



**MULTI-CHANNEL RETAILING AS A GROWTH STRATEGY FOR  
SMME RETAIL BUSINESSES IN SOUTH AFRICA**

**by**

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**in the Faculty of Business**

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## DECLARATION

I, Edward Atta Naa Dakora, declare that the contents of this thesis represent my own unaided work, and that the thesis has not previously been submitted for academic examination towards any qualification. Moreover, it represents my own opinions and not necessarily those of the Cape Peninsula University of Technology.

  
Signed

  
Date

## **ABSTRACT**

As the retail industry remains persistently competitive, progressive retailers tend to adopt multi-channel retailing (MCR) to gain competitive advantage and to achieve other potential benefits. Many experts argue that MCR widens the retailer's target market and operations to satisfy the needs of a wide range of customers and, subsequently, earn the retailer potential benefits (Dawson, 2002:5; Berman & Thelen, 2004:148-149; Ghanesh, 2004:140; Sotgiu & Ancarani, 2004:128).

According to Dawson (2002:5), MCR is being used extensively by large retail outlets worldwide to complement their traditional operations, thereby providing the most convenient means for customers to shop while the outlets gain competitive advantage. However, the benefits of MCR are not achieved by retail small, micro and medium enterprises (SMMEs), owing to the fact that there are low levels of MCR adoption in retail SMMEs. This therefore limits their market opportunities.

The research reported here examines how MCR could become a growth strategy for retail SMMEs. The study necessitated an extensive literature review of retailing and multi-channel retailing, multi-channel strategy and the multi-channel customer. Both qualitative and quantitative data was collected through personal interviews and questionnaires, and from large and small retail outlets and their customers in the Cape Town region.

The study found that the large retail outlets studied are doing well with MCR, without having to build concrete multi-channel strategies to integrate their different channels. What contributes to that achievement is their ability to harmonise their channels to achieve channel inter-dependency. The study also revealed that there is not much difference between large and small retailers when it comes to the potential benefits of MCR; therefore size is not a major issue. The differences lie in the different sectors, and with different target markets and different product categories, as these require different mixes of channels. Moreover, retail transactions in an MCR environment are found to follow a cycle of steps within the overall process, in which a customer's visit to one channel often becomes just one step in the purchase process. The study provides a useful guide for retail SMMEs to successfully adopt MCR for their profitability and growth.

**Key words:** Retailing, Multi-channel retailing, Retail channel, Multi-channel customer, SMMEs, Strategy.

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- Mr Mark de Long, Manager, Elite Supermarket
- Mr Gavin Jantjies, Manager, Shoe Headquarters
- Mr Graham Wridyway, Manager, Digicape Apple Centre
- Ms Ruth Lipshitz, Manager, Gordons Tools & Hardware

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## DEDICATION

To René Tanuba Dakora

Tanuba, muonimiri a fo sakuuri zannoo puo. Mɔ kye baɔ a fo nuba; a fo saa yideme aneɔ a fo ma yideme. Boɔ so, a seɔ ka fo baɔ a fo doneɛ, aneɔ zie fo nang yi. Le ka fo na baɔ gaa nimitbre. Maɔ mɔ kye toɔ fo firibotoma, a kye naɔ kyelle a nuba yelwuli sonne meɔ. Leɔ na veɔ ka fo nye maaloo.

Naawmene na song.

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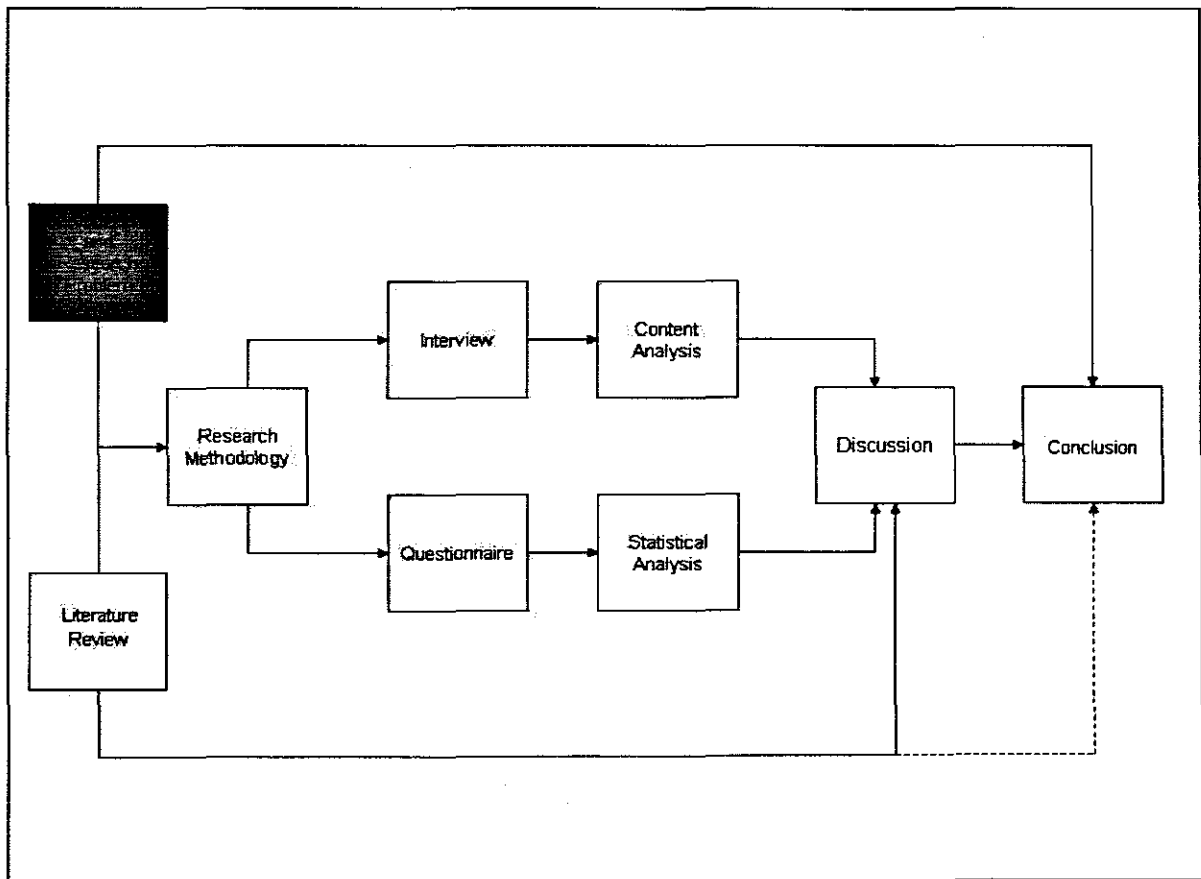
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# CHAPTER ONE: SCOPE OF THE RESEARCH STUDY



