews are not used in this study since they tend to be associated with a positivist philosophical stance and a deductive approach (Saunders *et al.*, 2007). In addition, unstructured interviews (i.e. in-depth) are not used in this study because respondents may be unfamiliar with the terms and concepts used (i.e. multi-channel retailing is a relatively novel strategy). Also, unstructured interviews would not enable the researcher to be certain specific topics were covered. Yet, although semi-structured interviews are best suited to this study, indeed they are the main method to be used, there are criticisms associated with them. For instance, they can be time-consuming and there can be issues relating to reliability, bias, validity and generalisability (Saunders *et al.*, 2007).

To overcome the potential limitations of semi-structured interviews then, this study also uses documentation. Documentation is

“...a fairly heterogeneous set of sources of data, such as letters, memos, diaries, autobiographies, internal reports, newspapers, magazines and photographs.” (Bryman and Bell, 2007:554)

It involves the use of materials which already exist; not those that have been produced at the request of the researcher. Organisational documentation, such as press releases, annual reports and company newsletters are significant to the business and management researcher due to the considerable amount of information available (Bryman and Bell, 2007). Yin (2009:101) contends that

“except for studies of preliterate societies, documentary information is likely to be relevant to every case study topic.”

Still, locating documentation can be a lengthy and retracted process (Bryman and Bell, 2007; Yin, 2009). It also involves considerable skill on the part of the researcher to interpret the meaning of documentation and, can contain biased selectivity and reporting bias (Bryman and Bell, 2007; Yin, 2009). Despite this, documentation is used in this study because of the overall value “...documents play...in any data collection in doing case studies” (Yin, 2009:103). It is important to highlight, however, that while semi-structured interviews and documentation were used in this study, the most novel and valuable findings emerged from semi-structured interviews. Therefore, Chapters five, six, seven and eight predominately refer to the insights gained from semi-structured interviews.

4.3. Pilot Testing

Pilot testing enables the researcher to gain experience, thus increasing confidence in collecting data. It also identifies any questions that may make respondents feel uncomfortable, lose interest, or, that they do not understand to ascertain the general suitability of the interview schedule. The researcher conducted two pilot tests to gauge the suitability of the interview questions to meet the research aims and objectives of this study. The first pilot test involved asking a friend who knew very little about multi-channel retailing and IM to read through the questions and identify any questions which were unclear. The second pilot test involved a member of the case study retailer 1 team, who was comparable to other respondents. Following the pilot tests minor amendments were made to the interview schedule. Specifically, the terms ‘multi-channel retailing’ and ‘internal marketing’ needed to be explained to respondents. For example, internal marketing needed to be explained to participants because individuals were unfamiliar with the term and used different terms to describe the concept, such as change management.

4.4 Ethical Considerations

This project has been conducted within the clear ethical procedures set out by the framework laid down by Nottingham Trent University Graduate School’s code of guidance on ethical research. Two principles have underpinned the fieldwork; informed consent and confidentiality. Participants were briefed on the nature of the research and asked to sign a consent form prior to the interview. All respondents were informed they had the right to refuse involvement in the study and to withdraw from the study. Individuals and

organisations are not named to ensure anonymity and transcriptions and tape recordings have been stored in a secure environment.

4.5 Analysis

This section provides a discussion of the analysis of the different materials gathered in this study. Eisenhardt (1989:539) claims that

“analysing data is the heart of building theory from case studies, but it is the most difficult and least codified part of the process.”

This is because

“...one of the difficulties with qualitative research is that it very rapidly generates a large, cumbersome database because of its reliance on prose in the form of media such as fieldnotes, interview transcripts, or documents.” (Bryman and Bell, 2007:579)

But also, as Miles and Huberman (1994) assert, because the

“...methods of analysis are not well formulated. For quantitative data, there are clear conventions the researcher can use. But the analyst faced with a bank of qualitative data has very few guidelines for protection against self-delusion, let alone the presentation of unreliable or invalid conclusions to scientific or policy-making audiences. How can we be sure that an “earthy”, “undeniable”, “serendipitous” finding is not, in fact, wrong?”

However, the literature does provide some guidance as to the process the researcher should follow when analysing qualitative research (Bryman and Bell, 2007; Easterby-Smith *et al.*, 2008; Saunders *et al.*, 2007). According to Miles and Huberman (1994:10) analysis consists of *“...three concurrent flows of activity: data reduction, data display, and conclusion drawing/verification.”* Data reduction

“...refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written-up field notes or transcriptions.” (Miles and Huberman, 1994:10)

Data display involves presenting the data in such a way that the researcher can identify what is happening. Conclusion drawing and verification begins at the start of the data collection when

“...the qualitative analyst is beginning to decide what things mean – is noting regularities, patterns, explanations, possible configurations, causal flows, and propositions.” (Miles and

Huberman, 1994:11)

Miles and Huberman (1994) argue that the researcher must remain open throughout data analysis since the final conclusions may not appear until the end. Moreover, Miles and Huberman (1994) assert that conclusion drawing is only half of the final stage, the other half being verification. That is, conclusions are verified as the researcher goes through the data collection process.

While the process of data analysis proposed by Miles and Huberman (1994) informs this study, 'Template Analysis' has been used to analyse the data collected from semi-structured interviews and documentary evidence. This is because 'Template Analysis' is well suited to studies which adopt an interpretive philosophical stance, are predominantly inductive, and, are of an exploratory nature, such as this study. Besides, 'Template Analysis' is useful to inexperienced researchers since it provides guidance as to the process the researcher should follow when analysing qualitative research. Waring and Wainwright (2008:85) posit that

"...a relatively recent development in organisational research has been the application of 'Template Analysis' to rich unstructured qualitative data following the primary data collection phase."

King (2011) also states that

"...the term Template Analysis refers to a particular way of thematically analysing qualitative data. The data involved are usually interview transcripts, but may be any kind of textual data... including text from electronic interviews."

More specifically then, during the first stage of data analysis the researcher used the conceptual framework (shown in section 3.4) to inform the identification of *a priori* codes and a coding template. In other words, the researcher summarised the key themes in hierarchal order, and, in a meaningful and useful way (King, 2011). In this sense then the study adopted a deductive approach. However, the second stage of data analysis entailed the researcher analysing interview transcripts immediately after each interview which enabled the researcher to conduct preliminary analysis of the data and modify *a priori* codes, along with the coding template accordingly. During this stage the researcher continued to keep an open mind to consider different interpretations of the data and therefore, to avoid closing down to a final template too early (Miles and Huberman, 1994; King, 2011).

Throughout the second stage of data analysis then the researcher adopted an inductive approach.

During the third, and final, stage of data analysis (i.e. when all of the materials had been gathered and analysed) the researcher then revisited the tentative *a priori* codes and coding template keeping, modifying or dispensing with codes to fit the data. Using the final template a further analysis of the data (i.e. from the interviews and documentation) was then conducted. Therefore, similar to stage two, this stage of data analysis adopted an inductive approach. Part of the final coding template used to analyse interviews and other documentary materials is show overleaf in figure 4.4, and, the full final coding template is shown in appendix three. In essence then, the researcher took an iterative approach to analysing the data which

“...helps the fieldworker cycle back and forth between thinking about the existing data and generating strategies for collecting new, often better data.” (Miles and Huberman, 1994:50)

Figure 4.4 Excerpt of coding template used to analyse interviews and other documentary materials

- Implementation problems
 - Resources
 - Stock
 - Personnel
 - Training
 - Staff shortages
 - Recruitment
 - Staff numbers
 - Logistics
 - Packaging
 - Integrated systems
 - IT
 - Internet
 - Warehouse
 - Time and delays
 - Knowledge and understanding
 - Integrated stock control

- Finance
 - Staff
 - Packaging
 - Marketing budgets
 - IT
 - HR
 - Catalogue
 - Buying
- Channels
 - Stores
 - Warehouse
 - Time and delays
 - Tills
 - Different types of stores
 - Mobile
 - Catalogues

During the data analysis stage all materials gathered during this study, through semi-structured interviews and documentation, were managed, stored, organised and coded using the computer-assisted software NVivo. Indeed, Waring and Wainwright (2008) maintain that the use of NVivo *and* Template Analysis enables the researcher to adopt a more comprehensive approach to data analysis. King (2011) also contends that the use of NVivo, when using Template Analysis, can help the researcher to overcome a reluctance to make substantial changes to the coding template.

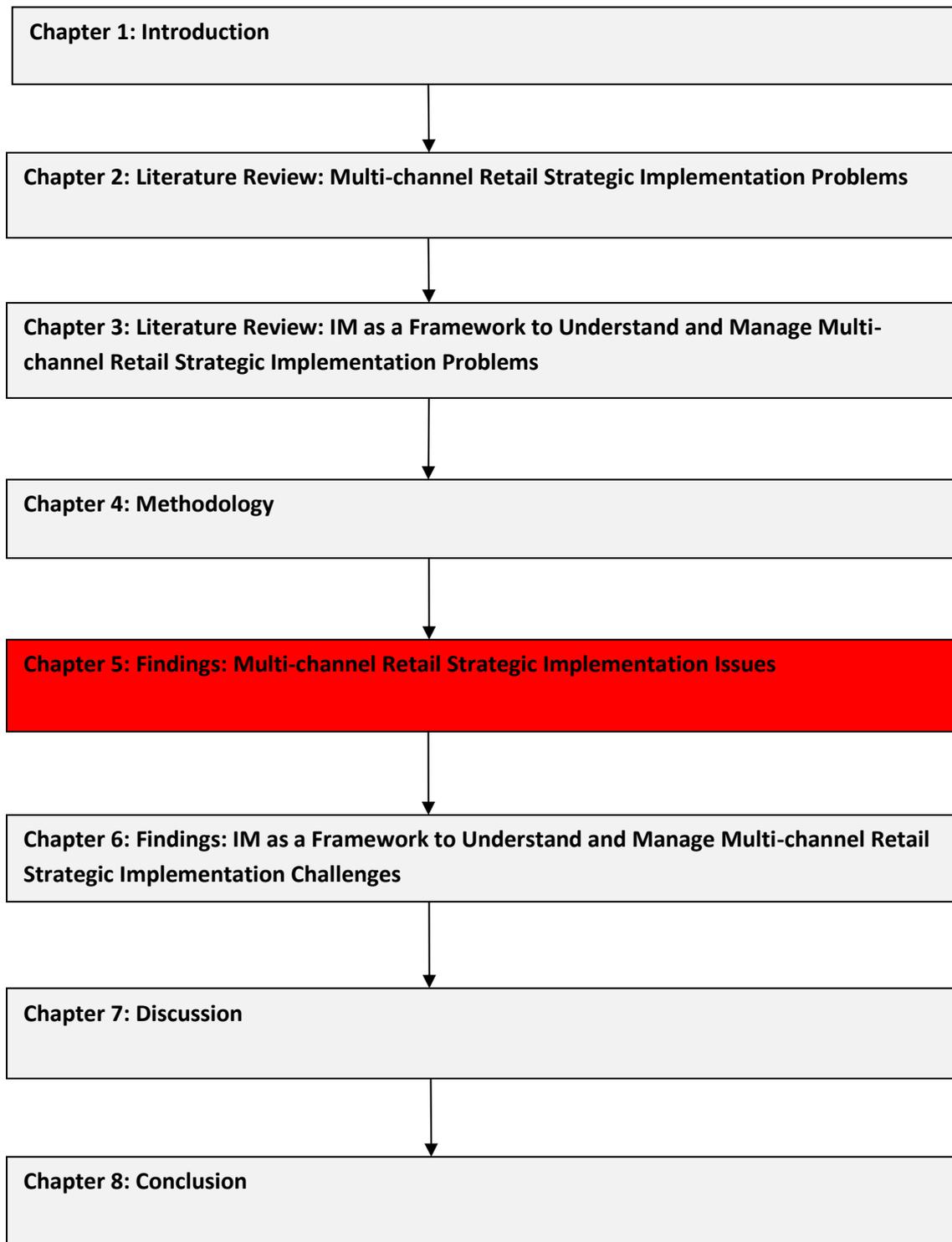
4.6 Summary

This Chapter has explained the methodology adopted in this study, which is, that this study adopts an interpretive philosophical position, a primarily inductive approach, and, a qualitative multiple exploratory case study research strategy. While this study shares the greatest similarities with an inductive approach, in that it will generate theory in a new under-researched area which lacks comprehensive literature, it does share some similarities with a deductive approach. Namely, a number of concepts and variables were identified during the early stages of this study before the research aims and questions were constructed, and, prior to fieldwork commencing. Also, the researcher's previous industry experience, before commencing this thesis, has also informed the aims and constructs of this study.

Three retailers, each classified as a case study, were selected using purposive sampling. Each retailer has a different approach to, and is at a different stage of, implementing a multi-channel retail strategy. Moreover, each of these retailers also differs in terms of, for example, size, ownership, culture, structure, product range, sector and type (i.e. bricks-and-mortar and catalogue/Internet based). The rationale for this is that the literature suggests that multi-channel retail strategic implementation issues vary according to variables such as product range and type of retailer and therefore, the IM effort should vary accordingly (Piercy, 2009; Ahmed and Rafiq, 2003). It is hoped then that collecting primary research from these three different case study retailers will produce contrasting results within the same study, but also some similarities. The principal methods used to gather a combination of data in this study were semi-structured interviews and documentation. Furthermore, all materials gathered during this study have been managed, stored, organised and coded using the computer-assisted software NVivo, and, data has been analysed using the Template Analysis method (Waring and Wainwright, 2008).

This study asserts that the methodology used in this study is the most appropriate for this research. This is because multi-channel retailing and IM (i.e. as a tool to aid strategic implementation) are novel, emerging areas, where, due to the literature being at an early empirical stage, little is known about the complex phenomena being investigated. Therefore, there is a need to gain an in-depth understanding of the complex phenomena being investigated in order to build theory. The research design also reflects the importance of the context. That is, that IM is context specific, and, that the setting of this study is the UK retail sector which is associated with unique characteristics at a sector and country level, compared to other countries and sectors.

Chapter 5 FINDINGS: MULTI-CHANNEL RETAIL STRATEGIC IMPLEMENTATION ISSUES



5.0 Introduction

As discussed in Chapter four, the multi-channel retailing literature suggests that retailers face major challenges, which can vary by retailer, when implementing a multi-channel retail strategy. Also, these problems can prevent a retailer effectively making the strategy happen. In spite of this, the multi-channel retailing literature provides little detailed empirical insight into these constraints, and how they differ by retailer, especially in the context of the UK retail sector. Therefore, to contribute to gaps in the literature, and make an original contribution to the literature, this Chapter adopts a predominately inductive approach to explore multi-channel retail strategic implementation issues, along with how they vary by retailer, in the context of the three UK case study retailers.

Importantly then, the findings from this Chapter highlight new themes which are not identified, or not clearly recognised, in the literature. While in line with the literature this Chapter finds that retailers face integration, cultural, engagement and resource problems when going multi-channel, in contrast to the literature, this Chapter identifies that these problems are frequently entwined. For instance, lack of staff support towards the strategy is problematic in itself, but also creates further problems, such as posing obstacles to getting the necessary resources to go multi-channel. This Chapter also highlights that the challenges retailers encounter when adopting a multi-channel retail strategy alter according to the stage of implementation. For example, during the early implementation stages retailers face major issues getting the necessary resources (e.g. IT and logistics) to support multiple channels. In the mid implementation stages the focus of retailers shifts to implementing a seamless multi-channel retail strategy and therefore, these retailers also face major integration challenges.

Furthermore, this Chapter finds that multi-channel retail strategic implementation constraints are similar by retailer. For instance, during the early implementation stages retailers experienced similar problems due to the need to acquire additional financial resources for new channels. This was because these 'new' channels lacked the perceived sales volume to merit such capital investment. However, while multi-channel retail strategic implementation issues were similar, they also differed. For instance, during the early implementation stages case study 2 experienced problems due to a lack of staff with the

necessary skill-set for traditional store operations. In contrast, cases 1 and 3 faced issues due to a lack of staff with the appropriate Internet and multi-channel knowledge and expertise, especially since these staff could not be recruited in the external labour market. Nonetheless, a novel finding was that, where possible, cases 1 and 3 overcame these issues (i.e. lack of staff with the necessary Internet and multi-channel skill-set) by collaborating with other retailers, including to share knowledge and best practice concerning multi-channel retail strategic implementation.

These multi-channel retail strategic implementation issues are now investigated in more detail in this Chapter, which is organised as follows. The findings from case study 1, followed by case study 2 and then case study 3 are discussed. Discussions pertaining to each case commence by exploring the awareness, knowledge and use staff had of the term 'multi-channel retailing'. Next, consideration is given to the motivations for each case study company going multi-channel. This is followed by a discussion of the resource, engagement, cultural and integration issues experienced by the cases when implementing a multi-channel retail strategy. The *raison d'être* for using a case-by-case approach to the analysis is that it enables a detailed discussion of the challenges encountered by the case study retailers when going multi-channel. This sets the scene for Chapter seven where findings from the case study retailers are considered *across cases* and *against the literature* to identify general, overarching themes.

This Chapter synthesises findings from semi-structured interviews conducted with staff employed by cases 1, 2 and 3, and, documentary materials to discuss multi-channel retail strategic implementation constraints. This Chapter, however, is *predominately informed by the findings from the semi-structured interviews*. This is because there was little external documentation which referred to the constraints impeding the case study retailers going multi-channel. Numerous reasons existed for the lack of documentation. This included that issues associated with the strategy were often not documented due to their sensitive nature; sensitive from a commercial perspective, but also from a staff perspective. For example, one respondent clearly felt that a constraint to their retailer going multi-channel was lack of board level sponsorship towards making the strategy happen. Yet, the respondent did not want to record these views in internal or external documentation as it might be perceived as being critical of the Board and thus, be detrimental to his career. The researcher also felt

that there was limited documentation about the strategy because staff and retailers simply did not have the time or staff to produce materials about multi-channel retailing. As a result, the most valuable insights regarding the themes covered in this Chapter were gained from the interviews with staff employed at each of the three case study retailers.

5.1 Case Study Retailer 1

5.1.1 Awareness and Understanding of the Term ‘Multi-channel Retailing’

All participants, except one, had heard of the term ‘multi-channel retailing’. The one participant who was not familiar with the term was a sales assistant who worked in one of the retailer’s stores. Of those participants who recognised the term ‘multi-channel retailing’ all of them said that it was a ‘strategy’ which involved the use of more than one channel to sell products and services to the customer. Moreover, that multi-channel retailing enabled customers to shop where, when and how they wanted to. This is clearly illustrated in the following comment from a respondent.

“It’s all about giving the customer the opportunity to shop the way they want...so to shop however they want.” (Respondent 10)

Multi-channel retailing then, enabled the retailer to better meet customer needs, important since the retailer was a ‘customer-led’ organisation. Three participants also remarked that the term ‘multi-channel retailing’ implied increasing the number of customer ‘touch points’ and thus, better customer brand engagement. Numerous individuals also made indirect comments that multi-channel retailing was a three stage process, as shown in the following quote from respondent 10.

“So the first step is can the logistics and infrastructure support a multi-channel offer...step two is making sure everyone is brought into that...and then the third step would be how do we communicate that to the customer?” (Respondent 10)

The first stage of the process was to ensure that the IT and logistics infrastructure could support a multi-channel offer. The second stage was to gain support from staff and key decision makers towards the strategy, and, the third stage involved communicating the proposition to external customers, including via social media. Interviewees commented that the retailer was at stage one and two and thus, was not yet a multi-channel retailer.

Respondents commented that this highlighted a need for IM to improve knowledge and understanding of multi-channel retailing (discussed in more detail in Chapter six). Several respondents said that the term 'cross-channel retailing' had been considered as an alternative to multi-channel retailing, because 'cross-channel' retailing might be an easier term for staff to understand. Though the term 'multi-channel retailing' was kept. Nonetheless, respondent 3 implied that the term 'cross-channel' retailing might be used in the future since (at the time of the interviews) 'cross-channel' retailing was considered to be the next stage of multi-channel retailing, that is, it entailed providing a seamless, integrated offer to the customer. One interviewee even questioned if a multi-channel retail strategy should have a term at all, since the strategy concerned the entire organisation rather than individual channels, functions and departments. In essence then, these points illustrate that there is currently no one definition of multi-channel retailing and that given the dynamic nature of the strategy then, it's term is likely to alter in the future.

5.1.2 Drivers of Multi-channel Retailing

Respondent 1 stated that there were two key inter-related motivations behind the retailer using a multi-channel retail strategy; to meet customer needs and grow sales.

"It's what customers want is the first thing...the second thing, we're not just doing it for the sake of it, we're doing it because there is a significant pot of growth in there if we get the model right." (Respondent 1)

Respondent 2 observed that enabling customers to shop via multiple channels was important since multi-channel shoppers spent more money than single channel shoppers.

"...from a cash point of view, a multi-channel customer is more valuable than one who shops in a single channel...So I think...there is...a financial benefit to case 1 in the long term through helping customers to shop where and when they want." (Respondent 2)

Interestingly, Respondent 1 remarked that the primary objective of adding an Internet channel was to increase store sales and therefore, increasing Internet sales was a secondary objective.

Respondent 1 also commented that another benefit associated with adding an Internet channel was that the retailer could use the channel as a vehicle for marketing activity.

“We see it (the website) as a huge marketing channel going forward. I can see a day when we don’t have to spend any money on TV advertising. It’s all done through engaging customers, getting customers involved through using the website and tools such as email advertising...so it can enable us to be very efficient from a marketing point of view as well.”

(Respondent 1)

5.1.3 Internal Problems

While the previous section has explored respondents’ awareness and use of the term multi-channel retailing, this section explores the internal challenges faced by case 1 when implementing a multi-channel retail strategy.

5.1.3.1 Resources Issues

Significant financial, IT, logistics and staff issues were encountered by the retailer when going multi-channel.

5.1.3.1.1 Financial Resources

Implementation of the strategy demanded large financial investment in the retailer’s IT and logistics infrastructure. During the early implementation stages this included significant money to re-platform the website, however, getting this funding was problematic due to low Board level support towards the Internet channel. For example, the Board had concerns about the IT and logistics infrastructure underpinning the website and multi-channel operations. The performance of the Internet channel was also measured according to the sales it generated and since the Internet channel was new, sales were low and therefore, on paper, the website did not appear to merit the major financial investment being asked.

During the later implementation stages, the retailer continued to experience financial issues stemming from the need to invest in their IT and logistics infrastructure to support *an integrated and seamless* multi-channel proposition.

5.1.3.1.2 Logistics and IT Resources

Other logistics and IT issues were also encountered by the retailer when adding an Internet channel and using new channels to sell products and services to customers. According to

Respondent 1, the retailer could leverage its existing IT and logistics infrastructure to support the addition of an Internet channel and to go multi-channel.

However, during the initial implementation stages these legacy systems had to be re-designed to enable the retailer to implement a multi-channel retail strategy. This was because these systems had been designed for the store channel; to move merchandise pallets from inbound to outbound trucks with minimal handling, using information about pallet size to determine which carriers to use, size of lorries, number of deliveries into the depot and out of the depots to stores, and, storage of product in the depots. In contrast, an Internet channel required a logistics infrastructure which; received merchandise in pallets, broke it down into cartons for individual items to be picked from cartons, repacked items into packaging suitable to be delivered to the customer, then shipped items to individual customers. As a Respondent 2 explained, information provided by the store based logistics system was therefore irrelevant to the Internet channel, such as pallet size. But, information not provided by a store based logistics channel *was* important to the Internet channel, including dimensions and weight of products since this data determined how the product was packaged and delivered to the customer.

During the later implementation stages, changes also had to be made to legacy systems to enable the retailer to offer an *integrated* multi-channel proposition to customers. This included changes to implement 'click and collect' (where a customer can buy a product in one channel and pick it up in another) and also to ensure consistent communication of the marketing mix across all channels.

