Understanding the key drivers of, and technology-related issues associated with, going multi-channel: Preliminary findings from an exploratory study in the UK retail sector

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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 drivers of, and advantages related to, using multiple channels to sell products and services to customers likewise there are numerous technology-related issues. Despite this, the multi-channel retailing literature provides little empirical insight into these technology-related constraints. Moreover, there is a lack of multi-channel retailing research which explores the impetuses behind retailers adding new channels to go multi-channel, especially in the context of the UK retail sector. To contribute to gaps in the literature this study utilises a case study research strategy to examine the key motivations behind, and technology-related issues associated with, multi-channel retail strategic implementation, in the setting of the UK retail sector. Three UK based retailers (Boots, Screwfix and Bettys) are used which have different approaches to, and are at different stages of, adopting a multi-channel retail strategy. In addition, they have different backgrounds such as size, product range, sector and type. Consequently, the use of these three different retailers enables exploration of the drivers behind, and technological problems associated with, implementing a multi-channel retail strategy in the context of store and Internet/catalogue retailers.

Case analysis reveals novel themes which are not identified, or not clearly recognised, in the literature. These include that key drivers behind retailers going multi-channel are to increase sales, and, meet the needs of the multi-channel shopper. Indeed, customers want to shop via multiple channels and therefore, these retailers have no choice but to go multi-channel if they are to meet customer needs. However, while at a strategic level these motivations were similar across the case study retailers, they also differed. For example, Screwfix added a store channel to enable customers to purchase products and receive them instantly. In contrast, Boots added an Internet channel to drive footfall in-store and increase store sales. Boots were also adding an Internet channel since it provided them with a marketing channel, which, going forward, was likely to replace other communications channels. The findings from this study also reveal that retailers encounter major technology-related issues when adding new, and using multiple, channels. These problems stem from the need to re-design existing logistics and IT infrastructure to offer a seamless, integrated offer to the customer. For instance, to leverage the brand and marketing mix consistently across all channels, and, to implement 'click and collect' (i.e. where customers purchase a product in one channel and collect it in another). Also, due to the need to use innovative marketing techniques, in particular, social media.

Importantly, this study highlights that these technology-related multi-channel retailing constraints often have a 'softer' side. Technology-related problems are frequently

intertwined with cultural, engagement and financial/staff resource related issues. This suggests a need for retailers to find entwined solutions to both technology and non-technology related issues to effectively implement a multi-channel retail strategy.

Keywords: Multi-channel retail strategy; multi-channel retailing drivers; multi-channel retailing issues; UK retail sector; internal marketing

Introduction

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 persuasive rhetoric 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 drivers of, and advantages related to, multi-channel retail strategic implementation likewise there are numerous technology-related issues (Zentes *et al.,* 2010; Zhang *et al.,* 2010). Furthermore, these challenges can prevent a retailer effectively implementing a multi-channel retail strategy. In spite of this, the multi-channel retailing literature provides little empirical insight into these technology-related constraints. Moreover, there is a lack of multi-channel retailing research which explores the motivations behind retailers adding new channels to go multi-channel, especially in the context of the UK retail sector.

To contribute to gaps in the literature this study utilises a case study research strategy to explore the main drivers of, and technology-related problems associated with, implementing a multi-channel retail strategy, in the setting of the UK retail sector. Three UK based retailers are used which have different approaches to, and are at different stages of, multi-channel retail strategic implementation. In addition, they have different backgrounds such as size, ownership, culture, structure, product range, sector and type. Subsequently, the use of these three different retailers enables exploration of the drivers behind, and technological challenges associated with, multi-channel retail strategic implementation in the context of store and Internet/catalogue retailers. Specifically then, the three UK based case study retailers are:

- Boots the Chemist (part of Alliance Boots, a traditional bricks and mortar retailer mid-way through going multi-channel)
- Screwfix (part of Kingfisher Plc, an Internet/catalogue based business towards the end of going multi-channel)
- Bettys (part of Bettys and Taylor's of Harrogate, a family owned bricks and mortar based food and drinks business in the early stages of going multi-channel).