**Figure 1.1: Model of the research process**

## 1.1 Model of the research process

The above model gives a summary of the research process and will appear in all the chapters to keep a complete picture of this process fresh in mind, while indicating which part of the research is being dealt with in each chapter. The thesis commences with the introduction and background to the research problem, as well as the statement of the research problem as highlighted in the model above. A literature review follows in Chapter Two, and the research methodology which explains the data collection process through interview and questionnaire is outlined in Chapter Three.

The interview data was analysed by content and the questionnaire data statistically, in Chapter Four. The two sets of results are then discussed in Chapter Five and conclusions are drawn based on these analyses and discussions in Chapter Six.

## **1.2 Introduction**

The competitive nature of today's retail environment leads to retailers combining different retail channels (selling across different channels) in order to satisfy their customers while gaining competitive advantage. The concept of channel combination gives birth to the phrase "multi-channel retailing" (MCR). According to Berman and Thelen (2004:147), MCR allows customers the opportunity to buy products and services at their own convenience through several shopping modes: stores, catalogues, the Internet, electronic kiosks and personal digital assistants (PDAs).

Similarly, MCR accords large retailers the opportunity to extend their market and operations into places that would otherwise not be suitable for them. For example, in the United Kingdom, Marks and Spencer have "chiller cabinets" at railway stations. Tesco, apart from its standard supermarket, has at least three additional modes of retailing: Metro, Tesco Express and Tesco.com (Dawson, 2002:5). Terblanché (1998:364) mentions that "non-shop retailing" especially channels that are technologically inclined, are likely to impact the retail landscape of South Africa by providing better services to customers. In fact more and more South African retailers are complementing their traditional channels with the Internet, leading to the number of online retailing websites reaching almost a thousand by the end of 2006 (Naidoo, 2006:4).

This study is concerned with the potential for SMMEs to grow, thereby providing employment and economic empowerment for previously disadvantaged communities. It explores the application of MCR by large retail companies in South Africa (specifically in the Cape Town region), and how their experiences might assist or inform retail SMMEs about their opportunities. Large, as well as small retail outlets and their customers are studied in order to achieve the aim of this research study. The study investigates the large retail companies first, then the small outlets, and finally the customers of those small outlets.

The definition of SMMEs differs from one country to another. In this case, the SMMEs were chosen according to four criteria: geographic proximity (it was necessary that they were in Cape Town), having only one retail outlet, and a number of employees and turnover as guided by the South African national small business act of 2003 (see chapter two, page 41).

## **1.3 Background**

Retailing originates from the French word "retailer", meaning to cut up, and therefore concerns the principle of "breaking bulk", that is, buying products in large quantities and reselling them in smaller quantities to suit the needs of the customer (Varley & Rafiq, 2004:4). Owing to retailers' selling in smaller and consumable units, Lewison (1994:5)

describes retailing as the activities of selling products and services to the final consumer. However, it is common knowledge that the customer is not always the final consumer and vice versa. The word "customer" is therefore used here, except where quoting external sources that specifically use the term "consumer".

The earliest forms of retailing occurred in markets, where locally produced goods were drawn from everywhere around to provide food, clothing and other requisites for home and workplace consumption (Kent & Omar, 2003:4). Kent and Omar aver that simple markets like these have been recognised since medieval times "for their contribution to the economy". It is also noted by Hu, Reardon, Rozelle, Timmer and Wang (2004:558) that before 1949 there was virtually no supermarket anywhere in the world. In the 19<sup>th</sup> century, both grocery and provisions retailing in the United Kingdom took place in open-air markets, and other outlets such as "specialist cheesemongers, ubiquitous oil and colourman, the tallow-chandler and the Italian warehouses" (Seth & Randall, 2001:6-7).

In the same vein, Hu *et al.* (2004:558) maintain that China's food retail sector passed through five periods before it finally took off in the mid 1990s:

- China's private sector was dominated by small shops and wetmarkets before 1949.
- State-owned retail enterprises were established to sell foodstuff from 1953 to 1958.
- In 1959, the state-owned retail sector was extended to all urban centres in China.
- During the 1980s economic liberalisation affected food retailing positively.
- From the 1980s to the early 1990s, agrifood (agricultural food) retailing was liberalised.

However, Kent and Omar (2003:8) argue that not all retailing activities occur in store environments, as mail-order retailing evolved between the latter half of the nineteenth and the early part of the twentieth centuries. Additionally, Kent and Omar, interpreting Michael (1995:n.p.), assert that the 1980s and 1990s saw the emergence of catalogues and other non-store retail channels such as online shopping, television shopping, telemarketing, and vending machines.

It is on this basis that Ganesh (2004:140) and Kent and Omar (2003:8) describe retailing as the selling to customers of products and services over the counter in a store, via the Internet, mail, phone, television, door-to-door, home shopping and vending machine. From this, it is clear that there are different channels used by retailers to reach their customers even though Ganesh and Kent & Omar did not mention all of them. This is probably because the channels are increasing in number alongside technological advancement in the retail industry. For example, electronic kiosks, mobile retailing and ubiquitous retailing are some of the new

technologically-oriented channels. The complexity of the retail marketplace forces retailers to consider multiple channels in order to improve on the products and services they offer (Terblanché, 1998:364).