The retailer also faced issues relating to the delivery of the product to the end customer. The retailer did not have the necessary infrastructure in place to fulfil the 'last mile' and thus, used external couriers. Yet, a high proportion of customer complaints related to the 'last mile', for instance, due to customers being out at the time of the order delivery and having to contact the courier to rearrange a new delivery date and time. 'Click and collect' helped the retailer to overcome some of these issues, for example, the retailer could fulfil the 'last mile' themselves, and, the customer collected their order at a date and time to suit them. Still, there were difficulties related to 'click and collect'. A case in point is that the

retailer had reduced the amount of warehouse space to increase sales floor space and so, many stores did not have the space to store customer Internet orders until collected by the customer.

During all of the stages of the implementation process, the different work needed to re-design the logistics and IT infrastructure was challenging since it entailed novel, complex and often bespoke systems. There was also little guidance, and, the retailer had a lack of staff with the necessary skills and expertise. Therefore, as Respondent 3 highlights a 'learn as you go approach' was adopted by individuals.

"...we learnt a lot in that three year journey we've been on and we're still learning a lot now...when we come across problems it's about finding solutions, we don't know what the answer necessarily is. You now order on line and collect in-store is something a few people have tried to do three or four times and struggled with it." (Respondent 3)

5.1.3.1.3 Recruiting and Training Staff

- **Recruitment**

As prior mentioned, during the early stages of implementation case 1 faced issues due to a lack of staff with the necessary multi-channel skill-set. Interestingly, these problems could not be resolved through external recruitment as few retailers had implemented the strategy and thus, there was a scarcity of individuals with the necessary skill-set in the external labour market. For instance, Respondent 2 recounts the issues encountered when trying to recruit someone, externally or internally, to re-platform the website.

"...so we looked for someone to run it (re-designing the IT and logistics infrastructure) and we couldn't find them, they didn't exist. There weren't many people who had done that sort of thing as there weren't many retailers who had done it." (Respondent 2)

Some respondents, however, felt that as the retailer progressed from the early to mid-implementation stages of a multi-channel retail strategy it faced fewer problems recruiting staff with the necessary multi-channel skill-set. One reason for this was that more retailers were using the strategy and as a result, more individuals had the appropriate multi-channel knowledge and expertise. According to Respondent 2 another reason was that during the mid-implementation stages the infrastructure supporting, and sales of, the Internet channel and therefore multi-channel retailing had improved and so, more people wanted to work in

the Internet channel and multi-channel retailing function. Respondent 9 also commented that there was greater internal recognition that a multi-channel retail strategy required some staff with specialist skills to be recruited externally, rather than internally.

“In the past we saw it as an opportunity to develop people, by moving them internally to the website, but in reality they’ve got no skills and expertise in that area. So recruiting people externally, as we have just done, is really important.” (Respondent 9)

Respondent 2 still felt though that recruiting staff with the right skill-set remained a challenge, even during the later implementation stages. In part, this was due to the contemporary nature of the strategy and hence, a continued shortage of individuals with the necessary multi-channel skill-set.

“So that gives us (a) challenge...good people are hard to come by because it’s such a young industry.” (Respondent 2)

Interestingly, several participants also felt that while the strategy necessitated externally recruited staff, it also required internally recruited staff. These individuals tended to have existing relationships with key decision makers and other staff which aided gaining staff support towards the strategy. Indeed, Respondent 1 said that he had been internally recruited to his role for that reason, that is, because he had existing relationships with staff, including the Board and Senior Managers, across the business.

- **Training**

Using new and multiple channels to sell products and services to the customer also called for staff training. During the mid-implementation stages some training had been put in place for store staff to be able to place orders for customers via the Internet in-store.

Importantly, no training had been put in place for staff in the Internet and multi-channel functions because the strategy was new and hence these training courses did not exist. Instead, according to Respondent 9 the multi-channel function adopted a ‘learn as they went approach’.

However, a surprising and novel finding was that respondents in the multi-channel function collaborated with other retailers to learn from each other, problem solve and share best practice and thus, overcome the lack of multi-channel knowledge and expertise. This was in

stark contrast to the rest of the business where staff did not collaborate with other retailers. Furthermore, the retailer also used suppliers to address the lack of staff with multi-channel retailing knowledge and expertise.

5.1.3.2 Channel Integration

Channel integration issues changed to some extent, and became increasingly important, as the retailer implemented a multi-channel retail strategy. During the early implementation stages the focus of the retailer was on implementing a multi-channel offer while in the mid implementation stages the focus of the retailer was towards adopting an *integrated, seamless* multi-channel offer and therefore, during the mid implementation stages the retailer faced greater integration issues compared to the early implementation stages. Channel integration issues, including logistics and IT infrastructure, have been discussed in section 5.1.3.1.1, however, a further constraint to the retailer achieving channel integration was the structure of the marketing department. Respondent 11 explained how teams worked in isolation in the marketing department and as a result, the brand was not always consistently communicated to the customer.

Respondent 10 also felt that a barrier to channel integration, during the later implementation stages, was lack of support from individuals in the marketing department towards a multi-channel retail strategy. As a result, the multi-channel offer was not actively promoted to external customers, and, the marketing mix was inconsistently leveraged across channels, for instance, the TV advertising referenced stores but not the website. This caused staff in the store and multi-channel functions to feel conflict towards the marketing team, which is explored in the following section.

5.1.3.2.1 Conflict

A constraint to channel integration was conflict between staff in different departments. During the early implementation stages, store staff exhibited conflict towards the Internet channel since store staff perceived the Internet channel to be a threat to their store sales.

An important finding was that an initiative which gave stores the credit for sales generated via the Internet in-store minimised this conflict (i.e. from store staff towards the Internet channel).

Yet, Respondent 2 thought that some conflict still existed between store staff and the Internet channel because some store staff still saw the Internet as a threat to store sales.

During the later implementation stages, it appeared that staff in the store and multi-channel functions also showed conflict towards the marketing and buying functions. The cause of this conflict was lack of support from staff in the marketing and buying departments towards the use of new and multiple channels.

5.1.3.3 Organisational Culture

Cultural challenges were associated with the retailer going multi-channel. The retailer's organisational culture had to change to effectively use multiple channels to sell products and services to customers, for example, every member of staff had to view the retailer as a multi-channel retailer. While Respondent 1 believed some cultural changes had been made, further alterations were needed.

" Well, we're in the middle of it, we're at a tipping point now. I wouldn't say we are a Multi-channel retailer top-to-bottom, because it's a cultural change. It means everybody on the shop floor sees us as a multi-channel retailer. But we're not there yet." (Respondent 1)

There were also concerns amongst staff in the Internet and multi-channel retailing function that the culture of the main business would be imposed on their departments and channels, which would constrain the retailer going multi-channel. The culture of the main business was described as conservative, risk averse, bureaucratic and where decision were made on research rather than 'gut feel'. The culture of the main business was also one where staff did not collaborate with staff at other retailers. In contrast, the culture of the internet function was described as dynamic, risk-taking and where decisions were often based on 'gut feel'. Individuals adopted a 'learning by doing approach', and, staff collaborated with staff at other retailers.

5.1.3.3.1 Organisational Structure

Creating the appropriate organisational structure was a further difficulty for the retailer. Here, respondent 2 mentions how, despite talking to other retailers, he is unclear about what the structure of a multi-channel retailer should be:

“And when we were looking at an organisational design we asked a lot of questions of other retailers, and other people in web businesses. You know ‘what structure do you have?’ ‘What’s the business structure?’ ‘How do you organise things?’ And no answer was the same... Nobody’s got a blueprint for what you do. If you want to run a web business, number one question - what’s the structure of the organisation you need to run that? And if you want to be a multi-channel web business what is the structure of the organisation you need for that?...There didn’t seem to be a right answer at the time we were designing our structure and I’m not sure there is a right answer now.” (Respondent 2).

5.1.3.3.4 ‘Buy In’ of Staff

The final major challenge the retailer faced in multi-channel retail strategic implementation was lack of support from key decision makers and staff towards the strategy. The key challenge was to get staff and Board level engagement with the strategy.

5.1.3.3.5 Summary

Case 1 faced numerous difficulties when adopting a multi-channel retail strategy. Significant challenges were encountered getting the necessary resources to make the strategy happen. This included the financial resources to re-platform the website, and, for every store to have broadband. Also, ensuring the staff competencies, IT and logistics infrastructure was in place to support multi-channel operations was problematic. The retailer also experienced major difficulties achieving channel integration due to shortcomings with the IT and logistics infrastructure, the structure of the marketing department, and conflict between staff in different departments and channels. Moreover, cultural issues were associated with using multiple channels to sell products and services to customers. For example, the culture of the main business needed to change to one which was alike that of an online and multi-channel retailer, including being more entrepreneurial and innovative. A further key challenge was gaining the commitment of staff and key decision makers towards the strategy.

Case analysis also reveals that these resource, cultural, integration and engagement issues were frequently entwined. An illustration of this is that lack of multi-channel retailing engagement led to financial resource issues. This section also highlights that multi-channel retail strategic implementation constraints varied by stage of implementation. During the early implementation stages the retailer faced major resource and engagement issues. In the mid-implementation stages the retailer continued to encounter engagement and resource problems, but also increasingly experienced integration issues. In the later implementation stages, these engagement, resource and integration issues continued to exist, however, the retailer also gave greater attention to cultural constraints. The problems associated with using multiple channels to sell products and services to customers were also often exacerbated due to the strategy being new and thus, there was little guidance as to how to make the strategy happen. Nonetheless, the retailer overcame this issue, and lack of staff with the necessary multi-channel skill-set, by, to some extent, collaborating with other retailers to share multi-channel retailing best practice. Furthermore, interviews with staff and key decision makers at the retailer highlighted that although the retailer was in the process of going multi-channel, participants did not yet regard it as a multi-channel retailer. This was because the retailer still needed to address numerous challenges, including those related to acquiring/switching resources and gaining staff engagement.

5.2 Case Study Retailer 2

5.2.1 Awareness and Understanding of the Term ‘Multi-channel Retailing’

All interviewees were familiar with, and used, the term ‘multi-channel retailing’. Indeed, interviewees implied most, if not all, staff would be aware of, and use, the phrase. Every respondent described the strategy as the use of multiple channels to sell products and services to the customer, which is clear in the following excerpt taken from an interview with respondent 12.

“... it’s about...using different channels to sell products to the customer so... the Internet, catalogues and shops to sell products to the customer. And the call centre.” (Respondent 12)

Therefore, the strategy enabled customers to shop where, when and how they wanted to, as demonstrated in the following quote from Respondent 8:

“Multi-channel retailing means giving the customer choice. So it’s having the same offer but allowing the customer to have the same experience whether they are in the shop, wanting to phone to talk to you or whether they are on the Internet.” (Respondent 8)

Several respondents also described multi-channel retailing as facilitating retailers to access increased customer data and better meet customer needs through customisation. The strategy also entailed offering a seamless, integrated offer across multiple channels to customers. Respondent 13 commented:

“For me when I think of multi-channel I think of complete integration of the customer journey. So I see multi-channel as complete integration of all those customer journeys – so it doesn’t matter what channel you’ve brought it from...all those interactions completely spread across all channels.” (Respondent 13)

5.2.2 Drivers of Multi-channel Retailing

According to several interviewees the main reason behind the retailer adding a store channel and using multiple channels was to meet customer needs. Moreover, meeting the needs of multi-channel shoppers was important since these individuals spent more money than single channel shoppers, as is evident in the following assertion from Respondent 13:

“We know that multi-channel shoppers are worth more than single channel shoppers because their lifetime value is a lot higher.” (Respondent 13)

5.2.3 Internal Problems

Case 2, like case 1, faced major challenges adopting a multi-channel retail strategy and these issues are discussed in this section.

5.2.3.1 Resources Issues

Financial, IT, logistics, staff, stock and store resource related issues were encountered by the retailer when using new and multiple channels to sell products and services to the customer.

5.2.3.1.1 Financial Resources

Implementation of a multi-channel retail strategy demanded large financial investment. During the early stages of the store opening programme significant funding was needed to open stores, and, a new distribution centre to support the store channel. Yet, getting the

funding for the store opening programme, and, the store distribution centre was problematic. In part, this was due to the issues associated with the retailer's Internet distribution centre. However, it was also because when requesting financial investment for the store opening programme and the store distribution centre, the retailer had few stores and therefore, store sales were low. On paper then, the store channel did not appear to merit the substantial capital expenditure being asked. Nonetheless, as the number of stores increased then so did store sales, and, obtaining the necessary financial resources to open stores and the store distribution centre became less problematic.

During the later implementation stages, financial investment issues were also alleviated due to increasing support from the MD and the Finance Director towards the store opening programme. Initially, the store opening programme had been driven by middle and lower managers but in the later stages it was also led by the MD. The support of the MD was instrumental in the rapid execution of the store opening programme as suggested by Respondent 7.

However, a downside of the retailer investing in the store opening programme was that this expenditure had a detrimental impact on the retailer's profitability.

5.2.3.1.2 Logistics and IT Resources

- *Logistics infrastructure*

During the initial implementation stages, adding a store channel and using multiple channels to sell products and services to customers entailed the retailer re-designing its legacy logistics systems. This was because the retailer's existing logistics infrastructure had been designed to support its direct channels and so, as Respondent 7 commented, these systems had been:

"...designed primarily to service small crisp box size dispatches – so everything for direct web."

(Respondent 7)

In contrast, the store channel needed logistics infrastructure which moved merchandise pallets from inbound to outbound trucks with minimal handling, and, used information about pallet size to determine which carriers to use, size of lorries, number of deliveries into the depot and out of the depots to stores, and, storage of product in the depots. It also required information about pallet size, though this was not provided by the existing logistics

infrastructure since it was irrelevant to the direct channels. Yet, as discussed in section 5.2.3.1.1, getting the financial investment to re-design the store logistics infrastructure was problematic, especially during the early implementation stages when store sales were low.

- *IT infrastructure*

During the later stages of implementing a multi-channel retail strategy, increasing attention was also being given to re-designing existing IT systems to provide an *integrated* multi-channel proposition to the customer. For instance, the website had to be re-platformed, which according to several participants involved significant financial investment, and, was the final major stage in the retailer implementing a seamless multi-channel retail strategy. Legacy IT systems also had to be re-designed to enable the retailer to offer ‘click, pay and collect’ (where the customer orders a product in one channel and collects it in another).

Yet, this work (i.e. re-designing the retailer’s legacy IT infrastructure to offer a seamless, integrated offer) was problematic, and, had taken longer, and cost more, than originally anticipated. Despite this, in comparison to cases 1 and 3, case 2 appeared to face fewer issues re-designing legacy IT infrastructure to go multi-channel. One reason for this might be that the retailer externally recruited staff with the appropriate skill-set for Internet operations, for instance, several staff had previously worked for UK based e-commerce retailers and multi-channel retailers. However, while the retailer employed staff with the relevant skills and expertise necessary for an Internet channel, it did face problems due to lack of staff with store-based skills and this theme is explored in the next section.

5.2.3.1.3 Recruiting and Training Staff

- *Staff recruitment*

During the early stages of the store opening programme, case 2 faced major issues stemming from a lack of staff with the appropriate store-based skills because it was felt that recruiting these staff would have delayed the store opening programme.

In light of this skills gap, staff and managers adopted a ‘learn as they went approach’, as is clearly demonstrated in the following quote from Respondent 7.

“And we were really learning as we went along” (Respondent 7)

In the later stages of the store opening programme, however, the retailer had to recruit staff with store-based knowledge and expertise.

- *Staff training*

During all of the stages of implementation there was a need for staff training, although the form of this training varied according to the stage of implementation. Moreover, the majority of training had been put in place during the later implementation stages, and, was aimed at store and customer contact centre staff. For example, during the late implementation stages, customer service and sales training was carried out amongst store and customer contact centre staff. Training was needed for the latter (i.e. customer contact centre staff) because the addition of a store channel and the use of multiple channels entailed these individuals' roles changing from being 'order takers' to 'sales advisors', which was challenging.

Nevertheless, with the exception of store and customer contact centre staff, other staff received very little training and most staff 'learnt as they went', and, from other staff. For instance, Respondent 13 reflected:

"So...it took a lot of hard work, it was all self- taught (and) I learnt as much as I could from my line manager." (Respondent 13)

5.2.3.1.3 Stores

As mentioned previously, a major challenge case 1 experienced was opening stores, especially during the early stages of the store opening programme. One reason for this was due to the operational issues at the retailer's Internet distribution centre.

During the later stages of the retailer adding a store channel, a constraint to the retailer opening additional stores was the lack of large stores available to rent because the retailer's store model was based on large stores, and, the retailer did not want to use small or medium sized stores (although the reasons for this were unclear).

5.2.3.1.4 Stock Control

Major problems related to the allocation and management of stock. Early on in the store opening programme, and implementation of a multi-channel retail strategy, it was difficult to get stock for stores because the retailer had no dedicated staff to manage store channel

merchandise. Moreover, store sales accounted for a small proportion of the retailer's overall sales.

However, as the retailer opened more stores, sales increased, and, getting store channel merchandise became more straightforward. Nonetheless, the rapid growth of the store channel led to other stock issues, for example, stock management and control was challenging because the retailer had little reliable historical sales data and so, sales forecasts informing stock ordering were often inaccurate, causing an increased number of 'out of stocks'.

These stock issues created conflict between staff and managers in the Internet channel and the store channel. Individuals in the Internet channel felt aggrieved that every store had significant warehouse space to store large amounts of stock which restricted merchandise availability for the Internet channel and thus, negatively impacted Internet sales.

5.2.3.2 Channel Integration

Channel integration issues, including IT infrastructure, have been discussed previously in section 5.2.3.1.2. However, a further constraint to the retailer achieving channel integration was conflict between staff in different departments.

5.2.3.3 Organisational Culture

To some extent case 2 did have the necessary organisational culture to use multiple channels to sell products and services to customers. One reason for this was that staff viewed the retailer as a 'multi-channel' retailer, as stated by Respondent 14.

"...is so proud that it is a multi-channel business and it's not something we have to put on staff."

The retailer also had a culture which allowed staff to use their initiative, make decisions, take risks and be entrepreneurial. Also, the retailer and its staff had a 'can do approach'. Several interviewees shared these views:

“We will always try and find another way around it though. So we look at these new things and ideas and instead of saying ‘I’m not sure, let’s go away and ask someone about it’, (it’s) ‘let’s do this’, just go ‘just turn it on’. What’s the worst that can happen?...You’ve got to take risks and have a can do attitude.” (Respondent 14)

It was clear that the retailer was keen to retain this type of working environment, a case in point being that they recruited staff who, for example, made decisions quickly and used their initiative.

While the retailer already had many multi-channel cultural aspects during the later implementation stages, however, some cultural alterations were needed. In part, these cultural changes were needed because adding a store channel had significantly increased the retailer’s turnover. As a result, the retailer needed to change its culture from that of a small, to a large, multi-channel retailer. The retailer also needed to change its organisational culture to create a customer service and sales mindedness, to reflect the addition of a store channel. In addition, the retailer identified a requirement to change the internal culture to one where every member of staff thought of the retailer as one which sold products and services to customers via ‘direct’ channels (i.e. catalogues, the Internet and customer contact centre) *and* traditional bricks-and-mortar stores.

The retailer had implemented some measures to change the organisational culture, including adding systems and processes. Though getting the balance between having systems and processes while maintaining an entrepreneurial culture was difficult.

Furthermore, as discussed in 5.2.3.1.3, the retailer was altering the internal culture through recruiting store staff with a service, rather than warehouse, background. Even so, recruiting staff with a service background was difficult, especially in affluent areas with low unemployment, since few people had heard of case 2.

5.2.3.3.1 Organisational Structure

Devising an appropriate organisational structure was a further issue for the retailer and this is clearly illustrated in the following comment from Respondent 12.

“I think it’s quite hard to line everything up as a multi-channel retailer. It’s not very clean. It’s very challenging for a retailer to structure themselves up as a multi-channel retailer.”

The interviewee did feel though that structural issues were negated to some degree because the retailer behaved as a small retailer (despite it being a large retailer). Communication was good between staff in different departments and channels. The retailer also continuously reviewed and changed its organisational structure, for instance, when staff left the retailer then rather than automatically recruiting an individual to that role then the business looked to see if alternative roles were needed, elsewhere in the business.

5.2.3.4 ‘Buy In’ of Staff and Key Decision Makers

Staff and key decision makers supported multi-channel strategic implementation, however, the retailer had faced challenges due to lack of support from staff and key decision makers towards the store opening programme, during the initial stages. Indeed, had it not been for middle and lower managers driving the addition of the store channel, it is likely it would not have happened. Still, in the mid to late stages of the store opening programme, there was greater support from the MD, Board level individuals and staff towards opening stores.

5.2.3.5 Summary

Case 2 encountered numerous challenges when going multi-channel. Key problems were associated with the early stages of the store opening programme and store distribution centre. These included cultural, support and resource issues, including financial, staff and stock. In the later stages of the store opening programme the retailer faced fewer issues, but some support and cultural issues persisted. The retailer also faced other difficulties when going multi-channel. Achieving channel integration was difficult due to shortcomings with the IT infrastructure, and, conflict between departments and channels. Moreover, other cultural issues were associated with using a multi-channel retail strategy. For instance, the culture needed to change to that of a large, service orientated multi-channel retailer, which sold products and services to customers via direct *and* store channels. Nonetheless, to some extent, the retailer did have many cultural aspects, such as allowing staff to use their initiative and take risks, which did help the retailer to adopt a multi-channel retail strategy.

Case analysis revealed several new insights. Although the retailer was in the final stages of making the strategy happen, it did not regard itself to be a multi-channel retailer. This was because the retailer needed to redesign legacy logistics and IT infrastructure to offer a seamless, integrated multi-channel offer to the customer. In addition, case analysis demonstrates that the nature of multi-channel retailing issues varied according to the stage of implementation. For example, during the early implementation stages the retailer faced issues due to a lack of staff with specialist store knowledge and expertise, whereas in the later stages the retailer faced difficulties due to a shortage of customer service and store staff with a service orientation. Furthermore, these issues were often inter-related, for instance, during the early implementation stages, low support towards the store opening programme led to difficulties getting the financial resources necessary to open a store distribution centre.

5.3 Case Study Retailer 3

5.3.1 Awareness and Understanding of the Term ‘Multi-channel Retailing’

Awareness and use of the term ‘multi-channel retailing’ varied amongst respondents. Four respondents were familiar with, and used, the term. Moreover, these respondents commented that the strategy entailed the use of more than one channel to sell products and services to the customer. This is clearly illustrated in the following excerpt from respondent 6, in response to the question ‘what do you understand by the term multi-channel retailing?’.

“Being able to offer to a customer, so very much from a consumer perspective, lots of different avenues by which to purchase products or services. So whether that be through online, by post, by bricks-and-mortar. So lots of different avenues really.”

However, three respondents were neither aware of, nor utilised, the term ‘multi-channel retailing’, which may be because these respondents were not involved in multi-channel retail strategic implementation. Several respondents commented that this (i.e. lack of familiarity) highlighted a need for an IM effort to improve staff knowledge and understanding of the strategy.

Interestingly, all of the respondents implied that case 3 was not yet a multi-channel retailer even though it had used multiple channels to sell products and services to customers for over 10 years. Instead, the retailer was in the early stages of offering an *integrated* multi-channel offer to the customer.

5.3.2 Drivers of Multi-channel Retailing

The key motivation for case 3 adding an Internet channel and using multiple channels was to enlarge its market, and, in particular, to sell products and services to customers outside its current catchment area.

According to Respondent 5 another major reason for the retailer going multi-channel was the commercial benefits associated with the strategy; fixed costs could be shared amongst the internet and the store channel.

A further impetus behind the retailer using integrated multiple channels was to meet changing customer needs, that is, to facilitate customers shopping where, when and how they wanted to.

5.3.3 Internal Problems

Case 3 encountered internal issues in multi-channel retail strategic implementation, due to the internal change required by the strategy. Moreover, these problems posed obstacles to the retailer effectively implementing the strategy.