Importantly, the findings from this study highlight new themes, in the context of the case study retailers, which are not acknowledged, or not clearly recognised, in the literature. These include that the drivers behind retailers adding a new channel to go multi-channel are to increase sales, and, meet the needs of the multi-channel shopper. However, while these drivers are similar at a strategic level, at a retailer level they differ. For example, Screwfix added a store channel to enable customers to purchase products and receive them instantaneously. In contrast, Boots added an Internet channel to drive footfall in-store and increase store sales. In addition, a further reason Boots added an Internet channel was it

provided the retailer with a marketing channel, which, according to one respondent, would eventually replace other communications channels.

The findings from this study also demonstrate that retailers face significant technology-related constraints when adding new, and using multiple, channels. These issues are due to the need to re-design existing logistics and IT infrastructure to offer a seamless, integrated offer to the customer; for example, to leverage the brand and marketing mix consistently across all channels, and, to implement 'click and collect' (i.e. where customers purchase a product in one channel and collect it in another). Also, due to the need to use innovative marketing techniques, in particular, social media, which retailers considered to be part of a multi-channel retail strategy. Importantly, this study highlights that these technology-related multi-channel retailing constraints often have a 'softer' side. Technology-related problems are frequently intertwined with cultural, engagement and financial/staff resource related issues. This suggests a need for retailers to find entwined solutions to both technology and non- technology related issues to effectively go multi-channel.

The structure of this paper is organised as follows. It begins with a review of the multi-channel retailing, and multi-channel, literature relevant to this study. This is followed by consideration of the methodological approach adopted in this study. Then preliminary findings are discussed. Finally, consideration is given to general conclusions and directions for future research.

Multi-channel retailing

Drivers of, and benefits associated with, multi-channel retailing

This section synthesises the multi-channel retailing, and multi-channel, literature to understand the key drivers behind, and advantages related to, multi-channel retail strategic implementation.

Driving forces underpinning multi-channel retailing

A review of the literature suggests two key driving forces behind retailers implementing a multi-channel retail strategy which are the emergence of the Internet, and, changing shopper behaviour.

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, 1991). However, over the last decade the strategy has attracted greater attention from academics and practitioners alike, and, is being applied by a greater number of retailers (Gilbert, 2003; 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 customers (e.g. 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, 2004; 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 Liu and Chen-He, 2011; Shankar *et al.*, 2010; Zentes *et al.,* 2011). However, the literature largely focuses on bricks-and-mortar retailers going multi-channel via adding an Internet channel (Slack *et al.,* 2008). Subsequently, research is needed which explores all types of retailers going multi-channel via adding different channels, including stores and the Internet (McGoldrick and Collins, 2007; Tate *et al.,* 2005).

Changing shopper behaviour

The multi-channel shopper is increasingly becoming the mainstream, rather than the minority, customer. That is, customers are increasingly using multiple, rather than single, channels to buy products and services. 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. As a result, customers can take advantage of the benefits, and minimise drawbacks, associated with different channels when using multiple channels to buy products and services (Balsubramanien *et al.,* 2005; Grewal *et al.,* 2010; Venkateson *et al.,* 2007b). These advantages and disadvantages differ by customer, including according to the amount of time a customer has to complete their purchase, and the type of product purchased (Schoenbachler and Gordon, 2002). However, a customer benefit associated with online shopping is that customers can access a wider selection of products (Bryjolfsson *et al.,* 2000). In contrast, a customer benefit of in-store shopping is that customers can purchase a product and receive it instantly (Alba *et al.,* 1997; Noble *et al.,* 2005). Customers can also see, hear, touch and taste products, important in the purchase of experiential products such as jewellery and clothing (Balsubramanien *et al.,* 2005). Moreover, customers can have face-to-face contact with staff (Berman and Thelan, 2004). Although this can be a disadvantage as some customers prefer not to have face-to face contact with staff (Goldsmith and Flynn, 2005).