Many experts argue that MCR widens the retailer's target market and operations to satisfy the needs of a wide range of customers and, subsequently, earn the retailer potential benefits (Dawson, 2002:5; Berman & Thelen, 2004:148-149; Ghanesh, 2004:140; Sotgiu & Ancarani, 2004:128). Nevertheless, the benefits of MCR are not widely enjoyed by retail SMMEs due to the fact that they often do not engage in MCR activities or they are at a very low level in employing the MCR concept.

For SMMEs however, the most significant current MCR opportunity perhaps arises from the Internet, but this is not obvious to all. For example, Turnbull and McNicholas (2002:12) *conclude that most small store owners do not recognise the significance of the Internet as a strategic tool for increasing sales.* This indicates that there are still misconceptions about this channel, especially on the part of retail SMMEs. Turnbull and McNicholas also state that factors such as lack of knowledge, lack of time to formulate strategies, lack of financial resources and a feeling that the Internet is for large companies, all hamper the adoption of the Internet by small retailers. Besides the Internet, these factors impede the adoption of other new channels, and therefore lead to the slow pace at which retail SMMEs engage in MCR.

However, Jutla, Bodorik and Dhaliwal (2002:140) argue that small outlets are naturally more entrepreneurial and therefore keener to adopt new business strategies. In this regard, small retailers have much to gain from MCR if the above-mentioned shortcomings around their adoption of new channels like the Internet are overcome (Turnbull & McNicholas, 2002:12).

#### **1.4 Research problem statement**

As indicated by Dawson (2002:5), MCR is being used extensively by large retail outlets worldwide to complement their traditional operations, thereby providing the most convenient means for customers to shop while the outlets gain competitive advantage. The phenomenon is therefore of strategic importance for the expansion of some retail outlets. Duffy (2004:359) sees it as "an essential strategy for successful companies". However, the benefits of the MCR concept are not achieved by small businesses, due to their very nature (Schlenker & Crocker, 2003:15). According to Schlenker and Crocker, many such businesses are more keen to develop new products and services than to advance technologically.

This therefore suggests that lack of knowledge and understanding of the different channels also hinder the adoption of MCR by retail SMMEs. Turnbull and McNicholas (2002:9) indicate

that for such businesses, the “fear of the unknown” is an impediment to their adoption of the e-tailing channel, and even those that have websites still need to fully understand the terrain of this channel in order to exploit it. These factors contribute to retail SMMEs not seeing the market opportunities that are available to them with MCR.

The research problem may therefore be summarised as follows:

**The benefits of MCR are not achieved by retail SMMEs, which therefore limits their growth opportunities.**

## **1.5 Research question, sub-questions and objectives**

### **1.5.1 Research question**

How can Multi-channel retailing enable retail SMMEs' growth?

### **1.5.2 Sub-questions**

1. How is MCR applied in large retail outlets?
2. What factors affect the success of MCR in large retail outlets?
3. How is MCR applied in retail SMMEs?
4. Could MCR benefit retail SMMEs and their customers?
5. How do these benefits contribute to growth?

### **1.5.3 Objectives**

The objectives of this research are to:

- understand the domain of MCR;
- develop strategies for MCR-based growth in retail SMMEs;
- to disseminate the results to academics and practitioners.

## **1.6 Definition of terms**

### **1.6.1 Channel**

A channel in retailing is the means by which retailers connect their products and services with their customers (Friedman, 2002:156).

## **1.6.2 Consumer**

A consumer can be referred to as the end user of a product or service. The end user can be both a consumer and a customer.

## **1.6.3 Customer**

A customer is someone who purchases products from retailers. Customers are either end users or agents who purchase products for other people's use.

## **1.6.4 Multi-channel customer**

This refers to a customer who buys products and services through multiple channels, and also uses more than one channel in a single purchase.

## **1.6.5 Multi-channel retailing**

This concerns a retail operation in which products and services are marketed or sold to customers via multiple channels. In a multi-channel environment, products can be viewed as one channel, bought at a second channel and returned at a third channel (Schoenbachler & Gordon, 2002:46).

## **1.6.6 Retailing**

Retailing can be described as the act of buying products in bulk and breaking them into smaller units to suit the needs of the consumer (Varley & Rafiq, 2004:4), and selling products and services to the final consumer (Lewison, 1994:5). However, it serves the purpose of this study to use the word customer instead of consumer as in the definition of retailing above.

## **1.6.7 Small, medium and micro enterprises**

Businesses that are small according to defined criteria. (See the details of these criteria as provided by the South African National Small Business Act of 2003 in Chapter Two, page 41).

## **1.7 Research methodology**

This study is an example of social research, and deals with the phenomenon of MCR and its significance to retail SMMEs. In social research, there is a choice of methods available; the



choice will depend on such aspects as the need to be subjective or objective, specific or general, and explanatory or predictive as explained by Bytheway in his interpretation based on Myers' work (Bytheway, n.d.).

In this case, the intention is to explain the benefits of MCR to retail SMMEs specifically in the retail industry in the Cape Town region of South Africa, and to take a subjective approach in determining how the benefits of MCR for retail SMMEs might lead to growth. From Bytheway's interpretation of Myers, there are three methods that can be applied in social or cultural research: positivist, critical and interpretive. This aspect of the research study is further dealt with in detail in Chapter Three, which specifically focuses on the research methodology.

### **1.8 Delineation of the research**

This study is positioned within the SMMEs and e-commerce theme of the e-Innovation Academy of the Cape Peninsula University of Technology. It also focuses on both large and small retail companies and their customers in the Cape Town region. Although MCR is an industry-wide phenomenon, the study does not cover the entire retail industry for feasibility reasons. The study is therefore limited to five sectors: book stores, computer stores, supermarkets, shoe stores, and hardware stores in Cape Town. However, this is intended to be the basis of a wider range of work later.