5.3.3.1 Resources Issues

Significant financial, resource, IT and logistics issues were encountered by the retailer when adding an Internet channel and using multiple channels to sell products and services to customers.

5.3.3.1.1 Financial Resources

Implementation of the strategy necessitated large financial investment, which is clearly demonstrated by the following quote from Respondent 14.

"...and I know there's a lot of investment into the Internet."

In particular, significant capital expenditure was needed in the logistics and IT infrastructure, in part, due to the need to improve the layout of the packing department where customer orders were packed and dispatched. Respondent 6 commented:

“We invested quite a large sum of money, two years ago, in the building.”

Substantial investment was also made in the website and to change the retailer’s ordering system.

Due to the retailer being at an early implementation stage, financial investment was further needed to re-design the existing logistics and IT infrastructure to support an *integrated* multi-channel offer. Yet, acquiring these financial resources was problematic. Respondent 5 commented that the performance of the online business was measured according to the sales it generated and since it was in the early implementation stages, sales were low and hence, on paper, it did not appear to merit the financial investment, nor other resources, being asked.

5.3.3.1.2 Logistics and IT Resources

Case 3 did not have a computerised integrated stock control and ordering system, which caused stock issues especially at peak trading periods. During the early stages the retailer needed to design and implement a computerised stock control and ordering system. The system also needed to facilitate the retailer using initiatives, such as ‘click and collect’ (where a customer can buy a product in one channel and pick it up in another), and, to ensure consistent communication of the marketing mix across all channels. For instance, some promotions implemented via the customer contact centre and stores could not be offered online.

Still, designing a computerised and integrated stock control and ordering system was extremely problematic. One reason for this was that a large proportion of the retailer’s products were perishable, short life, baked on different days and subject to significant seasonal sales variations. As a result, bespoke and complex logistics and IT systems were needed.

Designing the logistics and IT infrastructure was also difficult due to lack of staff with the necessary IT and logistics skills and expertise. Moreover, the existing IT supplier was unable to design a computerised and integrated stock control and ordering system, and, the retailer was finding it difficult identifying a supplier who could.

Case 3 was also facing other logistics related issues. In part, these issues related to the 'last mile'. Case 3 is largely a product-based retailer and has to physically deliver the product to the customer. Difficulties arose when customers could not take delivery of the product, for instance, who should pay re-delivery costs case 3 or the customer? Ensuring customers received the same high levels of service via the Internet compared to in-store was also difficult due to the use of external couriers.

A novel theme to also emerge from the interviews was that case 3 experienced packaging related issues when fulfilling online and catalogue orders. Specifically, sourcing packaging at a suitable cost, which protected the product, was not cumbersome for customers to open, and, was ethical and environmentally friendly.

Case 3 encountered further problems due to the size of the customer contact and packing department. During peak trading times there was insufficient space to accommodate packing staff, but, increasing the square footage of these departments would mean unused space for most of the year. Also, managers in these departments commented that they struggled to find the time to recruit and train the additional staff required during peak trading periods. Consideration was given to outsourcing packing and call centre work, in particular, during busy trading periods, but, the retailer had, in part, delayed outsourcing packing and call centre work due to a lack of experience in this area.

The stock issues discussed in this section posed other problems, including conflict and staff engagement issues, and these difficulties are considered in the following sections.

5.3.3.1.3 Recruiting and Training Staff

- *Staff recruitment*

Implementation of a multi-channel retail strategy was the responsibility of respondents 5 and 6 - in addition to their existing day-to-day roles. According to these

respondents, the retailer faced problems due to lack of staff with multi-channel retailing and Internet skill-sets.

In spite of this, the respondents pointed out that staff with IT and multi-channel expertise had not been recruited because the retailer had concerns that adding these staff, and other resources, to go multi-channel might detrimentally impact the stability of the business, for instance, from a financial perspective.

As a way of resolving issues stemming from the lack of staff with Internet and multi-channel retailing expertise, staff adopted a 'learn as they went approach', as illustrated in the following comments from a respondent:

"So everyone's learning as they go along really. It's a very new field."(Respondent 15)

Respondents 5 and 6 also attended practitioner multi-channel industry conferences and networked with other retailers.

Nevertheless, problems were arising due to the lack of staff with the appropriate IT and logistics skills. For instance, the retailer identified that the design of its IT and logistics infrastructure had been an error since the system could not support an integrated multi-channel offer and thus, had to be re-designed.

- *Training*

Implementing a multi-channel retail strategy also entailed staff training. Some training had been put in place for packing and call centre staff, but none for other individuals involved in multi-channel retailing. According to Respondent 6 there was a need for training for all staff and key decision makers to improve knowledge and understanding of the strategy. Importantly, this would aid gaining the motivation of these individuals towards the use of new and multiple channels to sell products and services to customers.

5.3.3.1.4 Stock Control

Major problems related to the allocation and management of stock. As discussed previously, the retailer had no computerised stock control and ordering system and therefore, sales and stock forecasts informing stock ordering were often inaccurate, causing stock shortages.

Initiatives to address this conflict were being investigated. The retailer felt that click and collect might minimise conflict because store staff could get the credit for any sales made via the Internet in-store and on customer orders collected in-store, thus encouraging store related staff to be more supportive of the strategy. Click and collect also offered the retailer other business benefits, including being able to fulfil delivery of the product themselves to customers in a store, rather than using external delivery couriers. Despite this, as prior mentioned in section 5.3.3.1.2, a barrier to using click and collect was the lack of an integrated stock control and ordering system.

5.3.3.2 Channel Integration

As well as the channel integration issues discussed in section 5.3.3.1.4, a further barrier to channel integration was that online staff felt conflict towards other departments and channels. This was often due to lack of motivation from staff and managers in these areas towards multi-channel retailing.

5.3.3.3 Organisational Culture

Cultural challenges were also associated with case 3 going multi-channel. The organisational culture of case 3 was described as a family culture, which posed constraints on the retailer making change happen, including the alterations needed to adopt a multi-channel retail strategy. Yet, it was clear that the retailer was keen to retain cultural aspects related to the founder's way of doing business. The family culture had though, to some extent, enabled the retailer to act in an entrepreneurial way. This included giving staff autonomy and letting them use their own initiative. A further key cultural change required was that all key decision makers and staff needed to view case 3 as a multi-channel retailer.

5.3.3.4 'Buy In' of Staff

The final major challenge that the retailer faced when implementing a multi-channel retail strategy was gaining the commitment of senior managers towards the strategy, which was necessary to get other staff engaged with the use of new and multiple channels. Two major reasons were cited for the lack of support from senior managers and staff; lack of

understanding of the strategy, including the business benefits, and, the perception that BYP was a threat to store sales. In spite of this, some progress was being made towards improving senior management and staff engagement with the strategy.

5.3.3.5 Summary

While case 3 was in the process of implementing a multi-channel retail strategy, it was not yet a multi-channel retailer. Indeed, the retailer was at the very early stages of adoption and faced numerous issues. Major difficulties were encountered getting the necessary resources to implement the strategy. This included acquiring the financial, IT, staff, stock and logistics resources for integrated multi-channel operations. The retailer also faced major problems achieving channel integration due to shortcomings with the IT and logistics infrastructure, and, conflict between departments and channels. Moreover, cultural issues were associated with using the strategy. The retailer felt that it needed to change its culture to one which took risks and embraced organisational change while retaining its family culture. Also, every member of staff needed to view the retailer as a multi-channel retailer. A further challenge was gaining the support of key decision makers and staff towards the strategy. This was difficult since these individuals had limited awareness of the business benefits related to the strategy and also, because the website was perceived as a threat to store sales. Nevertheless, resolving these engagement issues was important because they posed further cultural, integration and resource problems and therefore, also highlight the frequently intertwined nature of the challenges case 3 faced when going multi-channel.

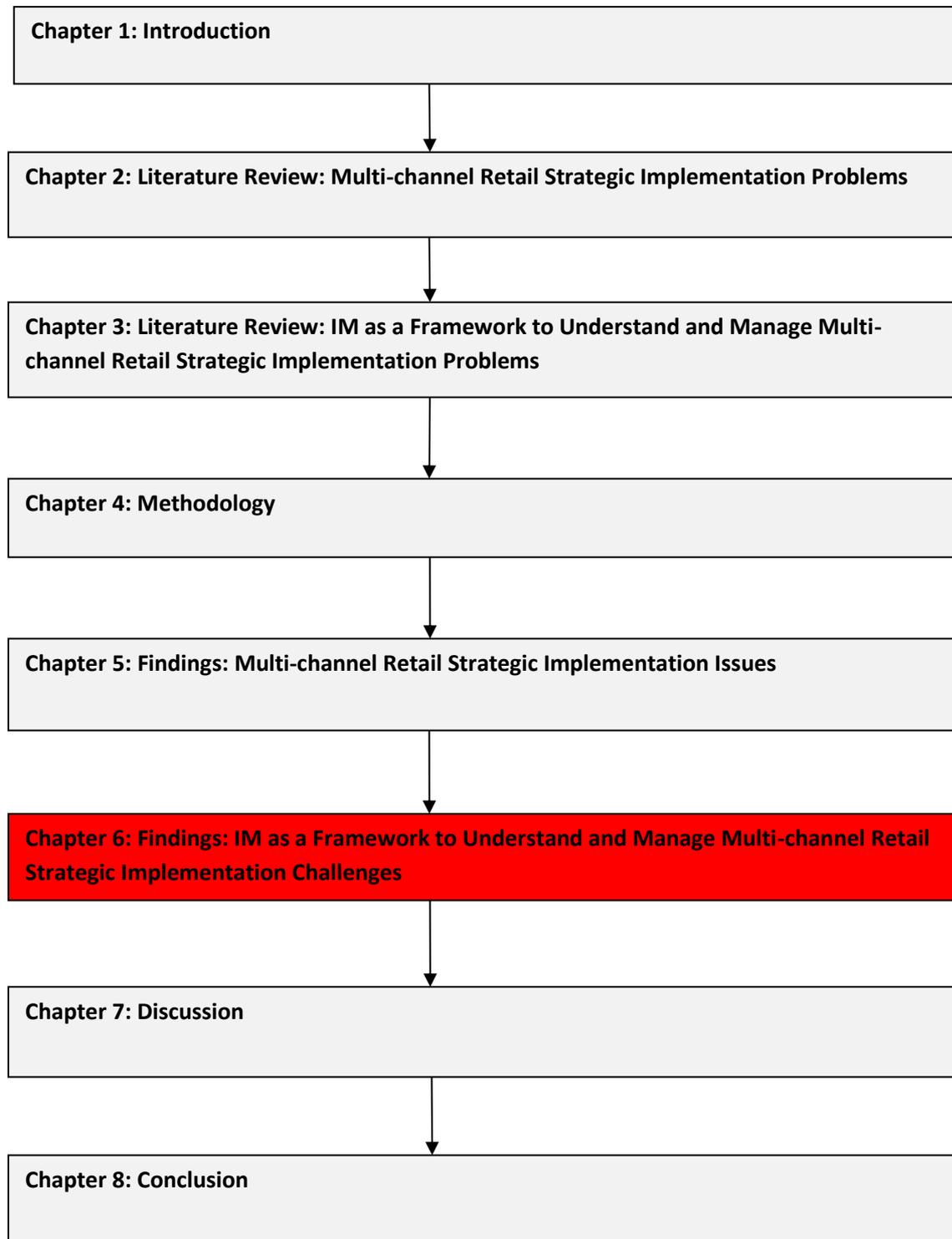
Analysis of case materials further identifies that the problems the retailer faced when going multi-channel were frequently exacerbated due to the nature of the retailer's brand. The retailer's brand was associated with high levels of service which the retailer found problematic replicating online, for instance, due to the use of external couriers to fulfil delivery of the product to the customer. In addition, these multi-channel retail strategic implementation challenges were often intensified due to the nature of the retailer's product range. Products were predominately short-life, perishable and baked on different days and so, for example, designing an integrated stock control and ordering system was difficult. Furthermore, the constraints related to using multiple channels to sell products and services to customers were often exaggerated due to the strategy being new and as a result, there was little guidance as to how to make the strategy happen.

5.4 Chapter Summary

This Chapter has explored the issues faced by the three case study retailers when going multi-channel, and, how these problems differ, but are in some ways similar, across cases. As a result, in the context of the case study retailers, this Chapter identifies themes not identified, or not clearly articulated, in the literature. A key finding is that retailers face major resource, integration, engagement and cultural problems when implementing a multi-channel retail strategy. While these issues are similar by retailer at a strategic level, the precise nature of these constraints differs. In addition, these multi-channel retail strategic implementation challenges vary by stage of implementation, and, are frequently intertwined. For instance, lack of Board level multi-channel engagement posed barriers to getting the necessary financial resources to add new, and use multiple, channels. Furthermore, this Chapter reveals that the difficulties related to adopting a multi-channel retail strategy are often intensified due to the strategy being new and as a result, there is a lack of guidance as to how to make the strategy happen. Nonetheless, a surprising finding was that, to some extent, retailers overcame these problems by collaborating with other retailers, for instance, to share multi-channel retailing best practice and expertise.

Importantly, this Chapter also demonstrates that multi-channel retail strategic implementation issues can impede a retailer effectively using multiple channels to sell products and services to customers. Nevertheless, a review of the IM literature suggests that IM *might* offer a theoretical framework to understand and manage the difficulties retailers face when going multi-channel. Consequently, the aim of the next Chapter is to address this gap in knowledge by exploring the role of IM as an aid to the effective implementation of a multi-channel retail strategy, in the context of the findings from the case study retailers.

Chapter 6 FINDINGS: IM AS A FRAMEWORK TO UNDERSTAND AND MANAGE MULTI-CHANNEL RETAIL STRATEGIC IMPLEMENTATION CHALLENGES



6.0 Introduction

The previous Chapters have revealed that retailers face a number of issues in multi-channel retail strategic implementation. This is due to the organisational change required by the strategy. Moreover, these problems can pose obstacles to retailers making the strategy happen. Despite this, the literature offers limited solutions to these challenges. Yet, a review of the IM literature suggests that IM *might* offer a way of exploring and resolving these difficulties. However, prior research has not explored these themes. Therefore, to address the gap in knowledge, this Chapter adopts a predominately inductive approach to understand the use of IM as a theoretical framework to understand and manage multi-channel retail strategic implementation issues. An inductive approach is adopted since, as aforementioned, while the literature implies that IM *might* offer a way of exploring and addressing the problems associated with going multi-channel, no study has explored this. Thus, this study makes an original contribution to the literature by investigating the use of IM as a way of understanding and resolving multi-channel retail strategic implementation constraints, and, by exploring how the use of IM varies by retailer. In light of this then, this Chapter finds new themes which are not articulated, or not clearly identified, in the existing literature.

This includes the novel finding that the case study retailers did use IM as a tool to understand and manage multi-channel retail strategic implementation constraints. Case analysis also finds that these IM strategies and plans altered according to the stage of implementation. For instance, during the later stages of implementation the IM programme was delivered by, and aimed at, a greater number of 'participants'. In addition, while the IM effort was similar at the 'top-level' by type of retailer, its precise nature often differed. A case in point is that although all of the case study retailers needed to train staff, the bricks-and-mortar based retailers needed to train staff to develop the necessary Internet skill-set, while the Internet/catalogue based retailer needed to train staff to develop the required store expertise. A further finding to emerge from this study, is that while the case study retailers used IM as a way of supporting multi-channel retail strategic implementation, these strategies and plans were not referred to as 'IM'. One reason for this was that none of the respondents were familiar with the term 'IM'. Instead, respondents were aware of, and used, the terms 'business engagement', 'change management' and 'internal

communications'. Indeed, respondents in non-marketing roles at two of the case study retailers (cases 2 and 3) commented that they would not use the term 'IM' since it had negative connotations. This suggests a juxtaposition between the academic rhetoric and practical application of IM.

Moving on to the precise content of this Chapter, the discussions in this Chapter are primarily informed by semi-structured interviews. This is due to the commercial and personal sensitivity of the subject matter, as discussed in section 5.0. However, findings from the semi-structured interviews are supported with documentation where possible. Findings are discussed case-by-case. This precedes Chapter seven where findings are discussed across cases, and, compared in more detail to the literature. Discussion of each case begins with consideration of respondents' awareness and understanding of the term 'IM'. Then, given Chapter three argued that Ahmed and Rafiq's (2004) model of IM is most relevant to this study, Ahmed and Rafiq's model of IM is used as a structure to explore the case study retailers' use of IM as a tool to aid multi-channel retail strategic implementation. In brief, Ahmed and Rafiq's (2004) model of IM proposes that any IM effort must comprise three levels; direction (internal 'product'), path (internal market research, internal segmentation), and, action (internal 'positioning', internal 'process', internal 'price', internal 'promotion' and internal 'place').

6.1 Case Study 1

6.1.1 Awareness and Understanding of the Term 'IM'

Surprisingly, none of the participants had heard of the term 'IM'. However, following explanation of the term, all of the respondents commented that IM was used as a way of addressing the issues associated with going multi-channel, but, was not called 'IM'. For example, Respondent 10 commented:

"...so absolutely we have IM but not calling it by that name."

Rather, these IM strategies and plans were referred to as 'engagement', 'buy-in' or 'internal communications'.

6.1.2 The Use of IM as a Tool to Aid Multi-channel Retail Strategic Implementation

As aforementioned, the retailer used IM as a way of aiding multi-channel retail strategic implementation. Indeed, great importance was attached to the use of IM as a vehicle to support the retailer going multi-channel. This is illustrated in the view that multi-channel retail strategic implementation was a three stage process, with stage two concerning gaining the 'buy-in' of staff and key decision makers. The following section explores these IM strategies and plans in detail, using (as prior stated) Ahmed and Rafiq's (2004) model of IM.

6.1.2.1 Direction

Direction is level one of Ahmed and Rafiq's (2004) model of IM. Direction comprises the internal 'product'. As stated in Chapter three, Ahmed and Rafiq (2004) and Piercy's (2009) definition of internal 'product' is used in this study. Ahmed and Rafiq (2004) and Piercy (2009) define the internal 'product' as the strategies and plans, along with the internal changes necessary to implement these strategies and plans.

6.1.2.1.1 Internal 'Product'; Multi-channel Retail Strategy and Plans

The multi-channel function had a 'multi-channel' retail strategy and plan, which was documented and communicated to the rest of the business. This documentation was shown to the researcher, but, the researcher was unable to take copies due to confidentiality.

6.1.2.1.2 Internal 'Product'; Organisational Change Necessary for Multi-channel Strategic Implementation

As discussed in Chapter five, internal alterations were necessary for the retailer to use multiple channels to sell products and services to customers. To recap, the retailer had to acquire/change resources, achieve channel integration, gain the support of staff towards the strategy, and, change the organisational culture.

6.1.2.2 Path

The second level of Ahmed and Rafiq's (2004) model of IM is 'path'. This stage refers to 'participants', 'internal market research' and 'segmentation'. That is, 'who' is involved in the IM effort; the people involved in delivering the IM programme, and, the people who are the target of the IM effort.

6.1.2.2.1 'Participants'

6.1.2.2.1.1 People Involved in Delivering the IM Programme

According to Respondent 1, he was the key individual responsible for producing, and delivering, the IM programme.

"So I'm ...responsible for... engaging the organisation top-to-bottom on the power of multi-channel...to educate, engage and give them 'what does it mean for me?', 'What's in it for me?' And make it relevant for their part of the business."

Numerous respondents felt that Respondent 1 was very effective at producing and delivering the IM effort. Respondents also implied that Respondent 1 was 'charismatic' which facilitated them in communicating a clear multi-channel vision, and, gaining the support of individuals towards the strategy.

"Their great, great strength is to be really fantastic at...engagement...and really being charismatic." (Respondent 2)

"They are really fantastic at painting the vision...I've learnt a lot from the way they describe things to people and paint a vision. So they are absolutely the vision person, you know, a lot of the changes in the organisation have been down to them and his approach and his visionary bit." (Respondent 2)

During the early implementation stages, as well as Respondent 2, other individuals in the multi-channel function were involved in producing and delivering the IM programme. However, during the mid to late implementation stages a greater number of 'participants' were involved in making the IM effort happen. This included directors and senior managers in different departments and functions since the retailer's culture was one where staff were more responsive to activity delivered by their immediate or overall line manager.

Through the mid to late implementation stages, 'charismatic individuals' in all departments and channels, irrelevant of level, were also increasingly being involved in delivering the IM programme. This was since these individuals were also very effective at making the IM effort happen.

6.1.2.2.1.2 The Target of the IM Effort

The IM effort was aimed at all staff, managers and directors at case 1. Although during the very early implementation stages the key target was the Board, during the early to mid-implementation stages it was the Board and store related staff, and, during the later implementation stages this was extended to include all staff.

6.1.2.2.1.3 Internal Market Research

Internal market research was conducted using various methods, including via face-to-face feedback and surveys, as illustrated in the following remarks made by respondent 2:

"...we've done surveys, we've taken lots of feedback from stores." (Respondent 2)

The aim of this internal market research was to understand the needs of staff and therefore, the internal alterations necessary to implement a multi-channel retail strategy. To put it another way, to understand the barriers to using multiple channels to sell products and services to customers. The findings from internal market research then informed the IM effort.

6.1.2.2.1.4 Internal Segmentation

Individuals in the multi-channel function segmented the internal marketplace according to multi-channel strategic implementation issues, such as according to low staff multi-channel retailing engagement. In the main, there were three segments: head office, the store channel and suppliers.

6.1.2.2.1.4.1 Head Office

At head office, the internal marketplace was further segmented by level.

6.1.2.2.1.4.2 Store Channel

During the early to mid-implementation stages, the store channel was treated as one segment since all staff employed here had similar needs, irrelevant of their level and role. For instance, as discussed in the previous Chapter, store staff viewed the addition of the Internet channel as a threat to store sales, which created conflict from store staff towards

the Internet channel, impeding channel integration, and, making it difficult to gain staff support towards the strategy. Still, in the later implementation stages staff employed in the store channel had different needs and so, consideration was being given to further segmenting the store marketplace according to variables such as staff roles and levels within the organisation.

6.1.2.2.4.1.3 Suppliers

Through the early to mid-implementation stages, suppliers were those firms who provided resources and competencies (e.g. IT expertise and tacit knowledge) to support the retailer going multi-channel, including Javelin and IBM Websphere. While some IM effort was delivered to these suppliers, it was minimal since these suppliers tended to have the necessary behaviours and competencies in place to support the retailer going multi-channel.

6.1.2.3 Action

The third, and final level, of Ahmed and Rafiq's (2004) model of IM is 'action'. This level concerns what is required to implement the IM effort, namely, internal 'positioning', 'process', 'price', 'promotion' and 'place'. In brief, internal 'positioning' entails the selection of associations to be built on and emphasised, along with those to be omitted and de-emphasised, to minimise barriers to making the 'product' happen while meeting the needs of staff (Ahmed and Rafiq, 2004). Internal 'positioning' is then leveraged using the internal marketing mix of 'price', 'promotion', 'place' and 'process'. 'Internal process', in the context of this study, is the use of HR tools, including reward systems and group/team structure. The exception to this being that training is not included here because, in line with Ahmed and Rafiq's (2004) model of IM, it is included in internal 'promotion'. Internal 'price' is the staff 'cost' incurred in, and the benefits associated with, going multi-channel (Ahmed and Rafiq, 2004; Piercy, 2009). Internal 'promotion' is the communications messages and media used to change the behaviour of staff (Piercy, 2009). Moreover, Rafiq and Ahmed (1995:44) claim that internal 'promotion' is a 'skills and knowledge generating function'. Hence, the inclusion of training in internal 'promotion'. Furthermore, internal 'place', in this study, is the organisational culture, including any alterations, needed for effective strategic implementation.

6.1.2.3.1 Internal 'Positioning'

The IM message was positioned to emphasise the benefits, while de-emphasising the negative associations, related to multi-channel retail strategic implementation. Besides, the precise way in which the internal message was positioned did vary by groups of individuals (i.e. segments), as evidenced in the following comments from respondents.