Implementing a multi-channel retail strategy then, enables retailers to appeal to a valuable market segment. In particular, these shoppers are more 'valuable' than single channel shoppers (Ganesh, 2004; Jette, 2005). Multi-channel shoppers have a higher purchase frequency and spend than single channel shoppers (Ansari *et al.,* 2008; Dhalokia *et al.*, 2005; Konus *et al.,* 2008). Indeed, a further driver behind retailers going multi-channel is that if retailers do not facilitate customers shopping via multiple channel then they risk losing these customers to those retailers who do (Dhalokia *et al.,* 2005; McGoldrick and Collins, 2007).

Benefits associated with multi-channel retailing

Another reason behind retailers going multi-channel is that retailers can take advantage of numerous benefits associated with the strategy. Space precludes a full discussion of these advantages. However, a key benefit is that using multiple channels to sell products and services to customers can increase sales and profit and thus, improve financial performance (Kumar and Venkateson, 2005; Zhang *et al.*, 2010). In addition, adding new channels allows retailers to appeal to new customers (Berman and Thelan 2004; Konus *et al.*, 2008; Wallace *et al.,* 2004). Yet 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. Nevertheless, an impetus of adding channels, including the Internet

channel, is that new, and existing, channels can be used to drive sales in other channels (Weltevrendon *et al*., 2005). For instance, a retailer could add an Internet channel to generate Internet sales, and, to drive footfall and increase sales in their physical stores. Having said this, the notion of channel-influenced sales is poorly understood by many retailers. Nonetheless, according to Lee and Kim (2008) a further argument for implementing a multi-channel strategy, in particular where an Internet channel is added, is that a retailer can sell a wider range of products, and, to a greater number of customers.

Technology-related issues when going multi-channel

Although there are numerous motivations behind, and benefits associated with, 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 face significant challenges in multi-channel retail strategic implementation. Moreover, the literature indicates these problems are due to the need to use new technology; central to effective implementation of a multi-channel retail strategy. To say it another way, while the use of new technology offers retailers numerous benefits, it also presents major challenges. Despite this, the multi-channel retailing literature offers limited insight into these technology-related issues, especially in the context of the UK retail sector. However, the literature does imply these issues often stem from the need for retailers to re-design their existing legacy IT and logistics infrastructure, which can be problematic (Agatz *et al.,* 2008; Ganesh, 2004; Pentina and Hasty, 2009; Zhang *et al.,* 2010).

One reason retailers need to re-design their existing IT and logistics infrastructure is because traditional bricks-and-mortar retail distribution centres (DCs) are designed to move products in cartons from inbound to outbound lorries with minimal handling. Moreover, these cartons often remain in the DC for less than a day. In contrast, catalogue and/or Internet DCs are designed to receive products in cartons which are then broken down into individual items ready to be picked, repacked and delivered to individual customers. Also, Internet and catalogue channels require different packaging to accommodate delivery of individual items to customers, compared to store channels where products are delivered in cartons to stores (Zhang *et al.,* 2010).

Legacy IT and logistics systems also often have to be re-designed to facilitate channel integration. Channel integration is the extent to which channels share common organisational resources, including departments such as marketing, finance and logistics (Tate *et al*., 2004). 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 the customer'. Therefore, channel integration and channel synergy are antecedents of implementing an integrated, seamless multi-channel offer to the customer. However, channel synergy requires organisations to leverage the brand and marketing mix consistently across all channels (Gulati and Garino, 2000). Given many retailers do not have the necessary IT and logistics infrastructure in place to do this, then these legacy systems have to be re-designed.