### **1.9 Contribution of the research**

This research study aims to create awareness and understanding of MCR and its benefits as well as develop multi-channel strategies for retail SMMEs' growth. It offers these businesses additional means to success and growth by increasing sales, customer satisfaction, customer base, market share, and expansion which could also lead to job creation. The completed research could actually serve as a "recipe book" for the long-term survival and growth of emerging SMMEs in the retail industry. Therefore, this research could help reduce the failure rate of SMMEs in South Africa which is estimated to be between 70% and 80% (Van Eeden, Viviers & Venter, 2003:13).

### **1.10 Overview of chapters**

Chapter One provides an introduction and background to the research problem as part of the scope of the study. It also outlines the main research question, sub-questions as well as the objectives of the study. The basic terms and concepts are defined, and the methodology of

the research is briefly described. The chapter also indicates the delineation of the study as well as the contribution of the study.

In Chapter Two, a review of retailing and MCR literature is presented. The literature review explains what a "retail channel" is and includes 12 different channels: open market, over-the-counter, direct selling, catalogue, direct mail, vending machine, teleretailing, electronic retailing, electronic kiosk, interactive television, mobile retailing, and ubiquitous retailing. The chapter also examines the multi-channel customer, multi-channel strategy, multi-channel integration, MCR opportunities, MCR challenges, and an overview of SMMEs. It concludes by summarising the literature that has been reviewed.

Chapter Three provides a detailed explanation of the methodology and design of the research. Chapter Four presents and analyses the two sets of research data, while Chapter Five discusses the results. Finally, Chapter Six draws conclusions based on the results, the analysis and the discussion.

## CHAPTER TWO: LITERATURE REVIEW

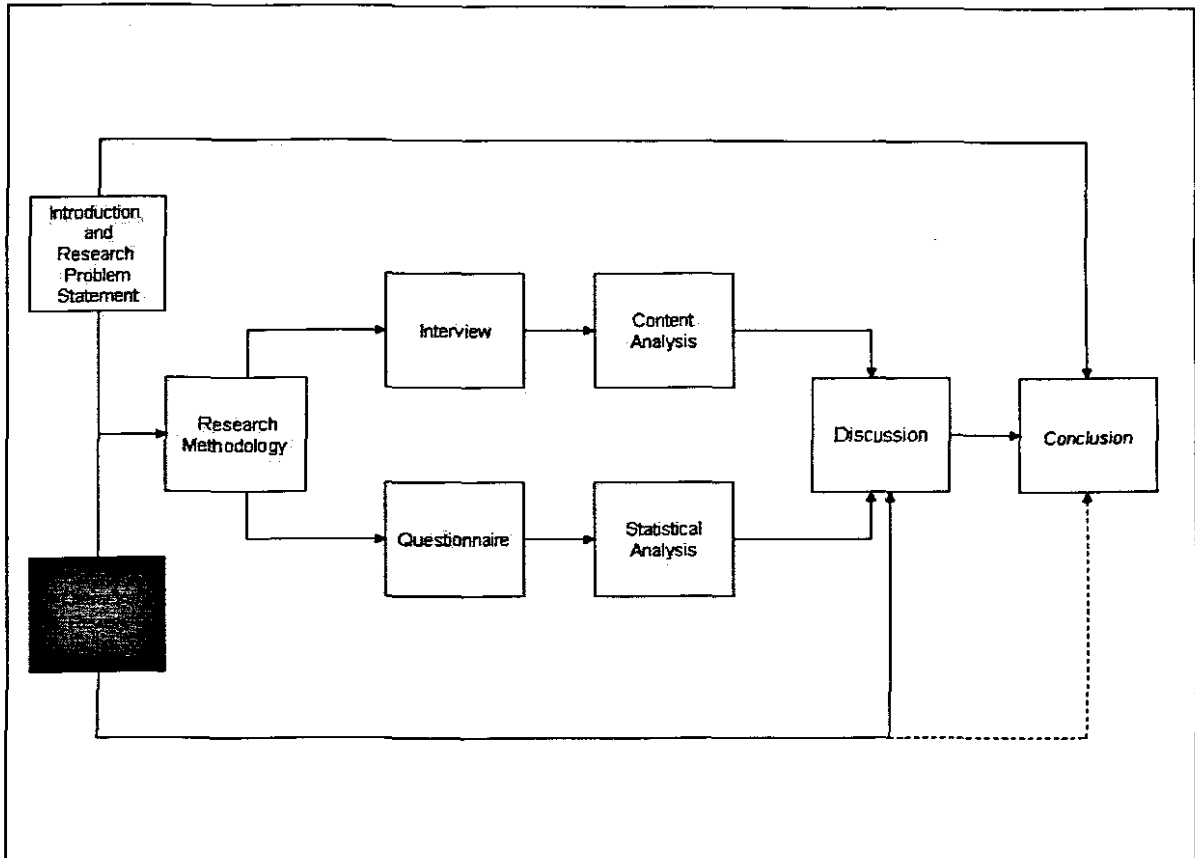


Figure 2.1: Model of the research process

### 2.1 Introduction

Owing to the relentless competition and complexity of the retail environment today, progressive retailers are always on the lookout for competitive advantage by employing new and better means of reaching their customers cost effectively. As a result, progressive retail outlets tend to combine different retail channels – a practice now commonly referred to as “MCR”.

Although the concept of MCR has been around for years, it has not been a significant factor for retailers or customers until the emergence and wide adoption of the Internet (Schoenbachler & Gordon, 2002:42). Now that the Internet is a significant factor, and because it has caught the imagination of many experts, it can preclude consideration of many traditional channels.

Seth and Randall (2001:258) have observed that, "...as the Internet is sexy, discussion of home shopping often focuses on that to the exclusion of other modes". According to Seth and Randall, there is the need to break down the phenomenon and explore the many possibilities of MCR. In breaking down this phenomenon, an extensive literature review of MCR is carried out.