6.1.2.3.2 'Process'

6.1.2.3.2.1 Reward Systems

A key finding to emerge from the case analysis was that reward systems were very instrumental in leveraging the internal message. For the duration of the early implementation stages, the retailer faced major issues stemming from low staff motivation towards the strategy, for instance, individuals perceived the strategy as involving significant effort for little reward. Therefore, Internet and multi-channel sales targets were set for different departments and channels, which were linked to staff bonuses. These reward systems helped the retailer to make the necessary internal changes to go multi-channel, including changing staff perceptions of the strategy, and, increasing staff engagement with multi-channel retailing. One reason these incentives were instrumental in facilitating strategic change was that the retailer's culture was one where staff were motivated by targets and bonuses.

These reward systems were also particularly influential in making the necessary internal alterations required in the store channel because stores were given the credit for any Internet sales made, or collected, in-store.

Interestingly, several respondents observed that the effectiveness of these reward systems was helped by the strong performance of the Internet and multi-channel retailing channels and functions, in terms of sales, especially in light of low traditional store channel sales.

The retailer also used more novel incentives as a way of changing staff behaviour to implement a multi-channel retail strategy.

6.1.2.3.2.2 Group/Team Structure

Organisational structure has been discussed in section 5.1.3.3.1. To briefly recap, numerous respondents commented that using new and multiple channels required a different organisational structure to the existing structure. Yet, designing the organisational structure was problematic since there was very little, if any, guidance as to what the structure of a multi-channel retailer should be. Also, designing the organisational structure was challenging due to the dynamic and fast changing nature of the strategy, which meant that alterations frequently had to be made to ensure that the retailer's organisational structure lent itself to multi-channel retail strategic implementation. Changing the organisational structure was further challenging due to the retailer's bureaucratic and rigid culture.

6.1.2.3.3 'Price'

6.1.2.3.3.1 Costs to Staff

Customer service sales assistants appeared to incur costs due to the retailer going multi-channel. This was because, as explained by two respondents, the strategy entailed alterations to these individuals' day-to-day roles, for instance, staff had to 'sell' the strategy to customers, and, use the Internet to place customer orders. Yet, staff often lacked the necessary skill-set and confidence to perform these tasks, which made them feel uncomfortable.

Individuals in the Internet channel and multi-channel function also incurred significant costs due to the retailer going multi-channel. This included these individuals having to work in an unfamiliar way, such as adopting a 'learning by doing approach' rather a 'learning before doing approach' (as discussed in section 5.1.3.1.3). In addition, these individuals worked long hours which detrimentally impacted their personal time outside work.

6.1.2.3.3.2 Benefits to Staff

While major 'costs' were incurred by individuals in the Internet channel and multi-channel function, a novel finding was that these individuals felt that the personal benefits associated

with the strategy outweighed these 'costs'. Respondent 2 explained that he enjoyed working in the multi-channel function because it was fun and had benefited his career.

"I think I've moved quite quickly in a grade and seniority point of view and I put a lot of that down to multi-channel retailing and what I've been given the opportunity to do. E-commerce (and multi-channel retailing) is a fantastic place to work."

6.1.2.3.4 'Promotion'

6.1.2.3.4.1 Internal 'Promotional' Activities

In the course of the early implementation stages the IM programme was largely aimed at key decision makers, for instance, to gain their motivation towards the strategy and thus, acquire the necessary resources to implement the strategy. During this stage the main internal 'promotional' activities used were face-to-face presentations and meetings.

Through the mid to late implementation stages the IM programme was widened, to include all staff, although key internal segments were store related staff and key decision makers. The retailer also used a wider range of internal promotional activities, including to gain staff engagement towards the strategy, acquire/change resources and aid channel integration. While some internal promotional activities were similar across all segments, including the use of features in the in-house magazine, others differed. For instance, face-to-face presentations and meetings were predominantly used for directors, senior managers and managers. In contrast, in-house exhibitions tended to be used for head office staff. Also, briefing packs, competitions, training, and the Intranet were mainly used for store related staff.

Although internal promotional activity was greater during the mid to late implementation stages, compared to the earlier stages, numerous participants said that there was still a need to further increase this activity. In spite of this, a constraint to this was the lack of internal resource to do so, including a shortage of staff and financial resource.

6.1.2.3.3.5 'Place'

Section 5.1.3.3 identified that in order for the retailer to go multi-channel its culture had to change to that of a multi-channel retailer. Interestingly, a tacit IM effort was being used by the retailer to make these cultural alterations. An illustration of this is that reward systems

were explicitly used to gain staff buy-in towards the strategy, and, implicitly used to modify the retailer's culture. Changing the organisational culture was also a long term goal of the IM programme, which became more important as the retailer progressed into the later stages of implementation.

6.1.3 Summary

Several novel, and often surprising, themes emerged from the interviews with respondents at case 1. A key theme was that none of the interviewees were aware of, nor used, the term 'IM'. Instead, terms such as 'engagement' and 'internal communications' were used to describe, what is referred to in the academic literature as, IM. Nonetheless, another key theme was that IM, although not described using this term, did play an important role in multi-channel retail strategic implementation, especially internal market research (to understand the 'costs' and benefits staff associated with the strategy), reward systems and internal 'promotion'. Moreover, senior level staff and 'charismatic' individuals were particularly influential in making the IM effort happen. A further theme was that the IM effort varied according to the stage of multi-channel retail strategic implementation, for example, during the early implementation stages the programme was mainly aimed at key decision makers, while in the later stages it was aimed at all staff, although store related staff and key decision makers were key internal target markets.

6.2 Case Study Retailer 2

6.2.1 Awareness and Understanding of the Term 'IM'

None of the respondents had heard of, or used, the term 'IM'. Still, when the term was explained to respondents they commented that the retailer *did* use IM strategies and plans to facilitate multi-channel strategic implementation, but, as was the case with case 1, these strategies and plans were not called IM. Instead, these strategies and plans were called 'internal communications' or 'business engagement', as is evidenced in the following remarks made by Respondent 13.

"I think business engagement is one of the things we call it (IM) in the business."

In fact, the above interviewee clearly stated they would not use the term IM since it had negative inferences.

“I think without being cynical, marketing, at the nicest level, is about helping customers find the things they need, (and), at the other level it’s about making people buy stuff they don’t need. And I think it’s got so many negative connotations. Internal marketing sounds like you’re having to sell things to your staff...I would never call it that.”

6.2.2 The Use of IM as a Tool to Aid Multi-channel Strategic Implementation

As prior mentioned, while not referred to as IM, the retailer used IM strategies and plans as a way of aiding multi-channel retail strategic implementation, and, these strategies and plans are explored here using Ahmed and Rafiq’s (2004) model of IM. A recurring theme throughout this section is that these IM strategies and plans altered as the retailer implemented a multi-channel retail strategy, for example, during the mid to late implementation stages a more continuous and planned IM effort was delivered to staff. In part, this reflected the increased number of staff employed by the retailer, often in disparate geographical locations, but also, as one respondent observes, during the early implementation stages the retailer simply did not have time to develop a formal and planned IM programme.

6.2.2.1 Direction

6.2.2.1.1 Internal ‘Product’; Multi-channel Retail Strategy and Plans

The retailer had a clear multi-channel retail strategy, which was also the retailer’s overall strategy.

6.2.2.1.2 Internal ‘Product’; Organisational Change Necessary for Multi-channel Strategic Implementation

In addition to having a clear multi-channel retail strategy, the retailer had identified the need to acquire/change resources, achieve channel integration, gain the support of staff towards the strategy, and, change organisational culture in order to go multi-channel. Although the form of, and importance attached to, these internal alterations altered as the

retailer implemented the strategy. An illustration of this is that through the early to mid-implementation stages the focus of the retailer was on opening stores while in later stages this changed to training store related staff. Also, during the mid to late implementation stages the retailer gave greater attention to achieving channel integration in order to implement a seamless and integrated multi-channel offer.

6.2.2.2 Path

6.2.2.2.1 'Participants'

6.2.2.2.1.1 People Involved in Delivering the IM Programme

In the mid to late, compared to earlier, implementation stages a greater number of individuals were involved in producing and delivering the IM effort, including the Board and the MD. The Board and the MD were especially effective at delivering the IM programme since they gave their full support towards the strategy, they were described as 'likeable' and 'approachable' by respondents, and, they were the most senior and authoritative individuals in the organisation. The MD was also portrayed as a 'charismatic' individual and this further aided his ability to communicate a clear multi-channel vision.

Other senior level individuals were also involved, and influential, in delivering the IM effort. Staff described as 'change agents' (i.e. those individuals who took risks and had a 'can do' attitude, irrelevant of these individuals' level within the retailer) were also vital to successfully deliver the IM programme.

This also illustrates that the IM effort was driven from the bottom-up as well as top-down in the organisation.

6.2.2.2.1.2 'Who' Was the Target of the IM Effort

The retailer's IM effort was aimed at all staff, although store related staff, and even more so, staff in the customer call centre were key targets. This was because these staff posed the greatest challenges in terms of multi-channel retail strategic implementation. For instance, as discussed in Chapter five, staff in the customer call centre tended to view the addition of the store channel as a threat to their sales, which created conflict and therefore, impeded

channel integration and lowered the support these individuals had towards the strategy. Also, staff employed in the store and customer contact centre channels tended to lack the necessary skill-set for the retailer to use multiple channels to sell products and services to customers.

6.1.2.2.1.3 Internal Market Research

In the main, throughout the early to mid-implementation stages internal market research was conducted in an informal, unplanned way using face-to-face methods, such as conversations between staff. However, in the later stages of adopting a multi-channel retail strategy, the retailer conducted internal market research in a more formal and planned way, as respondent 16 explains:

“We get briefings from the directors. More and more directors are coming out to stores and talking to staff. And there’s a lot of phone numbers for people to give feedback.”

In the later implementation stages, this internal market research was conducted by various staff, including area managers, but also by the HR and marketing department. Respondent 13 observes:

“We actually use their (marketing) skill and insight. We’ve got them (marketing) doing some of our employee surveys.”

Findings from internal market research were then used to inform the retailer’s IM strategies and plans.

6.1.2.2.1.4 Internal Segmentation

The internal marketplace was segmented by channel (i.e. the store channel, customer contact centre and Internet channel) since staff needs, or constraints to going multi-channel, were similar by channel. To recap, staff in the customer call centre were the primary target of the IM programme, and staff in the store channel were the secondary target. This was because these staff posed the greatest barriers to the retailer implementing a multi-channel retail strategy.

6.2.2.3 Action

6.2.2.3.1 Internal Positioning

Case 2 positioned the internal message in a way which attempted to emphasise the benefits, and to de-emphasise the drawbacks, associated with implementing the strategy. In the main, the internal message was positioned to appeal to staff in the customer contact centre and store channels.

6.2.2.3.2 'Process'

6.2.2.3.2.1 Reward Systems

One way in which the retailer leveraged the internal message was via reward systems. For example, the retailer was in the process of changing customer contact centre staff roles from 'order takers' to 'customer service advisors'.

To aid making these staff behaviour alterations to enable customer contact centre staff to perform these new roles a new reward system had been introduced.

At an organisational level, reward systems were also used to minimise conflict between staff in different channels and thus, to aid channel integration and improve support towards a multi-channel retail strategy. For instance, while the bonuses of some senior managers were linked to their individual channel performance, in most cases, staff bonuses related to overall organisational, not individual channel, sales. These points are illustrated in the following comments from respondents:

"...we've kept it quite simple so bonuses don't create conflict between people." (Respondent 13).

"Because in some retailers you get 'this area's (department or channel) done rubbish, that area's the best'. But the mentality (at case 2) is some (departments or channels) do good, some do bad. But we're all striving for the same thing, we're all one team and as long as we hit our overall targets that's what counts." (Respondent 16)

6.2.2.3.2.2 Group/Team Structure, Roles and Recruitment

As well as reward systems, other HR systems and processes were used to leverage the internal message, specifically, organisational structure, job roles and recruitment. In terms of the organisational structure, it had been designed to deliver the multi-channel strategy, and, the internal 'product' (i.e. the internal changes necessary to go multi-channel). As discussed in section 5.2.3.3.1, interviewees felt that, as far as was possible, the appropriate organisational structure was in place to deliver the IM programme. However, due to the dynamic and fast changing nature of the strategy then constant changes were needed to the organisational structure to ensure that it lent itself well to the retailer going multi-channel. For instance, as a respondent 13 observes, as the retailer moved towards the later stages of implementation, changes were needed to the organisational structure to ensure that the retailer offered a fully integrated and seamless offer to the customer, which was problematic.

6.2.2.3.3 Price

6.2.2.3.3.1 Costs to Staff

Case analysis highlighted that staff experienced substantial costs during the implementation of the strategy. During the initial stages, the greatest 'costs' were incurred by those individuals responsible for, and involved in, the store opening programme. This was since these individuals had to adopt a different way of working, for example, a 'learn as they went' rather than 'learn before they did approach'. Notably, these individuals worked on the store opening programme in addition to their normal day job and so often worked long hours which had a detrimental impact on their personal time outside work, for instance, these individuals spent less time with their family

In contrast, in the later implementation stages the greatest 'costs' were experienced by staff in the customer call centre, and, store sales assistants.

6.2.2.3.3.2 Benefits to Staff

Interestingly, similar to case 1, numerous respondents, especially those in store related roles, felt that significant personal benefits were associated with adopting a multi-channel

retail strategy, including sales growth, which led to better job security and career development. Surprisingly, respondent 7 also remarked that their involvement in implementing a multi-channel retail strategy had been enjoyable and was a 'once in a lifetime' opportunity.

"So it's been quite a journey... And the reason we did it was because we loved doing it...It's exciting - it's one of those things you only get to be part of once."

6.2.2.3.4 Promotion

Throughout the early implementation stages the retailer used internal promotional activities to leverage the internal message, although in a limited way, largely using face-to-face presentations, meetings and impromptu conversations. On the other hand, throughout the later implementation stages, a wider range of internal promotional activity was used to leverage the internal message, including face-to-face presentations, store conferences, team meetings, posters, DVDs, internal magazines, competitions and training.

Interestingly, while the retailer increased the level of internal promotional activity during the mid to late implementation stages, numerous respondents, especially in the store channel, felt that there was still a need for more internal promotional activities.

Although, respondent 8 commented that a strength of the retailer's internal promotional activity was that it was aligned with its external promotional activity:

"...our marketing is remarkably joined up; internally and externally. So we go out with a single message. And we're pretty good at that."

6.2.2.3.5 Place

As discussed in section 5.2.3.3, the retailer identified cultural alterations were necessary to implement a multi-channel retail strategy, although to some extent the retailer did have the necessary culture to adopt a multi-channel retail strategy. Still, the retailer's culture needed to change from that of a small, internet based multi-channel retailer to that of a large multi-channel retailer, which sold products to the customer via multiple channels including *stores*, and, offered excellent customer service. It was evident that IM strategies and plans were being used to help the retailer make these cultural alterations, a case in point being that

staff were being recruited with a customer service mind-set. As mentioned in the previous section (6.2.2.3.4), existing staff were also being trained to develop a customer service mind-set.

6.2.3 Summary

Case analysis revealed several new themes. A key theme, similar to case 1, was that none of the respondents were aware of, or used, the term 'IM'. Instead, terms such as 'engagement' and 'internal communications' were used to describe, what is referred to in the academic literature as, IM. Indeed, a surprising theme was that respondent 13 clearly stated that they would not use the term 'IM' since it had negative connotations. Still, while not described as 'IM', another important theme was that 'IM' did play a key role in multi-channel retail strategic implementation, especially internal market research (to understand the 'costs' and benefits associated with the strategy), HR tools (reward systems, job roles, organisational structure and recruitment) and internal 'promotion' (including training). Moreover, 'participants' involved in delivering the IM effort were very influential in making IM strategies and plans happen, especially the Board and the MD (due to their level, 'likeability' and 'charismatic' nature), but also 'change agents' (i.e. those individuals who took risks and had a 'can do' attitude, irrelevant of their level). Furthermore, a key finding was that the IM effort varied according to the stage of multi-channel retail strategic implementation, for example, during the early implementation stages the IM effort was of an ad hoc and informal nature, while latterly it was more formal and planned.

6.3 Case Study 3

6.3.1 Awareness and Understanding of the Term 'IM'

Similar to cases 1 and 2, none of the participants were aware of, or used, the term 'IM'. Indeed, respondent 16 felt that neither she or case 3 were likely to use the term since it had negative connotations.

"I don't think we'd ever use the term internal marketing...well I wouldn't use the term internal marketing and I couldn't ever see us using that term... That (IM) seems really odd... I don't...like it. It seems... a bit too corporate, less friendly, less warm when you're saying 'it's

internal marketing'. It's like you're having something done, being done to. Rather than it being something you're involved in."

6.3.2. The Use of IM as a Tool to Aid Multi-channel Retail Strategic Implementation

However, an important finding was that, although not called IM, the concept was used as a tool to help case 3 add new and use multiple channels. Still, the retailer's use of IM in a multi-channel retailing setting was limited due to the retailer being at an early stage of going multi-channel and therefore, many of the findings discussed in this section relate to the retailer identifying a need to use IM, as an aid to multi-channel retail strategic implementation. Although, interestingly, IM was used as a vehicle to aid the implementation of the retailer's *organisational* strategy.

Nevertheless, the focus of this study is to understand the role of IM as a tool to support multi-channel retail strategic implementation, hence, this, rather than the use of IM as a way of facilitating the overall organisational strategy, is explored in the following sections using Ahmed and Rafiq's (2004) model of IM.

6.3.2.1 Direction

6.3.2.1.1 Internal 'Product'; Multi-channel Retail Strategy and Plans

Thought had been given to the retailer's multi-channel retail strategy although as Respondent 5 observed, the retailer did not yet have a clear multi-channel retail strategy.

6.3.2.1.2 Internal 'Product'; Organisational Change Necessary for Multi-channel Strategic Implementation

The retailer had, however, started to identify the internal alterations required to implement a multi-channel retail strategy, which were to; acquire/change resources, achieve channel integration, gain the support of staff towards the strategy, and, change the organisational culture. Though since the retailer was at an early stage of implementation, the focus of the IM effort was largely towards acquiring and changing resources (especially the IT and logistics infrastructure), and, gaining senior management support towards the strategy.

6.3.2.2 Path

6.3.2.2.1 'Participants'

6.3.2.2.1.1 People Involved in Delivering the IM Programme

Few 'participants' were involved in delivering the IM programme, most likely since the retailer was at an early stage of adopting a multi-channel retail strategy.

6.3.2.2.1.2 The Target of the IM Effort

While the IM programme was aimed at all staff and Managers, a key internal target market was senior managers. The rationale for this was that these individuals posed the greatest challenges to multi-channel retail strategic implementation.

6.3.2.2.1.3 Internal Market Research

Internal market research was conducted to understand the problems associated with multi-channel retail strategic implementation, although this research was conducted in a limited, ad hoc and informal way, for example via face-to-face conversations and meetings.

6.3.2.2.1.4 Internal Segmentation

The retailer had started to give consideration to internal marketplace segmentation. Three segments had been identified, which were; the senior management team, the store channel, and, the operations department.

6.3.2.3 Action

6.3.2.3.1 Internal 'Positioning'

The retailer was in the process of understanding the benefits to be emphasised, and drawbacks to be de-emphasised, in order to use multiple channels to sell products and services to customers. Staff appeared to associate numerous drawbacks with the strategy, including that adding an Internet channel cannibalised, rather than increased, sales, and, that the strategy increased staff workloads.

6.3.2.3.2 'Process'

Similar to internal 'positioning', the retailer was also beginning to give attention to the role of 'process' as a way of leveraging the internal message and thus, implementing a multi-channel retail strategy. For instance, as prior mentioned in section 5.3.3.1.4, store related individuals viewed the addition of an Internet channel as a threat to store sales, which created conflict from these staff towards the Internet channel and therefore, impeded channel integration and made it more challenging to get these individuals engaged with the use of new and multiple channels. Respondents 5 and 6 both shared the same view that giving stores the credit for any Internet orders made, or collected, in-store (often referred to by interviewees as 'click and collect') would minimise this conflict and hence, aid channel integration and gaining the 'buy in' of these staff towards the strategy. They both felt that this reward system (i.e. giving the stores the credit for Internet sales placed, or picked up, in-store) would be particularly influential in changing store staff behaviour since stores were measured according to their sales, and, this incentive enabled stores to increase sales. Still, a barrier to implementing this incentive was that the necessary IT and logistics infrastructure was not in place.

6.3.2.3.3 Price

6.3.2.3.3.1 Costs to Staff

Despite the retailer being at an early stage of implementation, staff were incurring 'costs' as a result of the retailer adding new and using multiple channels. Indeed, individuals responsible for, and directly involved in, implementation of the strategy were experiencing major 'costs'. For instance, the strategy required these individuals to adopt a 'learn as they went approach' instead of a 'learn before they did approach', as illustrated by the following remarks made by respondents 6 and 17:

"On my side of things we are learning as we go along."

"So everyone's learning as they go along really. It's a very new field."

Staff also needed to develop new skills to use new and multiple channels to sell products and services to the customer. In essence then, the strategy required staff to work in an unfamiliar way.

Interestingly, similar to cases 1 and 2, staff responsible for, or directly involved in, implementing the strategy also incurred significant costs due to working long hours, which had a detrimental impact on their time outside work.

6.3.2.3.3.2 Benefits to Staff

As discussed in section 6.3.2.3.1, staff perceived few benefits associated with the retailer implementing a multi-channel retail strategy. Respondents 5 and 6 identified a need to better understand the advantages staff linked to the strategy, and, emphasise these, while de-emphasising the 'costs' related to the strategy. This was since these negative perceptions posed multi-channel retail strategic implementation issues.

6.3.2.3.4 Promotion

In comparison to other elements of the IM mix, the retailer had started to use internal promotional activities to help make the necessary internal alterations to adopt a multi-channel retail strategy. These internal promotional activities included training, face-to-face presentations, meetings, features in the catalogue, the internal newsletter, and, the in-house magazine. Still, several respondents felt that there was a need for more internal promotional activities, but, that a constraint to this was the lack of internal resource, including staff resource.

6.3.2.3.5 Place

As discussed in section 5.3.3.3, the retailer needed to change its internal culture to that of a multi-channel retailer to effectively implement a multi-channel retail strategy. While the retailer had identified the need to make these cultural alterations it had not yet actioned these changes using IM strategies and plans.

6.3.3 Summary

Similar to cases 1 and 2, a key, and new, finding was that none of the interviewees were aware of, or used, the term 'IM'. Moreover, comparable to case 2, respondents felt that they would not use the term IM since it had negative connotations. While not called IM though, it was evident that IM strategies and plans had a role to play in multi-channel retail

strategic implementation. Although, the retailer was more in the process of identifying the need for, rather than using, IM as a tool to understand and manage multi-channel retail strategic implementation issues. Nevertheless, it appeared that several respondents felt that internal market research, reward systems and internal promotional activities would be instrumental in facilitating multi-channel retail strategic implementation. Furthermore, it was recognised that the nature of the IM effort was likely to alter as the retailer implemented a multi-channel retail strategy. For example, while store staff were not currently a key internal target market, it was increasingly recognised that these individuals should be.