Enabling customers to shop seamlessly across multiple channels also involves customers being able to buy a product in one channel and collect it in another (Berman and Thelan,

2004). Increasingly, in practice, this necessitates retailers re-designing their existing IT and logistics infrastructure to use 'click and collect'. A further benefit of 'click and collect' is that e-fulfilment costs are reduced since the customer does the 'hard work' by collecting the product themselves from a store (Zhang *et al.,* 2010). Also, retailers can deliver products direct to customers rather than using external suppliers (e.g. delivery couriers). As a result, retailers have control over the 'last mile' of delivery. However, anecdotal evidence from retailers suggests re-designing legacy systems to use 'click and collect' is complex and challenging. The initiative also requires retailers to have a dense store network, which many retailers do not have. Furthermore, it necessitates stores having space to hold customer orders until collected, yet, many retailers have reduced warehouse space in-store. Importantly, though, this illustrates the inter-twining nature of technology and non-technology related constraints linked to using multi-channel operations.

Adopting a multi-channel retail strategy often means retailers have to build new IT infrastructure. A benefit of adding channels, especially an Internet channel, is that retailers can access greater amounts of customer data, which retailers can use to segment the market, identify target markets, and, better meet the needs of customers (Berman and Thelan, 2004; McGoldrick and Collins, 2007). However, Zhang *et al.,* (2010) assert such data can be worthless unless retailers can use it, which entails building integrated IT infrastructure linking data across multiple channels and analysing it in a holistic way. A further advantage related to using multiple channels to sell products and services to customers is that it helps retailers to improve overall customer service levels (Cassab and MacLachlan, 2008; Wallace *et al.,* 2004). Adding channels increases the number of contact points a retailer has with customers and so, potentially, improves CRM strategies (Bendoly *et al.*, 2003; Froehle and Roth, 2004; Ganesh, 2004; Kwon and Lennon, 2009). Nonetheless, Cassab and MachLachlan (2008) claim that increasing the number of customer contact points needs IT systems which integrate data across all channels to obtain a holistic view of the customer. Without these systems providing an integrated and consistent service to customers via all channels is extremely difficult.

Research design

The previous section has highlighted while there are many drivers of, and benefits associated with, multi-channel retail strategic implementation likewise there are numerous technology-related issues (Zentes *et al.,* 2010; Zhang *et al.,* 2010). In spite of this, the multi-channel retailing literature provides little empirical insight into these technology-related constraints. Moreover, there is a lack of multi-channel retailing research which explores the motivations behind retailers adding new channels to go multi-channel, in particular, in the context of the UK retail sector.

To contribute to the literature, this study adopts a case study research design to explore, in the setting of the UK retail sector, firstly, the key reasons underpinning multi-channel retail strategic implementation. Secondly, it examines the major technological issues retailers encounter when implementing a multi-channel retail strategy. Three UK-based retailers are used which have different approaches to, and are at different stages of, going multi-channel. Also, they have different backgrounds such as size, ownership, culture, structure, product range, sector and type. Subsequently, the use of these three different retailers enables exploration of the drivers behind, and technological challenges associated with, multi-

channel retail strategic implementation in the context of store, and, Internet/catalogue retailers. This is important given the literature identifies a need for empirical multi-channel retailing research in the context of different types of retailers (McGoldrick and Collins, 2007; Slack *et al.*, 2008). The three UK based case study retailers are:

- Boots the Chemist (part of Alliance Boots, a traditional bricks and mortar retailer mid-way through going multi-channel via adding an Internet channel)
- Screwfix (part of Kingfisher Plc, an Internet/catalogue based business towards the end of going multi-channel via adding a store channel)
- Bettys (part of Bettys and Taylor's of Harrogate, a family owned bricks and mortar based food and drinks business in the early stages of going multi-channel via adding an Internet channel).

The principal methods used to gather data in this study were semi-structured interviews and documentation. A total of 34 semi-structured interviews were conducted with respondents who had responsibility for, or were involved in, multi-channel retailing, at different levels, and within different functions, of the retail organisations. Documentary materials were obtained from each of the case study organisations, including transcripts of presentations, annual reports and press releases. Moreover, 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).