This literature review examines MCR from a much broader spectrum, investigating more retail channels than the three (retail store, catalogue and Internet) that are considered by most experts. In conducting this review of the literature, information was sourced from journal articles (mostly from peer reviewed online sources and the library), and retailing and marketing books. Also, information on the different channels had to be searched for individually, since the MCR research found, did not cover all the retail channels in this study. Furthermore, the literature reviewed is considered to be sufficient for the purpose of this study.

The literature review commences with an overview of retailing, and also of MCR. It also delves into the various retail channels and the multi-channel customers. The chapter then examines the strategies for MCR, gives a brief overview of SMMEs, and finally summarises the literature reviewed.

## **2.2 Retailing: an overview**

Retailing can be described as making available products and services to consumers at the right time, at the right place and at the right price (Ganesh, 2004:140). This definition is very important, especially in an MCR environment, as time saving, cost saving, and location convenience are some of the outcomes that can drive channel success. Yet, retailing is described by Lewison (1994:5) as "the activities of selling goods or services to the final consumers". Terblanché (1998:2) supports Lewison but adds that retailing has to do with the business activities as well as the steps required to sell products or services to the final consumers for use or consumption by themselves, their families or their households.

This therefore qualifies businesses which sell products and services to the final consumer, whether the transaction takes place in a store or shop, over the phone (mobile or line), from door-to-door, hawking, through vending machine, by catalogue, online, at a kiosk or by mail as retailers according to Terblanché. However, for the purpose of this study the word "customer" is used in place of "consumer" bearing in mind that the final consumer is not always the customer (as indicated in Chapter One).

According to Gilbert (2003:27), retailing in its early days took a “supply-led approach”, where retailers only focused on the supply of products and services to the existing market. In this regard, little attention was paid to marketing and sales strategies, as retailers were more product oriented. Gilbert also infers that competitive advantage was achieved in the early stage through operational cost efficiencies. However, in recent years, competition has intensified in the retail marketplace and customers have become more demanding than before. This therefore leads to progressive retailers employing various strategies including MCR, to reach and serve their customers better.

MCR has therefore become one of the recent retailing strategies for retailers to make more sales and improve their bottom lines, and this is discussed in more detail below.

### **2.3 Multi-channel retailing: an overview**

MCR has to do with the combination in a retailer’s operation of the different retail channels such as fixed store, online and catalogue. This channel combination allows retailers who otherwise would rely solely on their fixed stores, to utilise additional channels and make extra sales. According to Kim and Park (2005:106), MCR has become a “key marketing programme” for retailers, and they include fixed stores, catalogues, online stores, kiosks and wireless channels in their discussion of the elements of MCR. In fact, “more and more retailers are reaching out to their customers across numerous touch points: stores, the Internet, call centres, mobile phones, kiosks, and, to a limited extent, interactive television” (Ganesh, 2004:140). Furthermore, Dunne and Lush (2005:223) argue that over the next few years, almost all traditional store-based retailers will be reaching their customers via multiple retail channels.

It is important to recognise that almost every consumer product is sold to customers via multiple channels (Schoenbachler & Gordon, 2002:50). For example, a customer receives a catalogue by post, calls the toll-free line, goes online or dives to the store to buy the product. In this way one transaction can involve at least three channels. The availability of multiple channels therefore helps serve customers better. Schoenbachler and Gordon advise that, as more and more customers use alternative channels, retailers should consider running multi-channel operations.

The MCR format gives customers the choice of shopping by the most convenient means. It also allows retailers the opportunity to complement their original operations with other channels in order to satisfy the needs of various customers. Berman and Thelen (2004:148-149) outline the benefits MCR as follows:

- It allows retailers to choose the most suitable channels for given products and services, and for different target markets.
- It allows customers to access the retailer's products and services continually and therefore leads to increased sales.
- Multiple channels generate synergies and thereby increase sales.

It is clear that an array of retail channel options is available for retailers to promote their products and services to their customers (Friedman & Furey, 1999:6). Thus, the above benefits can be achieved to contribute ultimately to profitability and growth. The availability of different channels and the opportunities they offer lead to some multi-channel retailers assuming that "more is better" (Schoenbachler & Gordon, 2002:43). This simply means that the more channels are used, the more customers are reached, and the more sales are achieved. Goldsmith and Flynn (2005:281) subscribe to this by affirming that the most profitable retailers in the future will be those with more than one channel. This is because the concept generates synergies in terms of sales and profit (Berman & Thelen, 2004:147). However, they ignore the question of the increased costs that might be incurred. Schoenbachler and Gordon though, argue that "the online counterpart of many traditional retailers has not being launched with the same care to detail as the brick-and-mortar stores".

There is a great deal of reference in the literature to "retail channels", but not necessarily any general agreement as to what the term actually means. It is therefore useful to examine what has been said, and draw conclusions that are appropriate for the present purpose.

## **2.4 The retail channel**

A retail channel is a means of interaction between the retailer (selling products or services) and the customer (buying the products or services). It is also defined as any means by which a retail business connects its products and services with the target customers (Friedman, 2002:156). As indicated earlier, several other channels exist apart from the traditional fixed store or over-the-counter retailing. Terblanché (1998:351) refers to these channels as "non-shop retailing" channels. This means that shopping, in this case, is done outside the fixed store environment.

At the channel level, communication and interaction between the retailer and the customer are of utmost importance to the very existence of the channel. As Friedman (2002:156) further points out, the difference between a retail channel and any advertising medium is that the retail channel creates a platform for an interaction or a two-way communication between both parties (retailer and customer), "thus making sales transactions possible".

The different channels of retailing can be classified based on their levels of technological sophistication. However, Terblanché (1998:351) categorises them in accordance with their level of dependency on location or time as follows:

- Location oriented channels include over-the-counter, vending machine, open or informal market, kiosk and so on. To buy from these channels the customer has to go to where they are located.
- Traditional non-store or fixed channels concern door-to-door selling, hawking and mail order catalogue.
- Modern and technologically inclined channels include Internet selling, electronic kiosk, interactive television, mobile retailing and ubiquitous retailing.