6.4 Chapter Summary

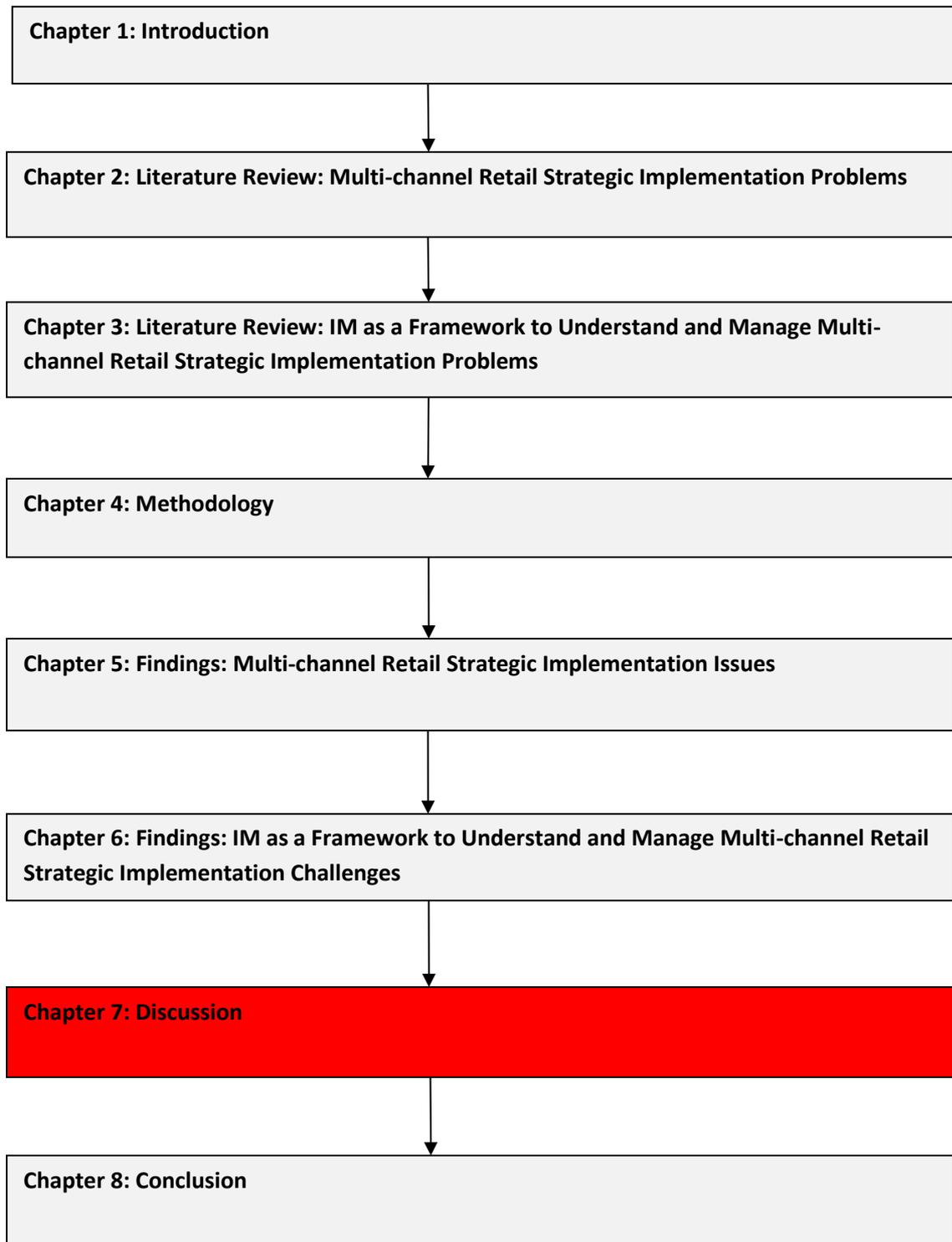
This Chapter has explored the extent to which the case study retailers used IM as a way of understanding and managing multi-channel retail strategic implementation issues. As a result, this Chapter has identified several novel, and often surprising, themes which are not identified, or clearly articulated, in the literature. A key theme across all of the case study retailers was that none of the interviewees were aware of, nor used, the term 'IM'. Instead, terms such as 'engagement' and 'internal communications' were used to describe, what is referred to in the academic literature as, IM. Respondents in non-marketing roles at cases 2 and 3 also commented that they would not use the term IM since it had negative connotations. This highlights a tension between the academic rhetoric and practical application of IM.

However, while not referred to as IM, this study finds that all of the case study retailers used IM as a way of supporting multi-channel retail strategic implementation. In particular, internal market research, reward systems and internal promotion were instrumental in helping to make the internal alterations necessary to adopt a multi-channel retail strategy. Senior managers (including the Board) and 'charismatic' individuals were also influential in facilitating strategic alterations to use multiple channels to sell products and services to customers.

While the IM effort was similar across the case study retailers, it also differed. The IM effort varied according to the stage of multi-channel retail strategic implementation that the case study retailer was in. For instance, during the early stages of implementation the IM effort

tended to be ad hoc, informal, aimed at, and delivered by, few 'participants', and, comprising limited IM activities. In contrast, during the later implementation stages the IM programme was more formal and continuous, aimed at, and delivered by, a greater range of 'participants', and, entailing a wider spectrum of IM activities. IM strategies and plans also further altered according to the type of retailer, for example, whether the retailer was initially bricks-and-mortar or Internet/catalogue based. A case in point being that although all of the case study retailers used training, case 2 tended to use store based training while cases 1 and 3 largely used Internet based training. This was since case 2 were going multi-channel via adding a store channel, and, cases 1 and 3 by adding an Internet channel.

Chapter 7 DISCUSSION



7.0 Introduction

The multi-channel retailing literature presents a persuasive rhetoric for the use of a multi-channel retail strategy (Berman and Thelan, 2004; Venkateson *et al.*, 2007b). However, the literature also suggests retailers face internal issues when making the strategy happen (Zentes *et al.*, 2011; Zhang *et al.*, 2010). In spite of this, there is a lack of multi-channel retailing research which explores these constraints, and ways of addressing these issues, especially in the context of the UK retail sector. Nonetheless, while analysis of these multi-channel problems according to the literature leads to a fairly descriptive list of issues, often with no theoretical underpinning, these difficulties appear to be IM related. Moreover, the IM literature suggests that IM offers a theoretical framework to explore and possibly manage multi-channel retail strategic implementation challenges. Despite this, to the best of the researcher's knowledge, no prior study has used IM as a framework to explore these themes in the context of the UK retail sector.

Therefore, to contribute to gaps in the literature this study has utilised the IM framework as a way of exploring the problems faced by the three case study retailers, and, to understand the extent to which IM might offer a way of managing these constraints. Importantly, this study finds a number of overarching themes which are not identified, or not clearly articulated, in the literature. These include that IM was used by the case study retailers as a way of examining multi-channel retail strategic implementation issues. Retailers experienced integration, cultural, engagement and resource problems when going multi-channel (Berman and Thelan, 2004; Pentina and Hasty, 2009; Zhang *et al.*, 2010), although these difficulties posed greater obstacles, were more entwined and altered to a greater extent (in terms of their precise nature) by retailer, than the literature suggests. Furthermore, these challenges varied according to the stage of multi-channel retail strategic implementation, and were often intensified due to the strategy being 'new'. To put it another way, this study finds that the reality of adding new, and using multiple channels is far more challenging than the literature suggests.

The findings from this study also reveal that IM was used as a way of managing the difficulties associated with adopting a multi-channel retail strategy. Still, despite retailers in effect using IM as a way of aiding multi-channel retail strategic implementation, these

strategies and plans were not referred to as 'IM' since respondents were unfamiliar with the term. Importantly, this study also finds that while the IM effort used to understand and explore multi-channel retail strategic implementation issues was similar to existing IM theoretical frameworks, including Ahmed and Rafiq's (2004) model of IM, it also differed. For instance, the IM effort varied according to the stage of implementation the retailer was in. Also, while the IM effort was similar at the 'top-level' by type of retailer (i.e. whether the retailer was initially bricks-and-mortar or Internet/catalogue based), its precise form frequently altered. An illustration of this is that all of the case study retailers had a need to train staff, but, cases 1 and 3 needed to train staff to develop the necessary Internet skill-set and conversely, case 2 needed to train staff to develop the required store expertise. In this sense then, the findings from this study are in line with the IM literature which suggests that IM is context specific in nature (Papasolumou and Vrontis, 2006), although this is the first study which explores the use of IM in a multi-channel retailing environment. In essence then, this study highlights that IM is also more complex, due to its context specific nature, to apply in practice than the literature portrays.

In light of these findings, this study should contribute to the literature by proposing a revised framework for the use of IM as a way of understanding and managing multi-channel retail strategic implementation problems, shown in figure 7.1. While this framework is similar to Ahmed and Rafiq's (2004) model of IM (shown in figure 3.2) and the conceptual framework presented in figure 3.4, it also varies. These alterations are discussed in detail in section 7.1, but, in brief, reflect the multi-channel retailing specific nature of IM. It is hoped then that the framework is clearer and easier for retailers to apply as a tool to aid the use of multiple channels to sell products and services to customers. This is important since (as discussed in Chapter six) a criticism of existing IM frameworks is they can be difficult to use in practice and therefore, are used by few organisations as a vehicle to aid strategic implementation (Piercy, 2009; Varey, 2004).

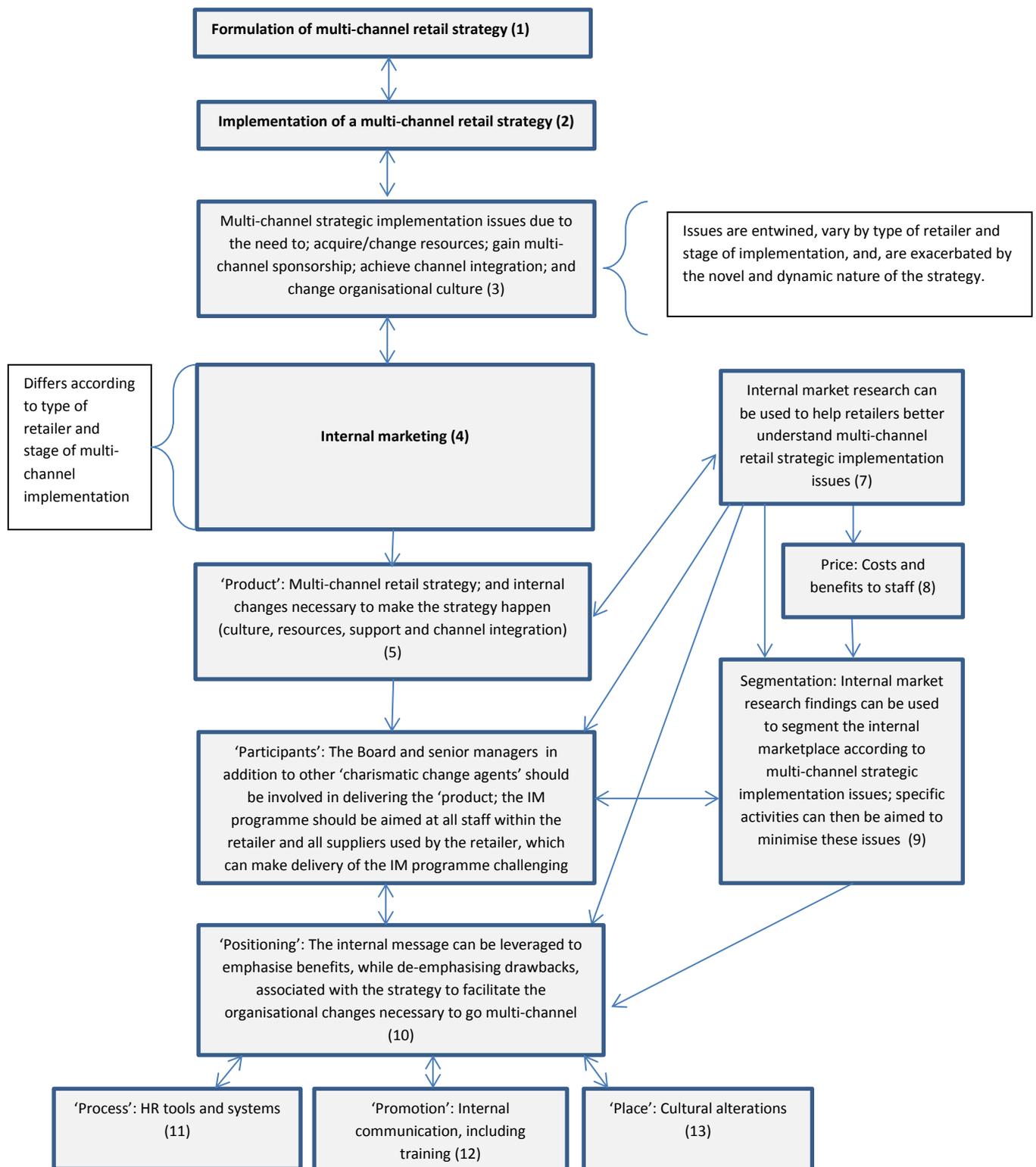
Moving on to the precise content of this Chapter, it begins by discussing the aforementioned proposed framework (i.e. the role of IM as a way of exploring and addressing multi-channel retail strategic implementation constraints, shown in figure 7.1, section 7.1). Then consideration is given to the use of internal market research, 'participants', reward systems and internal 'promotion' as tools to address the difficulties

associated with adopting a multi-channel retail strategy. The logic for focusing on these themes (i.e. internal market research, 'participants', reward systems and internal promotion) is that while the case study retailers used all of the elements of the IM framework to implement a multi-channel retail strategy, a novel theme to emerge from this study was that these components were particularly effective in making the strategy happen. In addition, discussion of the case study retailers' use of internal market research enables consideration of the problems retailers faced when going multi-channel, important given that little multi-channel retailing research exists which explores these issues in the context of the UK retail sector.

7.1 Multi-channel Retail Strategic Implementation Issues and the Role of IM

This study (as previously stated) recommends a new framework for the use of IM as a way of understanding and managing multi-channel retail strategic implementation problems. The purpose of this section is to discuss this framework in detail. The framework (shown in figure 7.1, overleaf) highlights two important empirical findings to emerge from this study. First, that retailers face major, often entwined, internal context specific issues when going multi-channel, and second, that IM offers a way of understanding and addressing these problems. The framework begins with the formulation stage of a multi-channel retail strategy (1). While this stage is not the focus of this study, it is relevant to include it here since, in line with the wider literature (Bonoma, 1985; Ahmed and Rafiq, 2004; Piercy, 2009), this study finds that the strategic formulation (1) and strategic implementation (2) stages are interlinked. That is, retailers formulate a multi-channel retail strategy, yet, encounter significant constraints in making the strategy happen (3). This is because implementation of a multi-channel retail strategy necessitates organisational change, which can be problematic. Specifically, retailers face difficulties when going multi-channel due to the need to: change organisational culture; acquire/change resources; gain staff multi-channel engagement; and achieve channel integration (Berman and Thelan, 2004; Zhang *et al.*, 2010). In addition, in contrast to the literature, this framework highlights that these issues vary according to the stage of multi-channel strategic implementation and type of retailer, are frequently intertwined, and, are intensified due to the dynamic and novel nature of the strategy. Consequently, in light of these internal challenges, the case study retailers often had to revisit the strategic formulation stage.

Figure 7.1. The role of IM as way of understanding and managing multi-channel retail strategic implementation problems



Nonetheless, this study demonstrates that IM offers a way of understanding and addressing these multi-channel retail strategic implementation constraints (4). Furthermore, the framework shows the application of IM as a way of helping multi-channel retail strategic

implementation, in the context of the UK case study retailers. The 'product' (5) is the multi-channel retail strategy, and, in contrast to the strategic formulation stage (1), is also the internal alterations necessary to make the strategy happen. 'Participants' (6) involved in delivering the IM effort should include the Board, senior managers and other charismatic change agents in different departments and channels, since these individuals are essential in making the IM effort happen. 'Participants' who the IM effort is aimed at should include individuals responsible for or involved in multi-channel retail strategic implementation. This can mean that delivering the IM effort can be challenging for retailers, given these staff can be in different roles, at varying levels, in numerous departments/channels, and, based in disparate geographical locations. Also, in contrast to Ahmed and Rafiq's (2004) model of IM but similar to Piercy's (2009) model of IM, the framework proposes 'participants' should also include suppliers. The rationale for this is that the findings from this study highlight that suppliers often play an important part in multi-channel retail strategic implementation, such as providing IT support.

Moving on to the next stage of the conceptual framework, case analysis highlights that conducting internal market research (7) helps retailers to better understand multi-channel retail implementation issues. However, in contrast to Ahmed and Rafiq (2004) this study argues that internal market research should also be carried out to understand the 'price' (8) staff incur during multi-channel retail strategic implementation. The findings from internal market research, including costs and benefits staff associated with the strategy, should then be used to segment the internal marketplace (9) according to multi-channel retail implementation barriers; for instance, according to whether staff have low or high engagement with the strategy. 'Positioning' (10) should then be used to leverage the internal message accordingly, emphasising the positive, while de-emphasising the negative, associations related to the strategy. Notably, compared to Ahmed and Rafiq's (2004) model of IM, the framework more explicitly shows the relationship between internal market research (including 'price'), segmentation and 'positioning' and thus, makes the model clearer to understand.

The next stage of the framework shows that the internal message is then 'positioned' using the internal marketing mix, namely, 'process', 'promotion' and 'place'. 'Process' (11), in contrast to Ahmed and Rafiq's (2004) model, is the use of HR tools, including reward

systems and group/team structure. The exception to this being that training is not included here because, in line with Ahmed and Rafiq's (2004) model of IM, it is included in internal 'promotion'. The logic for delineating 'process' as the use of HR tools (including reward systems and group/team structure) is that the multi-channel literature and case analysis suggest that HR tools are very effective at aiding multi-channel retail strategic implementation. Yet, HR tools are not clearly delineated in Ahmed and Rafiq's (2004) model of IM. By more clearly defining 'process' as HR systems and processes then the framework recognises the multi-channel retailing specific nature of IM and so, the concept is more relevant to the strategy. Besides, in contrast to Ahmed and Rafiq's (2004) model of IM, 'process', in this framework, does not include 'who, 'where' and 'how' changes are communicated because these elements are included in other components of the IM mix, for example, in 'participants' and 'internal promotion'. These alterations make the framework more coherent since duplication is minimised between different elements of the IM mix.

Internal 'promotion' (12) in this framework, similar to Ahmed and Rafiq (2004), is the internal communications activities and training designed to facilitate the required internal modifications for retailers to go multi-channel. Indeed, a key finding from this study was that internal 'promotion' was widely used to support multi-channel retail strategic implementation, including face-to-face presentations, meetings, conferences and in-house magazines/newsletters. In terms of 'place' (13), this framework, as proposed by Ahmed and Rafiq (2004), classifies 'place' as the organisational culture and any cultural alterations needed to go multi-channel. However, this study, dissimilar to Ahmed and Rafiq (2004), does not delineate 'place' as 'where' the 'product' and 'promotions' are delivered because these elements are included in other elements of the IM mix, including internal 'promotion'. Also, case analysis highlighted that retailers often face major issues due to the need to change their organisational culture to go multi-channel. Subsequently, defining 'place' as the internal culture and any cultural modifications needed to go multi-channel, not 'where' the 'product' and 'promotions' are delivered, further avoids repetition between IM elements, and, creates a framework which is more relevant to multi-channel retailing. The framework further highlights that multi-channel retail strategic implementation issues are context specific and as a result, the IM effort should vary accordingly. Also, that the need

for IM strategies and plans is heightened due to the novel and dynamic nature of a multi-channel retail strategy.

In essence then, figure 7.1 highlights two key points. Firstly, that UK retailers face a number of intertwined, context specific challenges when going multi-channel, which are more complex and pose greater barriers to using new and multiple channels than the literature suggests. Secondly, that IM provides a way of understanding and managing these problems, however, due to its context specific nature, IM is also more difficult to apply in practice than the literature portrays. These themes are explored in more detail in the following sections.

7.2 Internal Market Research, Multi-channel Retail Strategic Implementation Problems, 'Participants', Rewards Systems and Internal 'Promotion'

To recap, the previous section has proposed a framework for the use of IM as a way of understanding and managing the problems retailers encounter when going multi-channel (shown in figure 7.1). Case analysis reveals that internal market research, 'participants', reward systems and internal 'promotion' were especially effective in making the strategy happen. Given this then these novel themes are explored in more detail in this section. Importantly, this study also found that while integration, cultural, engagement and resource issues were associated with going multi-channel (Berman and Thelan, 2004; Pentina and Hasty, 2009; Zhang *et al.*, 2010), these problems posed greater constraints, were more intertwined and altered to a greater extent (in terms of their exact form) by retailer, than the literature portrays. Moreover, these challenges varied according to the stage of multi-channel implementation, and were often intensified due to the strategy being 'new'. Subsequently, this section also explores these multi-channel issues in-depth, when consideration is given to the use of internal market research in a multi-channel environment. This is since the framework (shown in figure 7.1) suggests that the purpose of this internal market research is to understand the difficulties retailers face when going multi-channel.

7.2.1 Internal Market Research

Ahmed and Rafiq (2004) and Piercy (2009) claim that organisations should conduct internal market research when implementing a strategy. The purpose of this research is to identify the needs of staff, and, barriers to strategic implementation. Ahmed and Rafiq (2004) suggest that firms can use techniques such as surveys and HR data to collect this data. Accordingly, this study found that retailers had conducted internal market research when implementing a multi-channel retail strategy, and that the aim of this research was to identify staff needs, and obstacles to going multi-channel. However, in contrast to Ahmed and Rafiq (2004) and Piercy (2009), this study argues that internal market research should also be explicitly used to understand the costs and benefits (i.e. the 'price') that staff associate with a multi-channel retail strategy. This is because case analysis reveals that staff can incur substantial real and perceived costs during multi-channel retail implementation, which can cause individuals to have negative multi-channel retailing perceptions and therefore, pose multi-channel retailing constraints. On the other hand, the findings from this study also highlight that staff can perceive the strategy to be related to numerous benefits (including enhanced career prospects) which can outweigh these costs. Subsequently, where staff perceive the benefits associated with multi-channel retailing to outweigh the drawbacks then this causes staff to have positive perceptions of the strategy. These positive perceptions then help retailers to make the necessary internal alterations to go multi-channel, including gaining staff support towards the strategy.

In addition, while this study found that internal market research was used to identify staff needs and issues (in a multi-channel context), in contrast to Ahmed and Rafiq (2004) and Piercy (2009) case analysis demonstrated that the nature of this internal market research (including the techniques used to collect data) varied according to the stage of implementation and therefore, as retailers were in different stages of going multi-channel, then also by retailer. During the early implementation stages, dissimilar to Ahmed and Rafiq (2004), internal market research was conducted in an ad hoc and informal way, for example, via face-to-face presentations and conversations with staff. Besides, the focus of this research was on understanding the multi-channel barriers posed by key decision makers (i.e. the Board and senior managers). In the mid implementation stages internal market research continued to be conducted using, for example, conversations with staff, but also, in line with Ahmed and Rafiq (2004), increasingly through using techniques such as surveys. In addition,

the focus of this research was towards understanding all of the obstacles to multi-channel retail strategic implementation, not only those posed by key decision makers. In the later implementation stages, internal market research tended to be carried out in a more formal and continuous way, and, similar to the mid implementation stage, the aim of this research was to understand all of the constraints related to adopting the strategy. For instance, case 2 were in the later stages of implementation and so, in the main, conducted internal market research in a formal and continuous way (using techniques such as staff surveys and a telephone number staff could call to give feedback) to understand all of the constraints associated with going multichannel. Conversely, case 3, who were at an earlier stage of adopting the strategy, carried out internal market research in a much more informal and ad hoc way (including via face-to-face conversations) to predominately explore multi-channel barriers posed by key decision makers.

Unlike Ahmed and Rafiq (2004) and Piercy (2009), this study also highlights that the case study retailers faced a number of problems when conducting internal market research. However, conducting internal market research was more complex and difficult in practice than the IM literature portrays. Still, in support of Ahmed and Rafiq's (2004) model of IM this study found that internal market research findings were used to segment the internal marketplace, according to strategic implementation obstacles.

However, similar to Piercy (2009), but different to Ahmed and Rafiq (2004), this study argues that segmentation of the internal marketplace should also include suppliers, since they often play a key role in retailers going multi-channel. Analysis of case materials demonstrates that retailers then used the findings from internal market research to position the message accordingly to different segments. The aim of internal positioning was to emphasise the benefits, and de-emphasise the drawbacks, related to the strategy which is alike to Ahmed and Rafiq's (2004) model of IM. Yet, this study (more) clearly shows that positioning the internal message to create positive staff perceptions of multi-channel retailing facilitates retailers making the necessary internal alterations to implement a multi-channel retail strategy. The internal message is then leveraged using 'process', 'place' and 'promotion', and, given 'process' (specifically rewards systems) and 'promotion' were influential in implementing a multi-channel retail strategy then these elements are examined in greater detail in later sections of this Chapter.