The key drivers of multi-channel retailing

Meeting the needs of multi-channel shoppers

A key motivation behind the case study retailers going multi-channel was to meet customer needs. Customers want to shop via multiple channels and these retailers have no choice but to go multi-channel if they are to meet customer needs. In the case of Boots and Bettys this entailed adding an Internet channel. However, at Screwfix this involved adding a store channel since customers wanted to be able shop via the Internet but also in-store, given there were times when products were needed at the point of purchase. For example, a Senior Manager recalls:

"…we had a website…and it gave us a forum to talk more to our customers and what they said was we'd really like places to go to buy…customers were consistently …saying…I don't want to wait in (for the product) *until the next day"* (Head of Property Development and Format)

Meeting the needs of these multi-channel shoppers was important as they were more 'valuable' than single channel shoppers. For instance, a Senior Manager at Boots and a Manager at Screwfix observed that multi-channel shoppers spent more money and had a higher lifetime value than single channel shoppers.

"…from a cash point of view, a multi-channel shopper is more valuable than one who shops in a single channel…so I think…there is…a financial benefit to Boots in the long term through helping customers to shop where and when they want" (Head of Business Development and Delivery)

"We know that multi-channel shoppers are worth more than single channel shoppers because their lifetime value is a lot higher" (E-commerce Recruitment and Retention Manager)

Increasing sales

Another key multi-channel driver was to increase sales. However, while this motivation was similar across these retailers at a strategic level, it also differed. Boots were adding an Internet channel to enable customers to research a product online and purchase in-store. According to the Director of Multi-channel Retailing the primary objective of adding an Internet channel was to drive footfall in-store and increase sales store sales; increasing Internet sales was a secondary objective.

"This is the point with multi-channel retailing, if it was just about boots.com it would always be about selling stuff on boots.com…but it's not the big reason for doing it because ultimately that (i.e. boots.com) *would always only ever be a small minority of the total percentage of Boots sales. The dominant channels will always be the stores and pharmacies and so our job is to fuel demand into stores and pharmacies"* (Director of Multi-channel Retailing)

In contrast, Bettys were adding an Internet channel to enlarge its' market, in particular to sell products and services to customers outside the Yorkshire area. This was since the retailers' stores were all in Yorkshire and the retailer did not plan to open any new stores. For example, a manager commented:

"For me it's about opportunity because we are a Yorkshire- based business…So I'm not aware…there will be a future plan for us to open outside Yorkshire. So what that gives us is a massive opportunity to reach a wider, broader base of consumers really." (Retail Operations Manager)

In comparison to the other case study retailers, Screwfix took a holistic, rather than single, view of channels. The retailer was adding a store channel to increase store, Internet and customer contact centre sales. To put it another way, all channels were used to drive sales in all other channels. For instance, a Senior Manager explained that while the Internet was used to drive sales in-store, all channel activity had an impact on other channels.

"…we've got plenty of qualitative research that says the Internet is the most powerful tool at driving people into stores…one of the things the Internet has… done is…before you go on a physical shopping mission the web is the first point of research…so it's very much about checking prices online, checking competition before you go in-store…but at the same time we're not daft enough to acknowledge that…everything is having multi-channel impacts" (Head of E-commerce)

Other motivations behind implementing a multi-channel retail strategy

Other reasons accounted for the case study retailers adding new channels. In the case of Boots, a key impetus was that adding an Internet channel provided the retailer with a marketing channel. In fact, the Director of Multi-channel Retailing felt that the Internet, as a marketing channel, would replace other marketing channels in the future:

"We see it (i.e. 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"
(Director of Multi-channel Retailing)

Screwfix were also adding new channels to be the 'first retailer' to go multi-channel in the DIY market and gain a competitive advantage over competitors. While Bettys were adding an Internet channel for commercial reasons as fixed costs could be shared amongst the store and Internet channel.

Technology- related issues associated with going multi-channel

All of the case study retailers experienced major technology-related problems when adding new channels to go multi-channel, which impeded these retailers from effectively implementing a multi-channel retail strategy. Broadly speaking, the findings from this study suggest three stages to implementing a multi-channel retail strategy; early, mid and late. These stages are used to structure discussion of the technology-related issues associated with multi-channel strategic implementation, in the context of the case study retailers. However, due to Bettys being at an early stage of implementation, consideration of the technology-related problems associated with mid and late implementation stages is largely informed by Screwfix and Boots case materials.