Having discussed the “retail channel” in general terms, the various channels will now be looked at individually, from the traditional and less technologically sophisticated to the modern and most technologically oriented channels. The channels include:

- Open market (flea market)
- Over-the-counter (retail store)
- Direct selling
- Catalogue
- Direct mail
- Vending machine
- Teleretailing
- Electronic retailing
- Electronic kiosk
- Interactive television
- Mobile retailing
- Ubiquitous retailing

The sections that follow describe and discuss these channels in some detail.

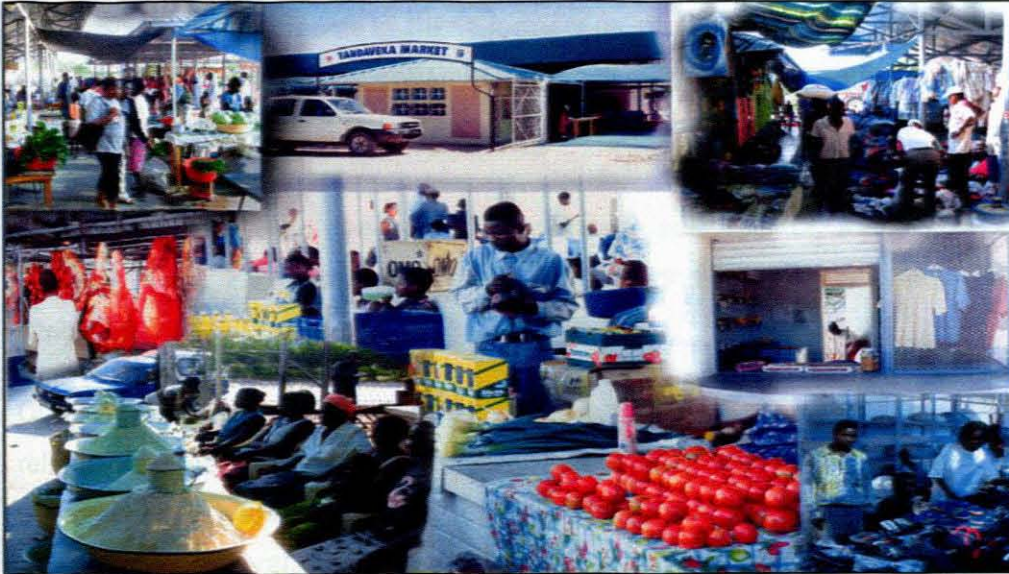
#### **2.4.1 The open market channel**

Open market, also known as informal market, includes flea markets, garage sales and car boot sales which are all typical examples of informal retail activities (Terblanché, 1998:359). The open market channel also comprises farm market, street market and street vendors. In Cape Town, examples of open markets include the Cape Town taxi and train station vendors,



the Epping fruit and vegetable market, the Green Point flea market and the Cape Town Grand Parade market.

According to Kent and Omar (2003:4), retailing in its early days took place in open markets. These markets still exist today, and form part of the channel mixes for retailers, especially retail SMMEs. An example is the Tanah Abang market in Jakarta which is about 300 years old (Suwarno, n.d.) and the Rundu open markets in Namibia which are shown in Figure 2.2 below.



**Figure 2.2: Open market retailing at the Rundu open markets**

(Source: [www.runduopenmarkets.com](http://www.runduopenmarkets.com))

This channel therefore holds some benefits for both retailers and customers. From the retailer's view, it represents an opportunity to reach as many customers as possible and to make more sales without having to embark on expensive advertising and promotional activities. This is a relatively cost effective channel for retailers; especially retail SMMEs, to make additional sales aside from their traditional channels. One good example is the Cape Town Grand Parade which is open for retailing activities every Wednesday and Saturday.

Customers, on the other hand, enjoy such benefits as convenience, low prices, the opportunity to bargain about prices and enjoy the entertainment that is sometimes provided by street artists. The Rundu open market in Namibia combines both retailing activities and social events to the benefit of the retailers, the customers and the community (see Figure 2.2 above). While the open market is a good channel for retailing, it is just one of the twelve channels covered by this study. The over-the-counter or fixed store channel will be looked at next.



### **2.4.2 The over-the-counter channel**

The over-the-counter channel concerns the retail fixed store or "brick-and-mortar store". This channel has seen a lot of changes and many different formats. The channel also refers to the store package that the retailer presents to the customer (Newman & Cullen, 2002:16-17). This package, according to Newman and Cullen, is characterised by such attributes as location, size, merchandise mix, price, atmosphere and service.

In South Africa, the over-the-counter channel has witnessed several changes in retail store format in response to changing customer needs and competition (Terblanché, 1998:35). Terblanché identified some of these formats as informal retailers, factory shops, warehouse-style discounter, shopping centres, department stores, value centres, spaza shops, forecourt retailing and franchising. All these are over-the-counter or fixed-store based retailing and therefore shows how retailers can expand this channel to satisfy the changing needs of customers. They also represent the different concepts or formats of over-the-counter retailing. Table 2.1 overleaf illustrates some of the retail formats and their characteristic attributes.

Over-the-counter has been one of the most trusted retail channels and represents the reference point of most successful retail businesses. Retail SMMEs in particular, which may not have enough knowledge and resources to provide alternative channels, tend to fall back on it for their survival. Terblanché and Boshoff (2004:7) conclude that customers do not buy service only or products only in retailing, but a package of benefits consisting of both products and services. Therefore retailers who create an in-store shopping environment that offers these benefits gain the advantages of this channel.