In essence then, conducting internal market research enabled retailers to understand the engagement, integration, resource and culturally related issues associated with implementing a multi-channel retail strategy, and, these problems (i.e. that retailers faced when going multi-channel) are explored in-depth in the following section.

7.2.2 Understanding Multi-channel Retail Strategic Implementation Issues

The multi-channel and multi-channel retailing literature suggests that numerous internal constraints are related to adopting a multi-channel retail strategy (Agatz *et al.*, 2007; Berman and Thelan, 2004; Coelho *et al.*, 2003; Zentes *et al.*, 2011; Zhang *et al.*, 2010). While analysis of these problems according to the literature produces an often descriptive list of issues, it does suggest that these difficulties stem from the need to achieve channel integration, gain multi-channel engagement, make cultural alterations and acquire/change resources (Ganesh, 2004; Grewal *et al.*, 2010; Pentina and Hasty, 2009; Webb and Lambe, 2007; Yan, 2008; Zhang *et al.*, 2010). Similarly, this study found that retailers faced challenges when going multi-channel, and, that these difficulties were resource, engagement, integration and culturally related. Though different to the literature this study explores these themes in-depth and so, reveals new themes which are not recognised, or not clearly identified, in the literature. These themes include that multi-channel retail strategic implementation issues are frequently intertwined, often intensified due to the novel and dynamic nature of the strategy, and varied according to the type of retailer (i.e. whether a retailer was initially bricks-and-mortar or Internet/catalogue based) and stage of implementation. Broadly speaking, the findings from this study suggest three stages to adopting a multi-channel retail strategy; early, mid and late. These stages are used to structure discussion of the main challenges the case study retailers encountered when using multiple channels to sell products and services to customers.

7.2.2.1. Early Implementation Stage

During the early implementation stages, cases 1, 2 and 3 all faced the most significant issues due to the need to acquire/change resources, and, gain the support of key decision makers towards a multi-channel retail strategy.

7.2.2.1.1 Acquiring/Changing Resources

Rao *et al.* (2009) claim that retailers can use their existing logistics infrastructure to support new channels, and, a multi-channel retailing offer. Conversely, other academics argue that the addition of a new channel, whether it be catalogues, opening stores or adding an Internet channel, frequently entails a retailer redesigning their existing logistics and IT infrastructure to accommodate the addition of new, and multiple, channels (Agatz *et al.*, 2007; Coelho *et al.*, 2003; Ganesh, 2004; Pentina and Hasty, 2009; Xing *et al.*, 2010; Zhang *et al.*, 2010). Equally, this study finds that all of the case study retailers had to redesign their legacy logistics and IT infrastructure to implement a multi-channel retail strategy. Cases 1 and 3 had to alter these systems because they had been designed for the store channel, that is, to accommodate shipments of cartons to stores rather than individual products to customers. On the other hand, case 2 had to redesign these systems because they had been designed to support direct channels (i.e. Internet, catalogue and customer service centre channels), including to deliver individual products to customers rather than cartons of products to stores.

Nonetheless, this study finds that during the early implementation stages of going multi-channel, retailers faced greater technology related issues stemming from the need to redesign legacy IT and logistics systems than the literature portrays. Indeed, these problems often delayed the case study retailers going multi-channel. Moreover, in contrast to the literature, this study found that while these technology related difficulties were similar by retailer, they also differed. For instance, all of the retailers experienced problems redesigning legacy IT and logistics infrastructure due to the novel and bespoke nature of these systems and hence, there was a lack of guidance regarding these alterations. However, different to cases 1 and 2, case 3 encountered further problems because a large proportion of the retailer's products were perishable, short life, and subject to significant seasonal sales variations and subsequently, the retailer needed complex IT and logistics systems.

Importantly, case analysis also reveals that these technology related issues often had a 'softer' side. These technology related issues were frequently intertwined with engagement and financial/staff resource related issues. In addition, the findings from this study also demonstrate that case 2 encountered significant store related problems during the early stages of implementing a multi-channel retail strategy, due to the retailer adding a store channel. Again, these store related challenges were also entwined with financial/staff

resource and engagement challenges. In light of this the key financial/staff resource and engagement constraints inter-related with technology and store related problems are considered in subsequent sections.

Staff resource related issues

A review of the wider academic literature (i.e. marketing, strategic management) suggests that, in most cases, organisations need to recruit new, and train existing, staff to implement a strategy (Dibb and Simkin, 2000; Hambrick and Cannella, 1989; Piercy, 2009). Accordingly, the multi-channel retailing literature suggests that retailers also need to recruit and train staff when implementing a multi-channel retail strategy because multiple, compared to single, channel operations require staff with different skills (Berman and Thelan, 2004; Coelho *et al.*, 2003; Miller, 1996; Zhang *et al.*, 2010). This study also finds this to be the case, though (more) clearly articulates that store staff need to possess the necessary skills to be able to use, often new, technology in a customer service and sales orientated way. For example, this research finds that the use of 'click and collect' requires staff to 'sell' the initiative to customers, place customer orders via the Internet in-store, and, treat product return and collection occasions as "*...additional touch points which permit the retailer to strengthen their relationship with customers*" (Zhang *et al.*, 2010:175). Yet, in line with Hart *et al.* (2007) (in the broader retail literature), the findings from this study also reveal that recruiting these staff (i.e. who can apply ICT skills in a customer friendly way while maximising sales opportunities) can be difficult.

This study also shows that, in line with multi-channel and wider retail literature, that retailers needed to recruit head office staff with the necessary IT and logistics skills to manage multiple channels, and, in the case of retailers 1 and 3 to add an Internet channel (Coelho and Easingwood, 2008; Daniel and Wilson, 2006; Hart *et al.*, 2007). Case 2 also needed to recruit head office staff with traditional store based knowledge and expertise, given the retailer was adding a store channel (Zhang *et al.*, 2010). However, a key finding was that all of the retailers encountered major, although sometimes dissimilar, problems recruiting these head office staff. Case 2 experienced issues due to the problems associated with its Internet distribution centre (as discussed in section 5.2.3.1.3), and, because the retailer felt that staff recruitment might delay the store opening programme. On the other

hand, cases 1 and 3 faced significant difficulties employing individuals with IT and logistics skills because, at the time of the interviews, few retailers had added an Internet channel to go multi-channel and therefore, there was a shortage of these people in the internal and external labour market. All of the case study retailers also found it problematic ensuring staff had the necessary multi-channel retailing skills since there was a lack of training programmes in this area. As a result, staff training tended to be carried out in an ad hoc 'on the job' way, which, according to Johnson *et al.* (2009) (in the broader retail literature), is typical of the retail sector, a downside being that it limits the transferability of skills across companies.

Another new finding, similar to the multi-channel literature, is that retailers often overcame these staff constraints (and lack of guidance due to the strategy being 'new') by adopting a 'learn as they went approach' (Wilson and Daniel, 2007). Though, in line with the wider marketing literature, case analysis also illustrated that retailers adopted a 'learn by their mistakes approach' (Dibb and Simkin, 2000). That is, implementing a multi-channel retail strategy was an iterative process where retailers frequently had to go back and rectify their mistakes. Retailers also overcame a lack of staff with Internet and multi-channel retailing skills through using suppliers, for example, to provide IT and logistics support. Similarly, Piercy (2009) finds that as strategic formulation and implementation has increased in complexity then suppliers are playing a greater role in making these strategies happen. A further surprising theme to emerge from this study was that retailers addressed staff resource issues through collaborating with other retailers, for instance, to share multi-channel retailing 'best practice' (Reynolds, 2012). This was in stark contrast to the 'closed' way in which retailers have traditionally operated. Nevertheless, staff resource problems still posed major obstacles to ensuring the IT and logistics, and in the case of case 2 the store channel, was in place to support multi-channel operations, further demonstrating the inter-related form of these multi-channel constraints.

Financial resources

The strategic management literature suggests that significant financial resources are needed to implement a strategy, and, that getting these resources can be challenging (Bonoma, 1984; Freedman, 2003; Hambrick and Cannella, 1989). Likewise, this study supports this,

and, in line with the multi-channel and multi-channel retailing literature, finds that major capital expenditure was required by all of the retailers to redesign legacy IT and logistics infrastructure, and in the case of case 2 to open physical stores (Agatz *et al.*, 2007; Ganesh, 2004; Pentina and Hasty, 2009; Zhang *et al.*, 2010). However, in contrast to the multi-channel retailing literature, the findings from this study demonstrate that getting this financial investment was particularly difficult for all of the case study retailers during the early stages of multi-channel retail strategic implementation. In line with the multi-channel literature, case analysis shows that one significant reason obtaining this financial investment was challenging was because during the early stages of implementation new channels generated a low proportion of a retailer's sales. Consequently, since retailers measured the performance of channels according to the sales generated (i.e. excluding 'channel influenced sales') then, on paper, these 'new' channels did not appear to merit major financial investment (Balasbramanian *et al.*, 2005; Coughlan *et al.*, 2001; Hood, 2002-2003; Hughes, 2006; Kumar and Venkateson, 2005; Nunes and Cespedes, 2003). While these channel performance measures posed constraints to getting the necessary capital expenditure, all of the case study retailers found it problematic designing alternative channel performance measures, which, for example, acknowledged 'channel influenced sales' and minimised internal inter-channel competition (Lenskold, 2002; Valos, 2008; Zhang *et al.*, 2010).

Acquiring financial resources was also difficult for other reasons. Case 3, in comparison to cases 1 and 2, was smaller in size. Hence, the retailer had more limited financial resources (Levy and Weitz, 2009). Also, retailers had concerns over the impact of making this investment on the stability of the rest of the business. Similarly, the strategic management literature also claims that internal processes, including financial investment approval processes, can pose obstacles to firms getting the necessary financial resources to implement a strategy (Bonoma, 1984; Hambrick and Cannella, 1989). This section then, demonstrates that financial resource issues were caused by finite capital expenditure which was tight due to inputs from first-movers in other channels and the external economic environment, and, exacerbated by internal resource competition.

7.2.2.1.2 Key Decision Makers Multi-channel Engagement

The multi-channel retailing literature, while limited, suggests that implementing a multi-channel retail strategy requires the support of all key decision makers and staff (Berman and Thelan, 2004; Zhang *et al.*, 2010). Accordingly, other literature (i.e. marketing, strategic management and HR) also maintains that the buy-in of staff, especially the Board, is necessary to implement a strategy (Hambrick and Canella, 1989; Nutt, 1983; Payne and Frow, 2006). Equally, this study finds this to be the case, however, in contrast to the literature, this study highlights that during the early implementation stages there is a need to, in particular, gain the support of the Board and senior managers towards the strategy. This is since lack of Board and senior management engagement creates other issues, including financial and staff resource constraints. Indeed, case analysis reveals that during the early implementation stages, lack of buy-in from key decision makers towards the strategy frequently posed the greatest barriers to multi-channel retail strategic implementation. However, similar to the multi-channel literature, this study identified that during the early implementation stages, key decision makers had low motivation towards the strategy because sales of new channels were low, and, there was a lack of infrastructure in place to support new and multiple channels (Coelho and Easingwood, 2008). Consequently, these individuals had little confidence in multi-channel operations (Coelho *et al.*, 2003). Dissimilar to the literature though, this study also highlights that low multi-channel engagement stemmed from lack of understanding of the strategy, including the benefits related to the use of multiple channel to sell products and services to customers.

7.2.2.2. Mid Implementation Stage

Case analysis reveals that during the mid-implementation stages retailers faced the most significant problems due to the need to achieve channel integration (since the attention of these retailers was increasingly towards implementing a seamless, integrated multi-channel proposition to the customer), and gain the support of all staff (not including just key decision makers) towards the strategy.

7.2.2.2.1 Channel Integration

A key characteristic of a multi-channel retail strategy is channel integration (Pentina and Hasty, 2009; Reynolds, 2002). In line with the literature, this study found that retailers faced significant issues achieving channel integration (Berman and Thelan, 2004; Webb and Hogan,

2002; Rosenbloom 2007; Tate *et al.*, 2004; Zentes *et al.*, 2011). In part, this is because channel integration requires organisations to communicate and leverage the brand consistently across all channels (Gulati and Garino, 2000; Tate *et al.*, 2004). This calls for alterations to legacy IT and logistics infrastructure, which can be problematic (as highlighted in section 7.2.2.1.1).

Channel integration also entails the amalgamation of numerous functions, including buying and stock control (Muller-Lankenau *et al.*, 2004; Rangaswamy and van Bruggen, 2005). Still, integrating functions was difficult for all of the retailers. A further characteristic of channel integration is that customers must be able to buy a product from one channel and collect it, or return it, in another (Tate *et al.*, 2004). In other words, retailers need to offer 'click and collect'. Besides, this study more clearly highlights that using 'click and collect' involves alterations to existing IT and logistics systems, which was problematic given (at the time of interviews) few staff had the necessary skill-set to make these modifications. Also, since the initiative was new there was a lack of guidance. As a result, (similar to the early implementation stages) staff had to adopt a 'learn as they went' and 'learn by their mistakes' approach, and, to some extent, overcame these issues by collaborating with other retailers.

In spite of this, benefits were associated with 'click and collect': for instance, retailers had control over the 'last mile' of deliveries to the customer (Zhang *et al.*, 2010). Many stores did not also have space to store customer orders until collected since warehouse space had been reduced. This raises questions about the future design of some retailers' stores when using 'click and collect'. That is, given customers can buy an often wider range of products online and collect them from their local store then this suggests some retailers may need to decrease sales space while increasing warehouse space.

Comparable to the multi-channel literature this research also identified that a major barrier to retailers achieving channel integration was conflict between staff in different channels (Coelho *et al.*, 2003; Webb and Lambe, 2007). Conflict arose between staff in incumbent channels and those in new channels, since staff in existing channels perceived new channels to be a threat to their sales (Agatz *et al.*, 2007; Chevalier, 2002; Deleersnyder *et al.*, 2002; Tsay and Agrawal, 2004). In fact, case analysis revealed that the greatest conflict existed between staff in incumbent channels towards new channels. However, while the literature

and case analysis highlights the need to minimise conflict to aid channel integration and support towards the strategy, in line with Halal's *et al.*, (1993) study, this research found some conflict is necessary to effectively implement a multi-channel retail strategy. For example, respondents at cases 2 and 3 felt that *some* conflict between channels promoted a healthy level of competition and that this was beneficial for the retailer's overall performance.

7.2.2.2.2 Staff Multi-channel Retailing Engagement

As prior mentioned, the multi-channel retailing literature implies that staff buy-in is needed when implementing a multi-channel retail strategy (Berman and Thelan, 2004). Moreover, a review of other (i.e. strategic management and marketing) literature also suggests that staff support is vital when implementing a strategy (Brodwin and Bourgeois, 1984; Hambrick and Cannella, 1989; Payne and Frow, 2006). However, a key, new theme to emerge from this study is that during the mid-implementation stages retailers encountered major constraints due to the need to gain the support of all staff. Besides, gaining the engagement of these staff was difficult because these individuals often had negative perceptions of multi-channel retailing. These negative perceptions were caused by a number of factors. Staff in incumbent channels tended to view the addition of new channels as a threat to their sales, causing conflict from these staff towards new channels (Coelho and Easingwood, 2008; Webb and Hogan, 2002; Sharma and Mehotra, 2007). Also, negative perceptions frequently stemmed from the notion that new and multiple channels were difficult to manage because they were associated with technical difficulties, which added complexity to the day-to-day work, and increased the workload, of staff (Cespedes and Corey, 1990; Webb and Lambe, 2007). A case in point is that store staff at cases 1 and 3 felt uncomfortable using the Internet to place customer orders.

Also, in contrast to the literature, negative staff perceptions at cases 1 and 3 were due to lack of staff awareness and understanding of the strategy, including its benefits. Another novel theme, in the context of all of the case study retailers, was that while some staff felt that adding new and using multiple channels added complexity to, and increased their workload, numerous individuals felt that these costs were outweighed by the benefits linked to the strategy, for example, enhanced career prospects. As a result, these staff had

positive multi-channel retailing perceptions and were more engaged with the strategy. This further adds to the argument that retailers should conduct internal market research which not only understands staff needs, but also the costs and benefits staff link to the strategy, as discussed in section 7.2.1.

A further finding, parallel to the marketing literature, is that gaining staff multi-channel engagement becomes easier as the Board have greater engagement with the strategy (Payne and Frow, 2006). Also, in line with the multi-channel literature, this study finds that getting staff and key decision makers support also becomes less difficult as the capabilities and sales performance of new channels improves (Coelho and Easingwood, 2008). Moreover, case analysis shows that the capabilities and sales performance of new channels improves during the mid to late implementation stages and so gaining staff support towards the strategy becomes easier during these stages. An exception to this is case 2, who found that it was more challenging gaining the motivation of customer service centre staff towards the strategy, in the mid to late implementation stages. One reason for this was that as the capabilities and sales performance of the store channel improved then it became the dominant sales channel rather than customer service centre, which customer contact centre staff felt uncomfortable with. Importantly then, a key theme throughout this section is that low staff engagement with the strategy leads to resource, integration and cultural issues, and, these cultural problems are considered in the next section.

7.2.2.3 Late Implementation Stage

In the later implementation stages, although retailers continued to face engagement, resource and channel integration issues, retailers also increasingly experienced cultural problems. This was because while consideration was given to these cultural issues during the early to mid-implementation stages, greater importance was attached to managing these constraints during the later implementation stages.

7.2.2.3.1 Changing Organisational Culture

Examination of the case materials reveals that all of the case study retailers needed to change their internal culture to go multi-channel, and, while these alterations were similar, they also differed. While there is a lack of multi-channel retailing research which recognises

the cultural barriers associated with using new and multiple channels, there is other literature (i.e. marketing and strategic management) which suggests cultural constraints are frequently related to strategic implementation (Ahmed and Rafiq, 2004; Dibb and Simkin, 2000; Piercy, 2009). Indeed, Brodwin and Bourgeois (1984) claim that one way of effectively implementing a strategy is by gaining total organisational involvement through a strong corporate culture. Nevertheless, despite the multi-channel retailing literature being of a descriptive nature it does suggest that using multiple channels to sell products and services to the customer requires an organisational culture which is innovative, risk-taking and adaptive to changing needs (Grewal *et al.*, 2010; Rangaswamy and van Bruggen, 2005). Accordingly, the findings from this study find this to be the case, but also highlight that many of these multi-channel cultural aspects are due to the novel and dynamic nature of the strategy, for example, the fast changing form of the strategy means retailers often have to make frequent and often unexpected alterations. This study also finds that when implementing a multi-channel retail strategy retailers have to adopt a 'learning by doing' and 'learning by mistakes' approach, as discussed in section 7.2.2.1.1. Another original finding is that every member of staff has to view the retailer as a multi-channel retailer because where this is not the case (i.e. staff do not view the retailer as a multi-channel retailer) then this leads to integration, resource and engagement issues.

In the case of case 1, the Internet channel did have many of these multi-channel cultural aspects, since when the retailer added the channel it was kept separate to the rest of the business to enable it to grow (Zhang *et al.*, 2010). Nevertheless, the rest of the organisation did not have these multi-channel cultural aspects and therefore significant cultural alterations were needed to implement a multi-channel retail strategy. Interestingly, while the Internet and multi-channel function had many multi-channel cultural characteristics, respondents here were concerned that rather than the culture of the main business changing, its culture would be imposed on the Internet channel and multi-channel retailing function, which would impede multi-channel retail strategic implementation. Still, the Internet channel could not be kept separate to the main business since whilst this had enabled the channel to grow, a drawback was that it did not share common functions with other channels and so, impeded channel integration (Zhang *et al.*, 2010). Also, keeping the Internet (and multi-channel function) separate to the rest of the business led to confusion

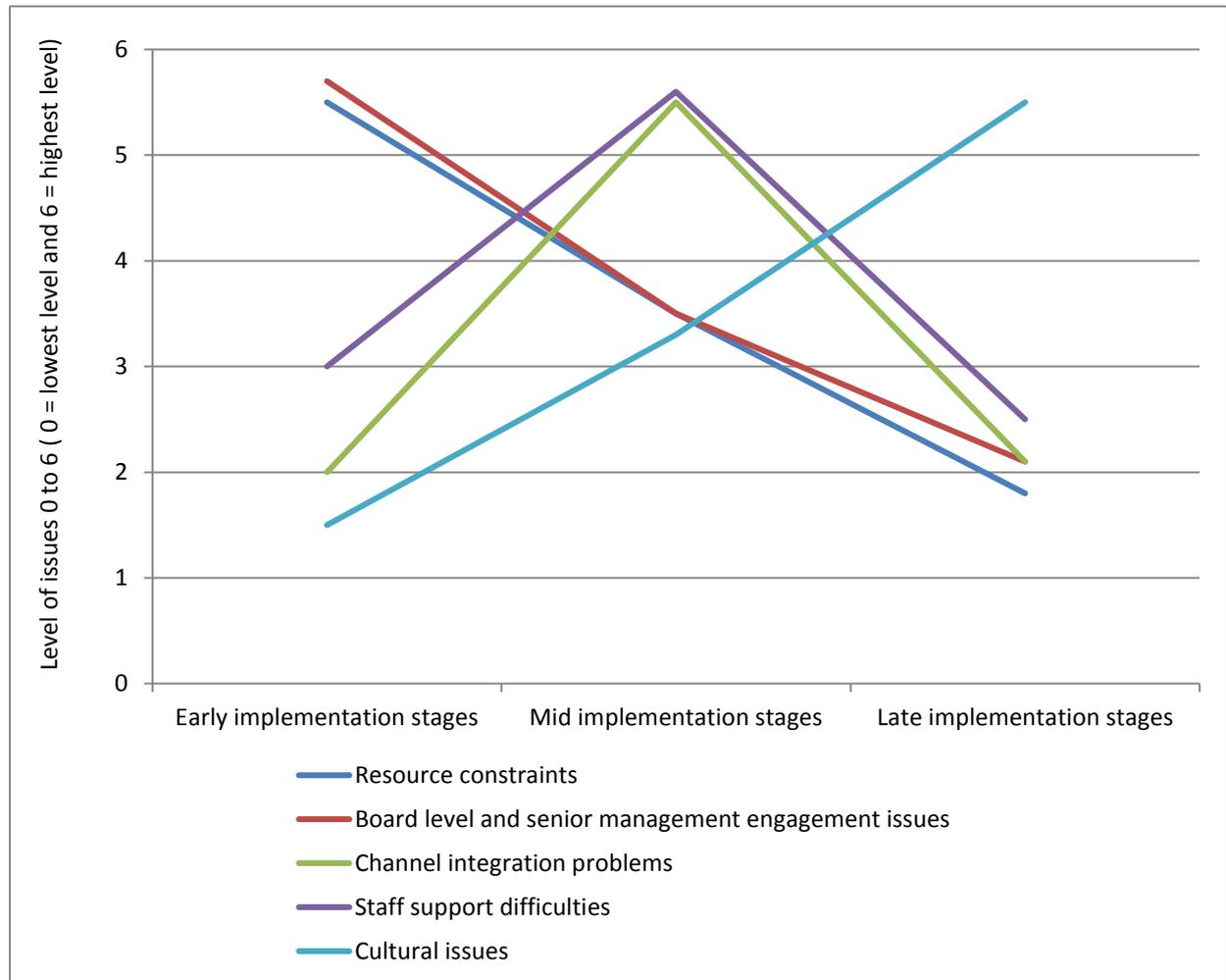
surrounding multi-channel retailing. The Internet channel was considered to be the 'multi-channel retailing part' of the business as opposed to the entire business and this led to issues, including low staff engagement with the strategy.