Early implementation stages

During early implementation stages, Boots, Bettys and Screwfix faced significant challenges due to the need to re-design their existing legacy IT and logistics infrastructure.

Boots had to re-design legacy IT and logistics infrastructure as these systems had been designed for the store channel. That is, to move merchandise 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 in and out of the depot to stores, and, storage of products. 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. For that reason, as explained by a Senior Manager, information provided by the store based logistics system was irrelevant to the Internet channel, such as pallet size. But, information not provided by a store logistics channel was important to the Internet channel, including dimensions and weights of products. This was because it determined how products were packaged and delivered to the customer.

"So if you think about the process when you set up a line, Boots the Chemist…don't give a monkeys about the weight and dimensions of products really. They know it will fit on the shelf because the planogram says it will. (For) boots.com, fundamentally weights and dimensions are really important to us because it dictates what carrier it takes, what size of box, lots of things" (Head of Business Development and Delivery)

Likewise Screwfix had to re-design its legacy IT and logistics systems. However, this was because these systems had been designed to support direct channels (e.g. Internet, catalogue and customer service centre channels). As a Senior Manager commented these systems had been:

"…designed primarily to service small crisp box size dispatches – so everything for the direct web and catalogue channels" (Head of Property Development and Format)

In contrast, the store channel needed logistics infrastructure which moved merchandise 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 in and out of the depots to stores and storage of product in the depots. Yet, this was not provided by the existing logistics system since it was irrelevant to direct channels.

Similarly, Bettys also had to re-design existing IT and logistics infrastructure to add an Internet channel and go multi-channel. Bettys did not have a computerised integrated stock control and ordering system, and, designing one was extremely problematic. One reason for this was that a large proportion of the retailers' products were perishable, short life, baked on different days and subject to significant seasonal sales variations. Consequently, bespoke and complex logistics and IT systems were needed, as is evident in the following observation from a manager.

"You've got the added complication that the lemon and lime cake only gets made on a Wednesday…so you know it's all that kind of complexity that the likes of Argos don't have to worry about because they haven't got short shelf life issues on products. So for us it's very complicated" (Head of Marketing)

Additionally, Bettys did not have staff with the necessary skill-set, and could not find suppliers to design these bespoke and complex logistics and IT systems. Equally Boots encountered difficulties due to the lack of staff with the necessary knowledge and expertise to re-design legacy IT and logistics systems. Also, the retailer experienced difficulties recruiting staff with this knowledge and expertise since few retailers had implemented a multi-channel retail strategy. Notably, all of the retailers faced major problems due to the significant capital expenditure needed to ensure the necessary IT and logistics was in place to support a multi-channel offer. In particular, sales of new channels were low during this initial stage and therefore, so was board level support towards making this investment.

Mid implementation stages

During mid- implementation stages Screwfix and Bettys continued to face major constraints due to the need to re-design legacy IT and logistics infrastructure. However, the attention of these retailers was increasingly towards implementation of an *integrated* multi-channel retail strategy and hence, these alterations related to the need to achieve channel integration. Boots had to re-platform its' website (including merging boots.com and Boots the Chemist mass data management into one platform) to enable the brand and marketing mix to be leveraged consistently across multiple channels. Prior to these alterations 3 for 2 promotions (a key part of the retailers promotional activity) could not be run via the website. However, re-platforming the website had been delayed due to the significant financial resources required and lack of board level commitment to make this investment.

Interestingly, Screwfix was in the process of re-designing its back end systems, replacing store EPOS till systems with an Internet based browser system. The aim of this was to enable store staff to make product recommendations akin to the Internet in order to leverage marketing tools more consistently across multiple channels. The Head of E-

commerce explains a benefit was that it helped staff to up-sell and cross-sell products to customers.