**Table 2.1: Illustrating the fixed retail store formats and their features**

**Adapted from Newman & Cullen, 2002:18-19**

Format	Location: From customer	Size	Assortment/merchandise mix	Price	Atmosphere
General store	Close	Small	Varied	High	Homely
Variety	Near/far	Medium	Narrow	Medium	Varied
Convenience store	Near	Medium	Wide range	High	Cluttered, compact
Supermarket	Near/far edge of town	Large	Vast range, deep and broad	Low	Busy, organised
Discount store	Near/far/town/edge of town	Medium/large	Narrow	Low	Vastness,
Department store	Town/retail park	Large/very large	Wide rang with select items	High	High status
Super centre	Far	Very large	Multi-line	Low	Vastness
Shopping mall	Far	Very large	Depends on retail presence	Low/medium	High quality
Second-hand store	Far/near	Small	Limited to appropriate lines	Low	Volume with choice
Factory shop	Far	Small/medium	Narrow in specific lines	Low	Production oriented

### **2.4.3 The direct selling channel**

“Direct selling is defined as the process of selling a consumer product or service from one person to another, in an environment that is not a permanent retail location” (Duffy, 2005:43). Direct selling is no new concept in retailing. According to Xardel (1993:17-18), its evolution dates back to the beginning of the 20<sup>th</sup> century when retail companies in the United States of America developed networks of professional salespersons to work fulltime in selling their products.

Direct selling forms an essential part of the retailing of products and services directly to customers without the use of catalogues and/or fixed retail outlets (Blem, 2001:424). This approach to retailing allows salespersons to either go door-to-door or make telephone appointments in order to meet potential customers in their homes or work places for sales. In this way, they can demonstrate products, and possibly take orders, thus offering customers both place and time convenience (Terblanché, 1998:351; Blem, 2001:424). Convenience, being one of the factors that influence customers' channel choice, therefore makes direct selling a very popular channel of retailing.

Duffy (2005:43) sees direct selling as being vibrant and successful, and it is therefore a potential new channel for many traditional retailers. Duffy also avers that it is difficult for many retailers to expand in the traditional retail, catalogue, and online retailing channels due to the competitive nature of the retail market place. With direct selling, however, retailers can still complement their original channels in the MCR paradigm to improve their sales. This shows that both large and SMME retailers could embark on direct selling for their growth. According to Duffy (2005:45), direct selling represents a potentially lucrative channel for traditional retail businesses seeking growth. It also has the potential to support and enhance other channels such as the over-the-counter, catalogue and the Internet in an MCR environment.

### **2.4.4 The catalogue retail channel**

The catalogue channel dates as far back as the 1800s when it was used by department stores to extend their retailing activities to the rural population in the United States of America (Stern, El-Ansary & Coughlan, 1996:49). The catalogue channel, also referred to as the direct mail catalogue or mail order catalogues, uses the postal service to communicate products and services to customers in the form of brochures, catalogue and even videologues (Terblanché, 1998:354).

As mentioned above, catalogue retailing creates opportunities for retailers to expand by making use of the postal service and the Internet for electronic cataloguing. Kotler and Armstrong (2004:550) stress that with the Internet's invasion of the retail marketplace, most retailers are placing their catalogues on their websites, hence the phrase "electronic catalogue". This also has led to the emergence of Web-only catalogue retailers, but this concept is relatively new and still struggling to find its feet. For instance, Kotler and Armstrong indicate that as at 2004, Web-only catalogues generated only 13 per cent of total catalogue sales in the United States of America. This made it necessary for some Web-only catalogue retailers to add hard copy or print catalogues in order to expand their operations.

In South Africa, most large retailers use catalogues to promote their products and services. These catalogues are normally placed on their websites, in the stores, in daily and weekly newspapers, in post boxes and/or e-mailed to key customers. For example, Clicks, Makro and other retail companies post their catalogues to their card holders and also place them on their websites. As Terblanché (1998:355) points out, customers are given the choice of how they want to buy products (e.g. mail, telephone, fax or e-mail) depending on how quickly they want to receive the products. The catalogue channel therefore has opportunities and retailers should take advantage of them for their growth.

On the other hand, Vijayasathy and Jones (2000:195) note some differences with regard to customer attitudes between the print and online catalogue. According to Vijayasathy and Jones, customers favour print catalogue more than online when it comes to "reliability", "tangibility", and "risk". There are a number of advantages offered by the catalogue channel, some of which are identified by Berman and Thelen (2004:149) and Terblanché (1998:355) as follows:

- A print catalogue is portable and convenient to use.
- It has a long shelf life.
- It provides personalised sales material.
- It offers an exclusive range of products.
- It has 24/7 order capability and simple credit arrangements.
- It is transferable and shareable among customers.
- It satisfies more sensory needs (e.g. touch and visual) than the Internet.

The catalogue is so related to direct mail that their differences often become problematic. The two channels have more similarities than differences as they often depend on each other for their successful operations. It is therefore important to review the literature of the direct mail channel to gain some insights into the channel for the purpose of this study.

#### **2.4.5 The direct mail channel**

Through the direct mail channel, retailers engage in sending offers, announcements and reminders to customers' addresses through selected mail lists (Kotler & Armstrong, 2004:549). Friedman (2002:171) supports this view by explaining that direct mail has to do with the delivery of "all direct-response communications" to customers. In Friedman's definition, a direct mail message can be in the form of catalogues, letters, brochures, cards, videos, or computer disks, to mention a few. This channel has recently grown beyond the traditional paper-based mail into new forms of mail mentioned by Kotler and Armstrong such as fax mail, e-mail and voice mail.

Friedman (2002:171) notes that the key difference between direct mail and any advertising campaign is the fact that the former seeks to "sell a product immediately through 'direct response', generate an inbound telesales lead, or push traffic to another channel such as ...retail store". It therefore means that the existence of direct mail calls for other conjunctive channels so that its potential can be realised. This way, a successful MCR operation is being established. According to Friedman, direct mail instigates a "two-way communication" between the retailer and the customer, thereby getting a sales transaction done – this is what makes it a retail channel.