In contrast to case 1, case 2 to some extent had the necessary culture to be a multi-channel retailer. The retailer had a culture which was entrepreneurial, quick to make decisions, took risks and had a 'can do' attitude. Staff also viewed the retailer as a multi-channel retailer. Despite this, the retailer's culture did need to change to that of a direct multi-channel retailer which sold products via direct and traditional bricks-and-mortar store channels. Specifically, the culture of the retailer needed to change to one with a customer service and sales orientation. In this sense then the finding that case 2 needed to alter its culture to implement a multi-channel retail strategy does not support the claim by Grewal *et al.* (2010) that it is only bricks-and-mortar retailers who need to make cultural adaptations when implementing a multi-channel retail strategy.

7.2.2.4. Summary of Key Multi-channel Retail Strategic Implementation Problems by Stage of Implementation

From the above discussion then it can be seen that the key issues retailers face when adopting a multi-channel retail strategy vary according to the stage of implementation, as shown overleaf in figure 7.2. During the early implementation stages retailers face the greatest constraints due to the need to get Board level support towards the strategy, and, acquire/switch resources, in particular financial and staff resources. During the mid-implementation stages, retailers encounter the most significant problems stemming from the need to achieve channel integration, and, gain the buy-in of all staff towards the strategy. During the late implementation stages, while retailers experience resource, engagement and integration issues, retailers also encounter major constraints due to the need to make cultural modifications to use new and multiple channels.

Figure 7.2. Summary of multi-channel retail strategic implementation issues by stage of implementation



However, while figure 7.2 offers a way of classifying multi-channel retail strategic implementation issues according to the stage of implementation, there are some exceptions to this model. For example, even though case 3 were in the early stages of implementation the retailer was already experiencing some cultural difficulties, an illustration of this is that the retailer needed to create a more innovative and risk-taking culture. Still, in contrast to the multi-channel retailing literature this study (more) clearly articulates that multi-channel retail strategic implementation problems vary by stage of implementation and therefore, so should the IM effort. This also suggests that, while not (clearly) recognised in the strategic implementation literature, strategic implementation difficulties might also alter according to the stage of implementation and thus, so should the IM programme. Although further empirical research would be needed to explore if this is the case.

7.2.3 'Participants'

The previous section has explored the difficulties retailers encounter when using new and multiple channels to sell products and services to the customer. A key finding to emerge from this study was that 'participants', that is those people involved in producing and delivering the 'product' (Ahmed and Rafiq, 2004), were influential in helping to address multi-channel retail strategic implementation issues. In fact, case analysis suggests that the problems associated with not having the appropriate 'participants' involved in delivering the IM programme can create greater strategic implementation constraints than the IM and multi-channel retailing literature suggests. In light of this then this section further explores the role of 'participants' as a way of aiding multi-channel retail strategic implementation.

Board and senior management support

Ahmed and Rafiq (2004) claim that people with the appropriate level of authority should deliver the 'product' since these individuals are most effective at making the 'product' happen. Likewise, London (1986) argues that staff tend to be most influenced by their immediate supervisors. Moreover, London (1986) argues that inter-departmental or inter-functional communication tends to be least effective because staff have equal status and thus, no direct authority to enforce compliance. The views of Ahmed and Rafiq (2004) and London (1986) then imply that any IM effort is 'top-down'. This study, to some extent, supports the literature. In the case of retailers 1, 2 and 3, the Board had the most appropriate level of authority to effectively deliver the 'product'. All of the retailers had an internal culture where individuals were most responsive to IM programmes cascaded top-down (i.e. starting with the Board) and therefore, conveyed by their immediate or overall line manager. Yet, during the early implementation stages getting the involvement of these Board level individuals in the delivery of the IM programme was problematic. As a result, the IM effort was conveyed by individuals lower-down in the organisation, which, though to some extent was effective, did pose barriers to other staff engaging with the strategy, and, led to, for example, issues getting the necessary financial, IT and logistics resources.

In this sense then the findings from this study are partly in line with Kellerman (2008) who argues that it is lower ranking staff, not managers, who drive the IM effort and strategic implementation. Yet, this study found that the 'lower' ranking staff who provided the

impetus for the strategy were individuals one below Board level. Indeed, Johnson *et al.* (2008) (in the strategic management literature) argue that too much attention is given to individuals at the top of an organisation when implementing a strategy. However, this study found that while sub Board level individuals can provide the necessary project management support during initial implementation stages and so call for attention, Board level involvement is needed to successfully adopt a multi-channel retail strategy (often due to cultural reasons) and so, these individuals merit significant attention.

During the mid-implementation stages a greater number of 'participants', including the Board and MD, contributed to delivering the 'product' at case 2 and as a result, the IM effort was top-down (London, 1986; Ahmed and Rafiq, 2004). Importantly, numerous respondents felt that Board level participation aided the retailer in making the necessary cultural, engagement and integration alterations to go multi-channel. In contrast, during the mid-implementation stages at case 1 the IM programme was delivered by individuals sub Board level. While to some degree this IM effort was effective, its success was hampered by lack of top-level participation and so, a key aim of the IM programme was to gain these individuals' engagement with the strategy. Also, another aim of this IM effort was to get the buy-in of all staff towards the strategy and so, these IM strategies and plans (in contrast to Ahmed and Rafiq, 2004) were middle-up and middle-down. These themes further highlight that participants involvement in the delivery of an IM programme (in a multi-channel retailing setting) is more complex than the literature portrays, in part, due to the changing nature of participants' contribution, and, difficulties related to getting the top-level input which is essential to effectively go multi-channel.

'Charismatic change agents'

A novel theme then was that 'change agents', that is those individuals who influence strategic change at all levels of the organisation (Johnson *et al.*, 2008; Nutt 1983), were instrumental in the implementation of a multi-channel retail strategy. A further new finding was that the 'charismatic' nature of these change agents particularly enabled them to help implement the strategy. Despite this, there is a lack of IM and multi-channel retailing literature which explores the role of 'charismatic change agents' as a way of facilitating strategic implementation. Nevertheless, there is other literature (i.e. organisational

behaviour, strategic management and leadership) which explores these themes and this literature suggests that charismatic leaders are those individuals who are charming, likeable, trustworthy, credible and knowledgeable (House, 1977; Hovland *et al.*, 1953; Judge *et al.*, 2009). Likewise, this study finds this to be the case: for example, the key person driving activity at case 2 was viewed to be charismatic because he was, in the words of one respondent, 'a really, really nice guy'. In addition, charismatic change agents communicate a clear vision and energise staff to achieve this vision (Bass, 1985; Conger, 1985; Conger and Kanungo, 1987; Hovland *et al.*, 1953; Johnson *et al.*, 2008; Waldman *et al.*, 2004). Equally, the findings from this study support this. For instance, the key people at cases 1 and 2 were described as charismatic because they painted a clear multi-channel retailing vision and then influenced staff to make the necessary internal modifications to adopt the strategy. Also, these change agents were seen to be charismatic since, reflecting the literature, they were associated with multi-channel retailing which was perceived to be an innovative and unconventional strategy (Conger, 1985). Furthermore, these change agents were committed to using new and multiple channels even when others considered it to be impossible (Conger, 1985). In essence then, in line with Bass (1985) and Waldman *et al.* (2004), the findings from this study suggest a relationship between charismatic leaders (at all levels of the organisation but especially at the top) and organisational change. Nonetheless, given Bass (1985) and Waldman *et al.*'s. (2004) research is in a non-multi-channel retailing and IM context, then this study more clearly highlights the importance of charismatic change agents as an aid to the implementation of a multi-channel retail strategy (as shown in figure 7.1).

7.2.4 Reward Systems

In addition to 'participants', this study also found that reward systems were influential in helping to address multi-channel retail strategic implementation constraints. Consequently, this theme is explored in more detail in this section, starting with the reasoning behind why this study defines reward systems as internal 'process' and then, more specifically, discussing the use of reward systems by the case study retailers as a way of managing multi-channel retail strategic implementation problems.

Ahmed and Rafiq (2004) argue that the 'process' element of any IM effort entails devising an appropriate delivery format for the 'product'. Thought should be given to factors such as

organisational structure, group/team structure, reward systems, power, responsibility and leadership. Yet, as mentioned in section 3.3.3.2, applying 'process' (according to Ahmed and Rafiq's (2004) definition) can be complex, particularly in the case of those retailers who use a wide range of mechanics. Closer examination of Ahmed and Rafiq's (2004) definition of internal 'process' also highlights that many of the delivery formats included here are also included in other elements of Ahmed and Rafiq's (2004) IM mix. For example, 'who' internally communicates the changes in the 'product' is referred to here (i.e. in 'process') but also in internal 'participants'. Also, 'where' and 'how' changes are communicated (for example, videos and face-to-face meetings) is included here in 'process', but also in 'promotion'.

To avoid duplication and delineate the elements of the IM mix more clearly then this study defines internal 'process', in the context of multi-channel retailing, as the use of HR tools, such as reward systems and group/team structure (though training is not included here since in line with Ahmed and Rafiq's (2004) model of IM it is included in 'internal promotion'). Defining internal 'process' in this way makes a further input to the existing research, since it more clearly recognises the use of HR tools in any IM effort to aid multi-channel retail strategic implementation and so, acknowledges the context specific nature of IM in a multi-channel retailing environment. This is important because, while HR tools are not explicitly delineated in Ahmed and Rafiq's (2004) model, the multi-channel and (more limited) multi-channel retailing literature suggests that HR tools can be utilised as a way of facilitating multi-channel implementation (Tsay and Agrawal, 2004; Zhang *et al.*, 2010). Clearly, the findings from this study support this.

The strategic management literature also suggests that reward systems play a critical part in effectively implementing a strategy, yet are often overlooked (Brodwin and Bourgeois, 1984; Hsieh and Chen, 2011; Hambrick and Canella, 1989; Yanadori and Marler, 2006). Likewise, this study finds this to be the case, and, reveals that reward systems play a greater role in multi-channel retail strategic implementation than the multi-channel retailing literature portrays. In light of this, the main themes to emerge from this study associated with the use of reward systems as a way of managing multi-channel retail strategic implementation challenges are now considered here.

The multi-channel and multi-channel retailing literature along with the findings from this study reveal that a barrier to channel integration and so multi-channel strategic implementation, can be conflict between departments and channels (Coelho *et al.*, 2003; Webb and Hogan, 2002; Yan, 2008). In particular, conflict often arises between staff in incumbent channels and those in new channels because staff in existing channels perceive new channels to be a threat to their sales (Chevalier, 2002; Webb 2002; Zhang *et al.*,2010). According to Webb and Lambe (2007) a cause of this conflict is often goal incompatibility, where an organisation breaks down goals, such as sales, into specific functional objectives which conflict with each other. Subsequently, for one channel/function/department to achieve its goals, another channel/function/department may be required to sacrifice, or at least compromise, their goals. To say it another way, goal incompatibility exists when staff perceive the objectives of all channel coalitions cannot be achieved concurrently.

Importantly then the multi-channel literature and the findings from this study demonstrate that goal incompatibility can be addressed through setting goals and financial rewards (including bonuses) linked to the overall performance of the organisation, minimising conflict and aiding channel integration (Tsay and Agrawal, 2004; Webb and Lambe, 2007). For instance, in the main, case 2 set the goals of staff, and therefore bonuses, according to the overall sales and profit of the retailer and not by department or channel, and this facilitated the retailer in minimising conflict and achieving channel integration. Though in contrast to the literature, this research more clearly highlights that these reward systems also helped the retailer to get staff engagement with the strategy, and, make the necessary cultural alterations to go multi-channel. For instance, setting goals at an organisational level encouraged staff to view the retailer as a multi-channel retailer, including one which sold products and services to customers via physical stores.

The strategic management literature suggests that organisations can use a wide range of techniques to reward staff and facilitate strategic implementation (Lawler and Worley, 2006). Indeed, the findings from this study highlight that retailers used methods not recognised in the literature to reward staff and help implement a multi-channel retail strategy.

Another reward system used by case 1, not recognised in the literature, entailed giving stores the credit for any Internet sales made, or collected, in-store. This reward system was made possible due to the use of 'click and collect'. Moreover, it enabled the retailer to use another reward system which involved setting stores Internet sales targets linked to bonuses. Both of these techniques were instrumental in minimising the conflict store staff had towards the Internet channel and therefore, aiding channel integration (Webb 2002; Zhang *et al.*,2010). Due to the inter-related nature of multi-channel issues these reward systems were also successful in addressing other multi-channel problems. An illustration of this is that store staff were more willing to develop the necessary skill-set required to place customer orders via the Internet (in-store), since they could see a clear sales benefit for their store. Due to this, staff also had greater engagement with the strategy. Similar to the staff double discount promotion, these individuals were also more motivated to view the retailer as a multi-channel retailer. Interestingly, a new finding was that the idea for these reward systems came via collaboration with other retailers, further illustrating the open way in which retailers worked to share multi-channel best practice.

The reward systems used at case 1 had a particularly beneficial impact on the behaviour of staff since they lent themselves well to the culture of the retailer. For example, as one respondent commented, 'what gets measured gets done' and so, setting stores Internet sales targets had a significant influence on staff behaviour. Also, the staff discount scheme and giving stores the credit for Internet sales made or collected in-store had a major influence on staff behaviour, because they had a monetary value which highly motivated staff. Subsequently, while the use of the staff discount promotion was a novel technique, it was perceived by staff to be a value associated with working for the retailer (Bush, 2004; Gross and Friedman, 2004).

In contrast to cases 1 and 2, while case 3 recognised that the use of reward systems would aid the use of multiple channels to sell products and services to customers, they had not yet used these systems. In line with the literature this was since case 3 found it problematic designing techniques to reward staff to help the implementation of a multi-channel retail strategy (Zhang *et al.*,2010).

The strategic management literature also suggests that creating rewards which motivate staff is challenging due to the varying needs and wants underpinning staff behaviour (Hsieh and Chen, 2011). Even so, a key theme to emerge from this study is that, in the context of multi-channel retailing, internal market research (as shown in figure 7.1) provides a way of understanding these staff needs and wants and therefore, staff behaviour. These findings can then be used to better inform reward systems. However, (as discussed in section 7.2.1) this study also argues that internal market research should be conducted to understand the costs and benefits staff associate with the strategy. Indeed, this study finds that a benefit staff link to the strategy, not acknowledged in the literature, is enhanced career opportunities, which the strategic management literature suggests is a type of reward system (Gross and Friedman, 2004). This further adds to the argument then that using internal market research to understand staff costs and benefits can facilitate retailers to better position and leverage the internal message using reward systems, and other elements of the IM mix, to aid multi-channel retail strategic implementation.

7.2.5 Internal 'Promotion'

Internal 'promotion' is defined in this study as the internal communications activities designed to facilitate the necessary internal modifications to make the strategy happen (Ahmed and Rafiq, 2004). The literature suggests that the terms 'internal communication' and 'internal promotions' are used interchangeably, and this study supports this (Ahmed and Rafiq, 2004; Papasolumou and Vrontis, 2006). According to Ahmed and Rafiq (2004:1179) *"...undoubtedly one of the most common IM applications, is the crafting of internal communication strategies"*. Accordingly, this study found that all of the case study retailers used internal 'promotion' and, that these internal promotional activities played a crucial role in addressing multi-channel retail strategic implementation issues.

The literature suggests that internal 'promotion' can take the form of newsletters or bulletins, training sessions or informal coaching, and, staff recognition and encouragement (Dunne and Barnes, 2000). Papasolumou and Vrontis (2006) also claim that internal 'promotion' can include internal advertising, presentations, training, newsletters and internal magazines. In addition, Stauss and Hoffman (2000) classify internal promotion as top-down, bottom-up and horizontal communication (as shown in figure 3.3, section

3.3.3.4). In line with the literature this study identifies that retailers considered internal promotional activity to include internal advertising (such as newsletters, bulletins and magazines), and, presentations. However, a new theme was that retailers also viewed meetings, conferences, exhibitions, competitions, events and the Intranet to be internal promotional activities. In fact, during the early implementation stages cases 1 and 2 predominately used face-to-face meetings to gain the support of key decision makers towards the strategy and therefore, to acquire the necessary financial, IT and logistics resources to go multi-channel. In contrast during the mid to late implementation stages, cases 1 and 2 used a wider range of promotional activities, including internal advertising, to make engagement, resource and integration changes, but also, cultural alterations. This highlights that the nature and goals of internal 'promotion' vary according to the stage of implementation and the type of retailer. Furthermore, dissimilar to Stauss and Hoffman (2000), this study found that retailers did not regard internal 'promotion' to entail employee surveys, a company suggestion box, open door policy or internal complaint management. For instance, employee surveys and company suggestion boxes were viewed to be internal market research. Importantly, these different interpretations may be why so few organisations use IM in practice.

Notably, the IM and strategic implementation literature suggests that internal promotional activity can facilitate strategic implementation (Ahmed and Rafiq, 2004; Ballantyne, 1997; Barnes, 1989; Davis, 2001; Piercy and Morgan, 1991). For example, Thompson and Hecker (2000) argue that empirical evidence exists which shows a direct link between effective communication and strong support from staff towards the effective implementation of a strategy. Stauss and Hoffman (2000) also claim that horizontal communication aids the internal co-ordination and alignment of procedures, which implies horizontal internal 'promotion' might aid channel integration. Likewise, the multi-channel literature suggests that internal communication can help firms amalgamate departments, functions and channels. For instance, in their empirical study, albeit in a non-retail context, White and Daniel (2004) found that internal communication can aid integration and therefore multi-channel implementation, because it establishes a common understanding and knowledge of the strategy within the organisation. Numerous other academics concur that internal communication can reduce conflict, aiding integration and thus, facilitating implementation

of a multi-channel strategy (Barclay 1991; Celly and Frazier 1999; Coughlan *et al.*, 2001; Moller and Rajala 1999; Webb and Lambe, 2007). Furthermore, the multi-channel and the (more) limited multi-channel retailing literature implies that internal communication can gain the engagement of staff with the strategy (Berman and Thelan, 2004; Coughlan *et al.*, 2001).

Similar to the literature, internal promotional activity did facilitate retailers in amalgamating departments, functions and channels, and, improved the support of staff towards the strategy (Berman and Thelan, 2004; Frazier 1999; White and Daniel, 2004). A further finding to emerge from this study was that all of the case study retailers felt that there was a need for greater internal promotional activity, in particular training, since this would aid multi-channel retail strategic implementation. However, a constraint to this was limited financial and people resources, and, in the case of training, a lack of multi-channel retailing training programmes.

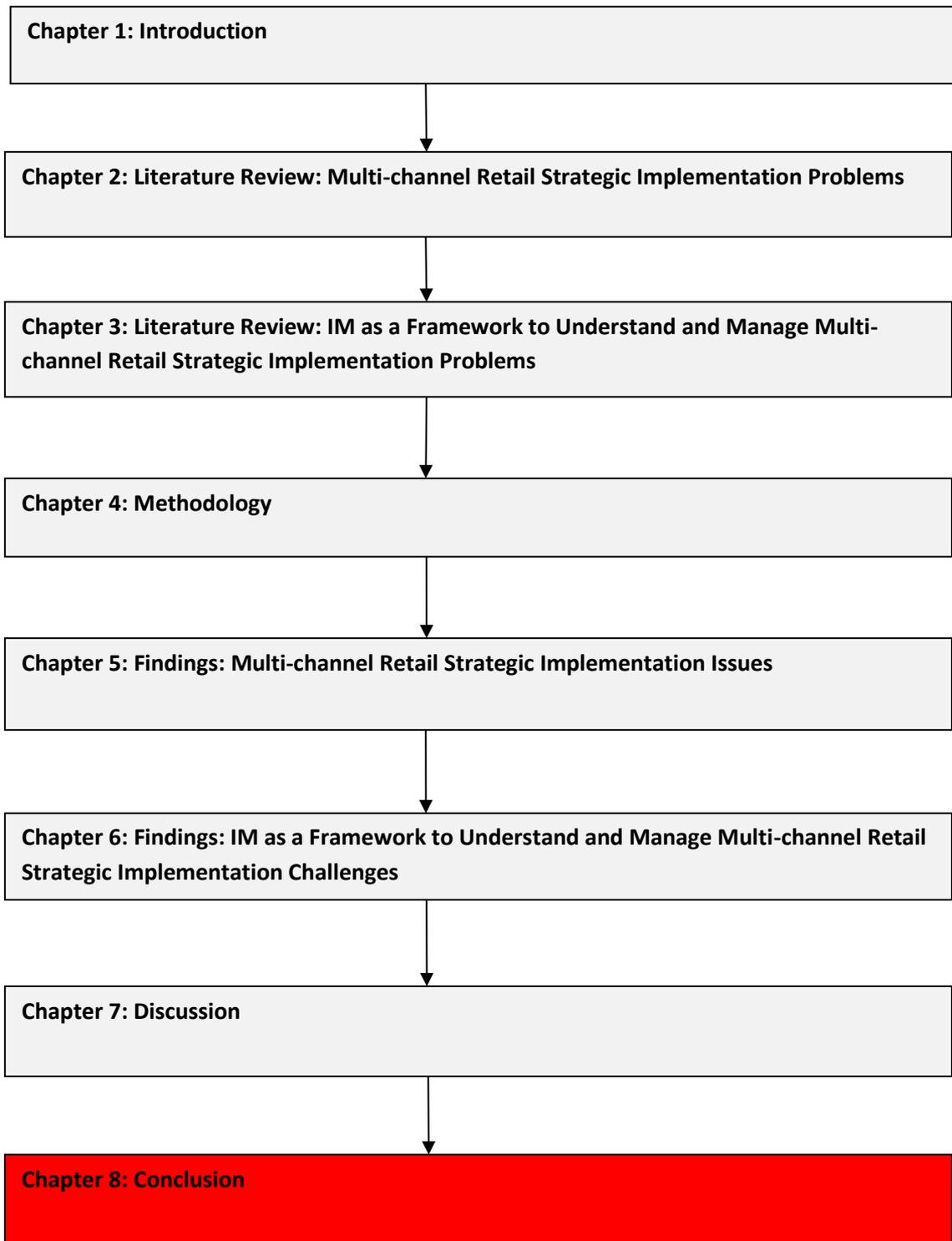
7.3 Chapter Summary

This Chapter has considered a number of key themes that have emerged from the case analysis, and, which are shown in the frameworks proposed in figures 7.1 and 7.2. In essence, these themes relate to the rhetoric versus the reality of multi-channel retailing and IM, in the context of the UK retail sector. Despite the plethora of benefits associated with using multiple channels to sell products and services to customers, retailers often face significant, frequently entwined, engagement, integration, resource and cultural issues when implementing a multi-channel retail strategy. These problems vary by retailer and stage of implementation, and, are often exacerbated due to the novel nature of the strategy. That is, these multi-channel issues are more complex and therefore, pose greater barriers to multi-channel retail strategic implementation than the literature portrays.

Yet, the findings from this study reveal that IM conceptually and practically offers a way of understanding and managing these multi-channel retailing constraints. However, this study finds that IM is more problematic to use conceptually and practically than the literature suggests. One reason for this is that IM is context specific in nature and thus, while the use of IM in a multi-channel retailing setting is similar to existing IM theoretical frameworks, it also differs. In light of this, this study makes a further original contribution to the literature

by proposing a framework as a way of understanding multi-channel retail strategic implementation problems (as shown in figure 7.2), and, a revised framework for the use of IM as a way of further exploring and managing the problems associated with implementing a multi-channel retail strategy (shown in figure 7.1). To put it another way, this study makes a new input to the literature by providing a detailed understanding of the difficulties retailers face when going multi-channel, and, the IM strategies and plans which can help to manage these challenges, in the setting of the UK retail sector .