"…probably the most fascinating thing about Screwfix now is we're undergoing a big business change process to…replace all our back end systems which we've just done…everyone else (e.g. other retailers) *will be in barcode land scanning products, but the 150* (Screwfix) *shops are…sitting on a web front end. So when somebody takes an order in a Screwfix trade counter they are actually using an Internet based front end which is linked to all of your product data…it means that if you are Mr Smith we will be able to collate all of your different orders in all of the different channels and using all of our historic data, using algorithm based, Amazon based recommendation engines offer much more personalised choice of things that get recommended to you at the till."* (Head of E-commerce)

Nonetheless, store staff needed retraining to develop a sales mindedness to use this new technology in practice. Also, the culture of the retailer needed to change to one of a customer service and sales orientation.

All of the case study retailers also had to modify existing IT and logistics systems to enable the customer to buy a product in one channel and collect it in another. In other-words, to implement 'click and collect'. Yet, few staff possessed the pre-requisite skills to implement the initiative since few retailers had used it. Moreover, there was a lack of guidance. As such, staff had to adopt a 'learn as they went' and 'learn by their mistakes' approach. In this sense then, using this, and other, new technology was often an iterative process where retailers frequently had to go back and rectify mistakes. These points are illustrated in the following comments made by a Senior Manager at Boots:

"…we've learnt a lot in the 3 year journey we've been on (i.e. to add an Internet channel and go multi-channel) *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 know 'click and collect' is something a few retailers have tried to do 3 or 4 times. M&S have tried it a couple of times and have got there, but they've had to withdraw it a couple of times too"* (Head of Business Development and Delivery).

However, a surprising theme was that retailers overcame these issues by collaborating with other retailers. This is in stark contrast to the 'closed' way in which retailers have historically operated. For instance, the Director of Multi-channel Retailing at Boots recalled:

"I went to a dinner back in November with all of the Multi-channel Directors from around the country, so from M&S, Debenhams, Mothercare and so on, and the key thing we said was that…it's a very young industry and we are all finding our way and we are actually quite open with each other. So we share lots of ideas because there isn't a vast amount of 'here's the blueprint and this is how it's done. So we are all finding our way, making mistakes and learning from that and moving on." (Director of Multi-channel Retailing).

Nonetheless, these findings suggest a need for further research which explores the use of 'click and collect' as part of a multi-channel retail strategy. In particular, in the context of Boots, the initiative enabled stores to be given the credit for Internet sales made, or collected, in-store. As such, store staff no longer viewed the addition of an Internet channel as a threat to their sales and had greater support towards the strategy. Another benefit of 'click and collect' was that retailers retained control over the 'last mile' of deliveries, rather than using suppliers. For instance, Bettys sold high quality products associated with

excellent levels of customer service in-store which was challenging to replicate online when using external delivery couriers. However, all of the case study retailers experienced major constraints implementing 'click and collect'. In the case of Boots, a barrier to using 'click and collect' was that store staff lacked the skill-set, and confidence, to place customer orders via the Internet in-store. It also required significant financial investment to ensure every store had broadband, which had been put on hold due to higher priority competing projects. Additionally, many stores did not have space to store customer orders until collected, since warehouse space had been reduced. Notably, this raises questions about the future design of some retailers' store 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.

Later implementation stages

In later implementation stages, Screwfix and Boots were using innovative marketing techniques; for example, Screwfix were using a product called Criterio. The Head of E-commerce observed:

"…one of the most exciting things we've started using is a product called Criterio which is basically a cookie based advertising system and when you leave screwfix.com if you haven't brought things and you've been wandering around looking at them, very creepily it will follow you around various websites showing you adverts for all the things that you've just seen on screen" (Head of E-commerce)

In addition, retailers were increasingly using social media. In fact, retailers viewed social media to be an integral part of a multi-channel retail strategy. Moreover, while social media opened up great opportunities to communicate with the customer it was also new, uncharted territory. Subsequently, while these retailers continued to encounter some of the aforementioned technology-related issues (for example relating to 'click and collect'), increasingly these problems were also associated with the use of innovative marketing techniques, such as social media. For example, respondents commented that it was problematic measuring the performance of social media. Also, the pace of change was staggering which meant that keeping up to date was difficult. For these reasons, Screwfix and Boots were reliant on using suppliers to develop and implement social media strategies. For instance, the Head of Media Planning and Content at boots.com and the Head of E-commerce at Screwfix observed:

"I've just farmed out Facebook to an agency because actually we haven't got a clue what we are doing, it's all new, we are all testing stuff" (Head of E-commerce)

"…it's every day new things come up…and we don't have the expertise…and what we need now is to go out and find a small number of agencies that have got multi-platform expertise…so they need to help us do the strategy, the deployment…" (Head of Media Planning and Content)

In the case of Boots, using social media as a way of communicating with customers required internal cultural changes. This was since using social media often required retailers to take risks, be dynamic, and, make decisions based on 'gut feel' rather than data. Yet, the culture of Boots was one which was risk averse, sometimes slow to respond to change, and, where decisions were traditionally wholly grounded in data.

Discussion and conclusion

This study has explored the key driving forces behind, and technology-related problems associated with, multi-channel retail strategic implementation. Importantly, this study identifies novel themes, in the context of the case study retailers, which are not identified, or not clearly recognised, in the literature. A key motivation behind the case study retailers going multi-channel is to meet customer needs. Indeed, customers are more sophisticated and want to shop via multiple channels and this means that retailers have no choice but to go multi-channel if they are to meet customer needs (Dhalokia *et al.,* 2005; McGoldrick and Collins, 2007). Moreover, meeting the needs of multi-channel shoppers is important since they are more 'valuable' than single channel shoppers (Forrester, 2002; Ganesh, 2004; Jette, 2005). In addition, a further impetus behind retailers implementing a multi-channel retail strategy is to increase sales. However, while at a strategic level these motivations were similar across the case study retailers, they also differed. For instance, Boots were adding an Internet channel to drive footfall in-store and increase store sales. In contrast, Screwfix were adding a store channel to enable customers to purchase a product and receive it instantly. Moreover, Screwfix took a more holistic view of different channels where every channel was used to drive sales in other channels. Interestingly, Boots were also adding an Internet channel because it provided them with a marketing channel, which, going forward, was likely to replace other marketing channels. However, an overarching theme to emerge from this study concerning the motives behind retailers going multi-channel is that multiple, rather than single, channels are often the most viable model for retailers to use (Zentes *et al.,* 2011; Zhang *et al.,* 2010).

The findings from this study also reveal that retailers face major technology-related issues when adding new, and using multiple, channels. These problems stem from the need to re-design existing logistics and IT infrastructure to offer a seamless, integrated offer to the customer. For example, to leverage brand and marketing activities in a consistent way across all channels, and, implement 'click and collect'. Also, technology related issues arise due to the need to use innovative marketing techniques, in particular, social media. Indeed, while the case study retailers considered social media to be part of a multi-channel retail strategy, they were ill prepared for use of these social media strategies.

Importantly, this study also highlights that these technology-related constraints tend to have a 'softer' side. Technology-related problems are frequently intertwined with cultural, engagement and financial/staff resource related issues. Yet, these issues receive very little attention in the multi-channel retailing literature, especially in the context of the UK retail sector. Nonetheless, a review of the internal marketing (IM) literature suggests that IM could offer a solution to these, including technology-related, issues related to implementing a multi-channel retail strategy.

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 this implies IM could be used to help application of the approach. In addition, the goals of IM include: acquiring resources; changing organisational culture; channel integration; and gaining the support of staff and key decision makings towards a strategy (Ahmed and Rafiq, 1995, 2004; Piercy, 2009). These goals correspond with the

challenges retailers face when going multi-channel. This further suggests IM might offer a solution to the problems retailers face when applying the approach. Consequently, this study identifies a need for empirical research which explores the extent to which IM might help retailers to go multi-channel.

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