Chapter 8 CONCLUSION



8.0 Overview of the Study

Although there are numerous motivations behind, and benefits related to, multi-channel retail strategic implementation, anecdotal evidence from retailers suggests difficulties. While the multi-channel retailing literature is largely of a conceptual nature, it, and the multi-channel literature, also implies retailers encounter significant challenges in multi-channel retail strategic implementation (Berman and Thelan, 2004; Venkateson *et al.*, 2007b; Zentes *et al.*, 2011; Zhang *et al.*, 2010). Despite this, there is a shortage of multi-channel retailing research which explores ways of managing these issues. Moreover, the multi-channel retailing literature offers limited insight into these constraints, especially in the context of the UK retail sector. However, the literature does imply these issues are IM related (Berman and Thelan, 2004; Coelho *et al.*, 2003; Ganesh, 2004; Zhang *et al.*, 2010). Furthermore, a review of the IM literature suggests that conceptually and practically IM offers a way of understanding and possibly managing these difficulties (Ahmed and Rafiq, 2004; Ganesh, 2004; Piercy, 2009). Yet, no study to date, to the best of the researcher's knowledge, has utilised the IM framework to examine these themes.

To contribute to gaps in the literature this study has used IM as a theoretical framework to explore and possibly redress the challenges retailers face when adopting a multi-channel retail strategy. Specifically, this study has addressed the following research questions. Firstly, to understand what IM related problems retailers face when implementing a multi-channel retail strategy. Secondly, to explore how IM strategies and plans are used by retailers when implementing a multi-channel retail strategy and thirdly, to understand how these IM related problems and the use of IM strategies and plans vary by type of retailer. To address these research questions this study has assumed an interpretive philosophical position (Bryman and Bell, 2007) and has adopted a qualitative case study research strategy (Gomm *et al.*, 2007; Grunbaum, 2007). Specifically, three retailers, each classified as a case study, were used, which have different approaches to, and are at different stages of, adopting a multi-channel retail strategy. These retailers also have different backgrounds such as size, product range and type. Consequently, use of these three different retailers produced some similar, but also different, results. The principal methods used to gather materials in this study were semi-structured interviews and documentation. All materials gathered during this study were managed, stored, organised and coded using the computer-assisted

software NVivo, and, data was analysed using the Template Analysis method (Waring and Wainwright, 2008).

Importantly, the findings from this study identify new themes, which, in essence, relate to the rhetoric versus the reality of using new and multiple channels, and IM strategies and plans. Adopting a multi-channel retail strategy is far more problematic than the literature portrays, for example, due to the inter-related nature of multi-channel retail strategic implementation issues. Also, these constraints can impede a retailer effectively using multiple channels to sell products and services to customers. However, this study demonstrates that IM offers a theoretical way of exploring and a practical way of resolving these problems. This research also illustrates that while the use of IM in a multi-channel retailing context is similar to existing IM frameworks, it also differs. This study further finds that using IM is more challenging than the literature portrays, for instance, due to its context specific nature. Subsequently, this thesis makes an original input to the literature by putting forward a framework for the use of IM as a way of exploring and addressing multi-channel retail strategic implementation constraints, in the context of the UK retail sector (as shown in figure 7.1)

The structure of this Chapter is as follows. It begins with consideration of the academic and practical implications this research has for multi-channel retailing and IM knowledge. Then, consideration is given to limitations of this study. Finally, directions for future research are discussed.

8.1 The Implications of this Research

While the implications this research has for existing multi-channel retailing and IM knowledge has been discussed throughout this thesis, key implications are revisited here in relation to the research questions.

8.1.1 Understanding Multi-channel Retail Strategic Implementation Constraints and Variations by Type of Retailer

In line with the multi-channel and multi-channel retailing literature this study finds that retailers face major engagement, cultural, resource and integration issues when implementing a multi-channel retail strategy (Berman and Thelan, 2004; Grewal *et al.*, 2010;

Gulati and Garino, 2000; Zentes *et al.*, 2011). However, in contrast to the literature, this study empirically explores these problems in greater detail and thus, reveals that while these challenges are similar at a strategic level, by retailer, their precise nature varies. A case in point is that all of the retailers needed to make cultural modifications to go multi-channel. Still, cases 1 and 3 needed to create an entrepreneurial, innovative, risk-taking culture, where all staff viewed the retailer as a multi-channel retailer. Conversely, case 2 already had many of these multi-channel cultural aspects, yet needed to create a customer service and sales mindedness to support the addition of the store channel.

Case analysis also demonstrates that these cultural, engagement, integration and resource related constraints are frequently intertwined. For example, low Board and senior management engagement with new and multiple channels can lead to difficulties obtaining the necessary financial, staff, IT and logistics resources to make the strategy happen. Equally, not having the necessary IT and logistics infrastructure in place to support multi-channel operations can cause staff (including the Board and senior management) to have a lack of confidence and therefore, support towards the strategy. The findings from this research also highlight that the challenges retailers face when using new and multiple channels are often intensified due to the dynamic and novel nature of the strategy. Moreover, this study finds that multi-channel issues vary according to the stage of multi-channel strategic implementation, as shown in figure 7.2. During the early implementation stages, retailers face the greatest constraints due to the need to acquire/change resources, and, gain the support of key decision makers towards the strategy. In the mid implementation stages, retailers encounter major problems due to the need to achieve channel integration and obtain the motivation of all staff towards the use of new and multiple channels. In the later implementation stages, these engagement, resource and integration difficulties continue to exist, however, retailers also give greater attention to resolving cultural constraints.

This thesis shows then that multi-channel retail strategic implementation problems pose greater barriers to using new and multiple channels than the existing research implies. From an academic and practical viewpoint this highlights a need for further empirical research which explores ways in which these issues can be better understood and addressed to aid the implementation of a multi-channel retail strategy.

8.1.2. Exploring the Role of IM Strategies and Plans in Multi-channel Retail Strategic Implementation, and, Variations by Retailer

Significantly, the findings from this study show that IM (although not referred to by retailers as 'IM') was used by retailers as a way of examining and managing multi-channel retail strategic implementation issues. Still, in contrast to the literature, the use of IM altered according to the stage of multi-channel retail strategic implementation. During the early implementation stages the IM effort was of an ad hoc and informal nature while in latter stages it was more formal and planned. In addition, while the IM effort was similar at a top-level by retailer, its exact form altered. For instance, cases 1 and 2 both used reward systems. However, case 2 utilised reward systems related to the overall performance of the organisation. Conversely, case 1 set reward systems linked to the performance of individual channels, such as using store staff Internet sales targets and bonuses.

This research finds further commonalities and discords between the use of IM in a multi-channel retailing setting and existing IM frameworks. For example, internal market research enabled retailers to better understand multi-channel constraints (Ahmed and Rafiq, 2004; Piercy, 2009). Yet, dissimilar to the literature, internal market research also enabled retailers to understand the internal 'price' (i.e. staff costs and benefits) associated with using new and multiple channels. Greater insight into these staff costs and benefits and multi-channel problems helps retailers to better segment the internal market, and, position the internal message accordingly. The internal message can then be leveraged using the IM mix, that is, internal 'process', 'promotion' and 'place' (Ahmed and Rafiq, 2004). Indeed, the findings from this study reveal that internal 'promotion' and reward systems were very effective in making the strategy happen. Despite this, reward systems (and other HR tools) are not clearly delineated in existing IM frameworks (Ahmed and Rafiq, 2004; Piercy, 2009). Therefore, to acknowledge the multi-channel retailing context specific nature of IM, this study (different to existing research) defines internal 'process' as HR tools, including reward systems and organisational structure.

Case analysis also demonstrates that the IM effort needs to be delivered by individuals at the top of the organisation (i.e. the Board) since they have the necessary authority to deliver the 'product' (Ahmed and Rafiq, 2004; London, 1986). A new finding (in the context

of the IM and multi-channel retailing literature) is that the IM programme also needs to be delivered by charismatic change agents (Conger and Kanungo, 1987; Waldman *et al.*, 2004). Charismatic change agents include the Board and staff at all levels of the organisation. Indeed, during the early implementation stages individuals at sub Board level provided the project management skills to implement the strategy, due to difficulties getting Board level participation, illustrating the problematic nature of using IM in reality. Lack of Board level involvement in IM stemmed from the low engagement these individuals had with multi-channel retailing, for example, due to low sales of new channels. Nonetheless, in the case of case 2, and to a lesser extent case 1, as the sales of, and infrastructure supporting, new and multiple channels improved, then the Board had greater engagement with multi-channel retailing and therefore, participation in IM, which aided implementation of the strategy (Coelho and Easingwood., 2008). In essence then, while staff lower down the organisation can be 'multi-channel' champions, ultimately the strategy needs to be the responsibility of individuals at the top of the organisation to make it happen.

In light of these findings an overarching theme throughout this thesis is that while retailers used IM as a way of exploring and managing the issues associated with adopting a multi-channel retail strategy, this IM effort was similar, but also different to existing IM frameworks (Ahmed and Rafiq, 2004; Piercy, 2009). Therefore, this study makes an original contribution to the literature by proposing a framework for the use of IM as a way of understanding and addressing multi-channel retail strategic implementation constraints (as shown in figure 7.1). The framework highlights two key points. Firstly, retailers encounter entwined, context specific problems when going multi-channel, which pose far greater barriers to implementing a multi-channel retail strategy than the literature portrays. Secondly, IM offers a way of exploring and addressing these issues, however, due to its context specific nature, IM is also more difficult to use than the literature suggests.

8.1.3. Managerial Implications

The academic and practical implications this research has for multi-channel retailing and IM knowledge has been considered in sections 8.1.1. and 8.1.2, and, throughout this thesis. A key managerial implication highlighted by the multi-channel retailing literature and case analysis is that customers want to be able to shop in a seamless and integrated way across

multiple channels (Berman and Thelan, 2004; Zentes *et al.*, 2011, Zhang *et al.*, 2010). Retailers have no choice but to meet these customer needs, especially since multi-channel shoppers are more valuable than single channel shoppers (Dholakia *et al.*, 2005; Ganesh, 2004; Zentes *et al.*, 2011). Yet, this study finds that retailers face major internal problems when implementing a multi-channel retail strategy. Moreover, these issues also often entail intertwined technological and 'softer' characteristics. Indeed, this study identifies that the greatest barriers to multi-channel retail strategic implementation often derive from staff. A further managerial implication is then that retailers need to adopt new business models, which the CEO and Board are custodians of, to effectively use new and multiple channels. Importantly, this thesis argues that figure 7.1 provides a framework to enable retailers to explore and help manage the technological and 'softer' problems associated with using new and multiple channels and therefore, support multi-channel retail strategic implementation.

8.2 Limitations of the Research

While limitations of the research design have been more generally discussed in Chapter four, this section focuses on key limitations associated with the research design, given the findings of this study.

8.2.1 Collection of the Materials

This study is informed by findings from semi-structured interviews, and, documentary materials. However, it is predominately informed by findings from semi-structured interviews because there was a lack of rich documentation from the retailers relating to multi-channel retail strategic implementation issues, and, the use of IM as a way of understanding and managing these problems. One reason for this was that these themes were not documented due to their sensitive nature: sensitive from a commercial perspective, but also from a staff perspective. Another reason was that retailers often lacked the time or people resource to produce these materials, particularly due to the dynamic nature of the strategy. Therefore, this study is largely informed by the rich and detailed insights provided by semi-structured interviews. Still, documentation was used and referred to where possible, for example, to explore themes in more detail, and, support findings from the semi-structured interviews.

In terms of the semi-structured interviews, the researcher used purposive sampling to identify those individuals, in each retailer, responsible for multi-channel retailing. Due to the size of each case the researcher then used snowball sampling to identify respondents who had responsibility for or were involved in multi-channel retailing. During this stage then the choice of interview respondents was often dependent on the advice of a contact. Therefore, contacts may have recommended people for the researcher to interview who they felt were suitable, when in reality there may have been more appropriate alternatives. In light of this, the researcher is aware that relying on these contacts may have led to a biased selection of information. However, as explained in section 4.3.5, to counteract potential selection bias, where possible, the researcher consulted other staff, and, used www.linkedin.com as a tool to verify that staff with responsibility for and involvement in multi-channel retailing were interviewed as part of this study.

It can be argued that the sample size of this study was small in relation to the number of staff employed at each of the organisations. For instance, nine people were interviewed at case 3. One reason for this was that fewer staff than previously envisaged were responsible for, or involved in, multi-channel retailing across the three case study retailers. Subsequently, the sample to draw from was smaller than originally thought. Nonetheless, this study argues that all of the key individuals responsible for, and involved in, implementing a multi-channel retail strategy were interviewed across the three case study retailers. Furthermore, all of the individuals the researcher approached to take part in this study agreed to be interviewed. Nevertheless, the researcher would have liked to have spent more time in different areas of the case study retailers since this would have enabled the researcher to make further observations regarding the themes of this study.

8.2.2 Analysis and Findings

8.3 Directions for Future Research

In general, this thesis highlights a need for greater empirical research into multi-channel retailing and IM, due to the early empirical stage of the IM and multi-channel retailing literature. However, this thesis demonstrates a number of key themes which identify areas for future research. This study shows that retailers encounter major, inter-related, context specific issues when implementing a multi-channel retail strategy, and, that IM offers a way

of understanding and managing these difficulties. Case analysis also reveals that internal 'promotion', reward systems and 'participants' were very effective in helping retailers to use new and multiple channels. Yet, multi-channel retailing is a dynamic and fast changing strategy and thus, an opportunity exists to conduct the same study again to understand, for example, what stages the case study retailers are at in terms of implementing the strategy, what internal issues they face, and, how IM is used as a way of managing these problems. For example, research could investigate if the case study retailers still encounter staff resource issues, and, how IM is used as a way of addressing these difficulties.

8.4 Summary

In summary, retailers face engagement, cultural, resource and integration issues when using new and multiple channels to sell products and services to customers. Moreover, while not recognised in the literature, these problems are frequently entwined, context specific (i.e. vary by stage of implementation, as shown in figure 7.2), and, are often intensified due to the strategy being 'new'. That is, the reality of adding new and using multiple channels is far more problematic than the literature suggests. Nonetheless, this research demonstrates that IM conceptually and practically offers a way of understanding and managing multi-channel retail strategic implementation constraints. Still, while the IM effort is similar to existing IM theoretical frameworks, it also differs. For instance, the IM effort varies according to the stage of multi-channel retail strategic implementation, and, by retailer. In essence, IM is also more complex, due to its context specific nature, to apply in practice than the literature portrays. Therefore, this thesis makes a further original contribution to the literature by proposing a framework for the use of IM as a way of exploring and addressing multi-channel retail strategic implementation problems, in the context of the UK retail sector (as shown in figure 7.1). From an academic perspective, the framework provides greater empirical insight into the issues retailers encounter when implementing a multi-channel retail strategy, and, how these problems can be explored and managed. From a practical perspective, it is hoped that the framework offers retailers a strategic tool to use as a way of facilitating multi-channel retail strategic implementation.

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Appendix 1: Interview Schedule for Respondents in Non HR Roles

- Thank you for agreeing to take part in this study
- You are being interviewed today as part of my PhD research project about multi-channel retailing
- The aim of the study is to understand the reasons why different retailers become multi-channel retailers, what makes a good multi-channel retailer, the difficulties and problems retailers encounter when going multi-channel and what has been done to try to overcome these problems
- The study involves interviewing staff who either have responsibility for, or are involved in the organisations multi-channel strategy
- In addition to interviewing staff from this organisation, staff from two other retailers will be interviewed
- There are no right or wrong answers – and you don't have to answer any questions you don't want to
- The interview will last approximately 30 – 45 minutes and you can terminate the interview at any time
- Finally do you give your permission for the interview to be recorded? You can request for the tape recorder be turned off at any time during the interview

Interview Schedule

- Could you give me a brief history of your career since leaving school/college up to your current role here at case 1?
- Could you briefly describe your role in the organisation?
- What does the term 'multi-channel' retailing mean to you?
- When did case 1 become a multi-channel retailer?
- Why did case 1 want to be a multi-channel retailer?
 - Was it in response to any of the following:
 - Competitors
 - Customers (meet needs, satisfaction and loyalty)
 - Selling products and services in other countries
 - Other reasons?

- To what extent do you think case 1 has a multi-channel strategy?
 - If yes, can you tell me about the strategy, how you make it happen and how it is communicated to staff? Examples?
 - If no, how does case 1 decide what to do and how make 'it happen' in relation to multi-channel retailing? How do you communicate this to staff?

- What do you think makes a successful multi-channel retailer?
 - Are any of the following necessary to be a successful multi-channel retailer?
 - Different departments/functions working together
 - A seamless offer to the customer i.e. can buy a product using one channel (i.e. internet) and return it via a different channel (i.e. store)
 - The right amount of staff with the necessary skills and experience
 - Financial resources
 - Logistics/supply chain infrastructure
 - Culture and structure
 - Telling staff about multi-channel retailing and getting their 'buy in' and support
 - Anything else?

- Have you encountered any problems or difficulties when going multi-channel?
 - Have any of these problems and difficulties arisen due to the following
 - Because it has required additional financial and HR (recruitment and training) resources?
 - If yes, what was the process for acquiring these additional resources?
 - Due to different departments/functions needing to work together?
 - If yes, was anything done to overcome these problems?
 - To change the way 'things are done' in case 1? Explain using examples
 - Lack of 'buy in' and support of staff?

- Internal marketing can be used to understand staff needs, educate, motivate and satisfy them to achieve organisational objectives using a variety of tools including conferences, intranet sites, training, meetings, memo's, along with the actual job role itself. To what extent does case 1 use internal marketing to help make multi-channel retailing happen? Explain using examples
 - If yes, what are the goals of internal marketing activities
 - If yes, who is responsible/involved?

- Do you have responsibility and involvement for multi-channel retailing? Explain using examples

- Who else has responsibility and involvement for multi-channel retailing at case 1? Explain using examples
- On a personal level, how has multi-channel retailing changed the way you do your role?
 - Workload
 - Skills
 - Experience
 - Career progression
 - Bonuses (£)
 - Achieving targets
- What do you think are the key obstacles and challenges case 1 faces in the future in relation to multi-channel retailing?
 - What will be done to overcome these challenges?
- Finally is there anything else you want to add that we haven't covered in the interview?
 - Is there anyone else, in case 1, who has responsibility for or involvement in multi-channel retailing that I should interview as part of the study?

That brings the interview to a close. If I have you have any further questions you can contact me at the details on the consent form. Thank you very much for letting me interview you – it was very useful and interesting

Appendix 2: Interview Schedule for Respondents in HR Roles

- Thank you for agreeing to take part in this study
- You are being interviewed today as part of my PhD research project about multi-channel retailing
- The aim of the study is to understand the reasons why different retailers become multi-channel retailers, what makes a good multi-channel retailer, the difficulties and problems retailers encounter when going multi-channel and what has been done to try to overcome these problems
- The study involves interviewing staff who either have responsibility for, or are involved in the organisations' multi-channel strategy
- In addition to interviewing staff from this organisation, staff from two other retailers will be interviewed
- There are no right or wrong answers – and you don't have to answer any questions you don't want to
- The interview will last approximately 30 – 45 minutes and you can terminate the interview at any time
- Finally do you give your permission for the interview to be recorded? You can request for the tape recorder be turned off at any time during the interview

Questions

- Could you give me a brief history of your career since leaving school/college up to your role here at xxx?
- Could you briefly describe your role in the organisation?
- What does the term multi-channel retailing mean to you?
- Do you have any responsibility or involvement in the implementation of multi-channel retailing (e.g. change process, rewards, training, recruitment, organisational structure – by overall department/by channel – stores/internet/catalogues)? Explain using examples
- From a HR perspective, what do you think makes a successful multi-channel retailer? E.g. recruiting the right staff, training, setting of rewards, culture, organisational structure, motivating/educating/changing staff behaviour and attitudes, getting the 'buy in' of staff. Explain using examples

- From a HR perspective have you experienced any problems or difficulties when going multi-channel? E.g. managing the change process, reward, recruitment, training, organisational structure, culture, motivating/educating/satisfying staff. Explain using examples.
- From a HR perspective has multi-channel retailing changed the way you do your role and other roles in the organisation? E.g. workload, knowledge, skills, involvement with other functions, experience, career progression, rewards, training, recruitment
- Has multi-channel retailing (i.e. use of stores, internet, catalogues and call centres) created a need for additional recruitment? Explain using examples. If yes, how is the need for recruitment and recruitment process managed? E.g. HR and relevant function.
- To what extent has multi-channel retailing created a need for training existing staff? Why? Examples. Who is involved in the design of training initiatives?
- Have you heard of the term internal marketing? If so, what does it mean to you?
- Internal marketing can be used to understand staff needs, educate, motivate and satisfy them to achieve organisational objectives using a variety of tools including conferences, intranet sites, training, meetings, memo's, along with the actual job role itself. To what extent does xxx use internal marketing to help make multi-channel retailing happen? Explain using examples
- Finally is there anything else you want to add that we haven't covered in the interview?
 - Is there anyone else, in xxxx, who has responsibility for or involvement in multi-channel retailing that I should interview as part of the study?

That brings the interview to a close. If I have you have any further questions you can contact me at the details on the consent form. Thank you very much for letting me interview you – it was very useful and interesting.

Appendix 3: Coding Template Used to Analyse Interviews and Other Documentary Materials

Research questions one and two (i.e. what IM related problems have retailers experienced when implementing a multi-channel retail strategy and how do these issues vary by type of retailer?)

- Suppliers
 - Finding suppliers
 - Dependency
 - Funding
 - Limitations
 - Buy in
- Structure
- Staff behaviour
 - Store staff behaviour
 - Ownership
 - Buy in
 - Knowledge and involvement
 - Negative Perceptions
 - Store manager behaviour
 - Leadership
 - Buy in
 - Senior management
 - Ownership
 - Leadership
 - Buy in
 - Knowledge and understanding
 - Other functions
 - Procurement
 - Marketing
 - Ownership
 - Knowledge and understanding
 - Buy in
 - Involvement
 - Buying
 - Knowledge and understanding
 - Buy in
 - Involvement
 - Ownership
 - HR
 - Resistance
 - Knowledge and understanding
 - Involvement
 - Buy in
 - Manager and below level
 - Internet
 - Call centre
 - Board
 - Knowledge and understanding
 - Involvement
 - Buy in
 - Confidence
 - Resources
 - Stock

- Personnel
 - Training
 - Staff shortages
 - Recruitment
 - Staff numbers
- Logistics
 - Packaging
 - Integrated systems
- IT
 - Internet
 - Warehouse
 - Time and delays
 - Knowledge and understanding
 - Integrated stock control
- Finance
 - Staff
 - Packaging
 - Marketing budgets
 - IT
 - HR
 - Catalogue
 - Buying
- Channels
 - Stores
 - Warehouse
 - Time and delays
 - Tills
 - Different types of stores
 - Mobile
 - Catalogues
- Nature of strategy
 - Uncertainty
 - Time and delays
 - Staying ahead
 - Service
 - Seasonality
 - Risk
 - Recession
 - Questions
 - Profitability
 - Processes
 - problems
 - Pressurised
 - Opportunities
 - On-going improvements
 - New
 - Networking
 - Multi-channel
 - Measurement
 - Learning by doing
 - Innovative
 - Impact on rest of organisation
 - Evolved
 - Ethical
 - Emotional journey

- Dynamic
- Different products, pricing and marketing
- Complex
- Chaotic
- Integration
- Culture
- Conflict
 - Stores
 - Stock
 - Sales
 - Processes
 - Push back to marketing
 - Internet
 - Call centre
- Communication
 - Stores
 - Internet
 - Distance
 - Budget
 - Between different functions

Research questions two and three (i.e. how have IM strategies and plans been used by retailers when implementing a multi-channel retail strategy, and, how does the use of these IM strategies and plans vary by type of retailer?)

- Use of marketing-like tools
 - Market research
 - Objectives
 - Positioning
 - Segmentation
- 7P's
 - Price
 - Promotion
 - Product
 - Cross functional working
 - Handling customers
 - Involvement in decision making
 - Job satisfaction
 - Marketing of jobs
 - Performance measures
 - Recruitment
 - Rewards
 - Strategies and plans
 - Training by HR
 - Training not by HR
 - Values, attitudes and behaviours
 - Place
 - Participants
- Need for IM
 - Suppliers
- Difficulty in implementation
- People
- Leadership