Apart from its multi-channel attribute, direct mail also accords retailers numerous advantages as mentioned by Friedman (2002:171), Kotler (2003:52), and Kotler and Armstrong (2004:550); it permits target market selectivity, it allows for personalisation, it is flexible, there is easy management of results, sales can be completed on the spot, and it works best with simpler, less customised products. Direct mail's e-mail service can also be used to promote retail locations or events held at retail locations, to pre-announce the delivery of a direct mail or a catalogue, as a reminder notice for up-coming subscriptions or renewals and as a follow-up on direct mail (Anon, 2002:3).

Notwithstanding the above advantages, direct mail is not without limitations. Friedman (2002:171) states that this channel is not suitable for a "complex product that requires extensive customisation or hand-holding in the sales process". This means that, the channel is only best suited for light-weight products that can easily be packaged and sent by post. Additionally, Kotler describes direct mail as "junk mail", because the mail does not always go to people with the need for the product or it is received at the time the particular product is not needed by the recipient. This is where the name "junk mail" arises. In fact, these kinds of mailing services raise privacy concerns as some retailers bombard their customers with unsolicited mail. Perhaps the vending machine, which is a more indirect channel of retailing, works better.

#### 2.4.6 The vending machine as a retail channel

The vending machine channel represents a retail platform where retailers sell directly to customers without any direct contact existing between the two parties (Terblanché, 1998:358). Terblanché is of the opinion that vending machines are easy to operate with coins or credit cards and are often spotted in public places such as airports, railway stations, bus stations, institutions and shopping centres where they provide a 24/7 access to convenient products. Thereby, they also offer both time and place convenience like direct selling but without the human element. It therefore means that retailers both large and small can make additional sales by establishing vending machines in strategic locations. Indeed, it will also cut the cost of having to open fully fleshed stores and operate over-the-counter. Zoom Systems in the US is a good example (see Figure 2.3 below) as they allow for credit card usage as well as coins.

In the US, the first design of a vending machine was registered by the patent office in 1886 (Gray, 2006:33). Gray further affirms that within five years, Americans were able to purchase “Tutti-Frutti gum on new fork’s elevated train platforms and stamps from coin-operated vendors at the post office”. Since then the growth of the vending machine channel has been phenomenal, with 21 billion cans of soda sold in 2004. Gray estimates that currently 30 billion dollars are being generated by the seven million vending machines in operation in the US.

Gray identifies some of the various ranges of products that are sold through this channel as: cigarettes, sweets, soft drinks, snacks, sandwiches, hot beverages to non-food products such as health-care, newspapers and so on. Figure 2.3 below is a picture of a sophisticated vending machine which allows for credit card usage. It is one of Zoom Systems’ vending machines in the Las Vegas Hilton.

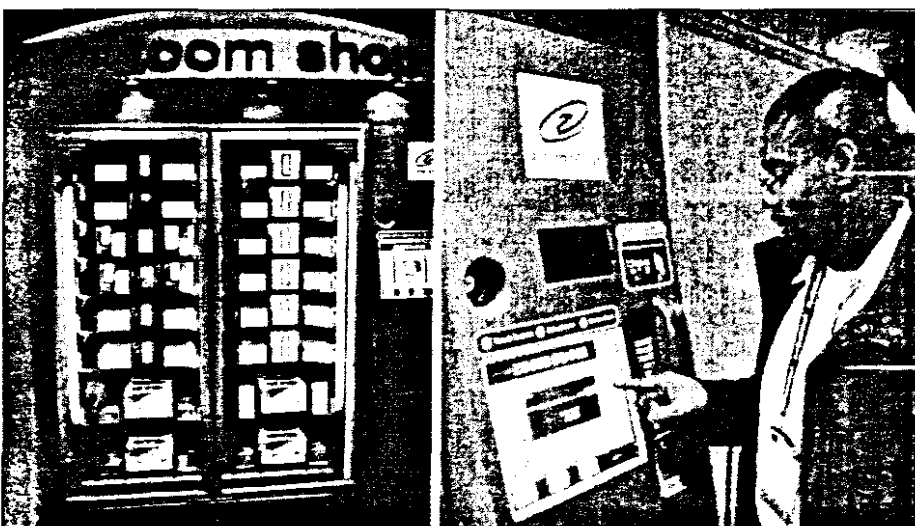


Figure 2.3: A vending machine with credit card usability. Source: Gray (2006:38)

Despite the shopping convenience offered by the vending machine as a retail channel, the channel is not free of problems. Terblanché (1998:358) does not mince words in pointing out some of these problems:

- There is no one around to attend immediately to machine breakdown.
- There is the problem of out-of-stock situations.
- Customers are restricted to the products available at any point in time.
- Most vending machines do not have money note-changers.
- The most serious problem for the vending machine owner is “theft and vandalism”.

It is interesting that Terblanché does not include changes to coinage in his problem list; the change to the R5 coin in South Africa has caused significant problems to vending machine operators of all kinds.

#### **2.4.7 The teleretailing channel**

Teleretailing (telephone retailing) is a channel through which products and services are sold by telephone calls (Terblanché, 1998:352). According to Terblanché, retailers use this channel to inform customers about their products and services (preselling), take orders from customers (selling) and offer after sales services to customers (postselling). In most advanced economies, retailers can have “centralised, concentrated and routinised tele-based” operation focusing on making and receiving telephone calls to and from customers with the calls “... controlled by either an Automatic Call Distribution (ACD) or predictive dialling system” (Taylor & Bain, 1999:102; Houlihan, 2001:209).

Operationally, Friedman and Furey (1999:137) and Terblanché (1998:353) categorise call centres into two forms:

- *Inbound teleretailing*, generally focused on handling customer calls, catalogue orders efficiently. Here, “calls resulting from direct mail or marketing campaigns are received, qualified and passed on to field reps”.
- *Outbound teleretailing*, has the main objective of increasing sales, market share and profit margins by using the most cost effective means to reach and sell to thousands of customers over distant and scattered markets. Calls are made to inform customers about products and services, confirm sales transactions, and follow up to ensure customer satisfaction. Teleretailing is illustrated in Figure 2.4 overleaf.

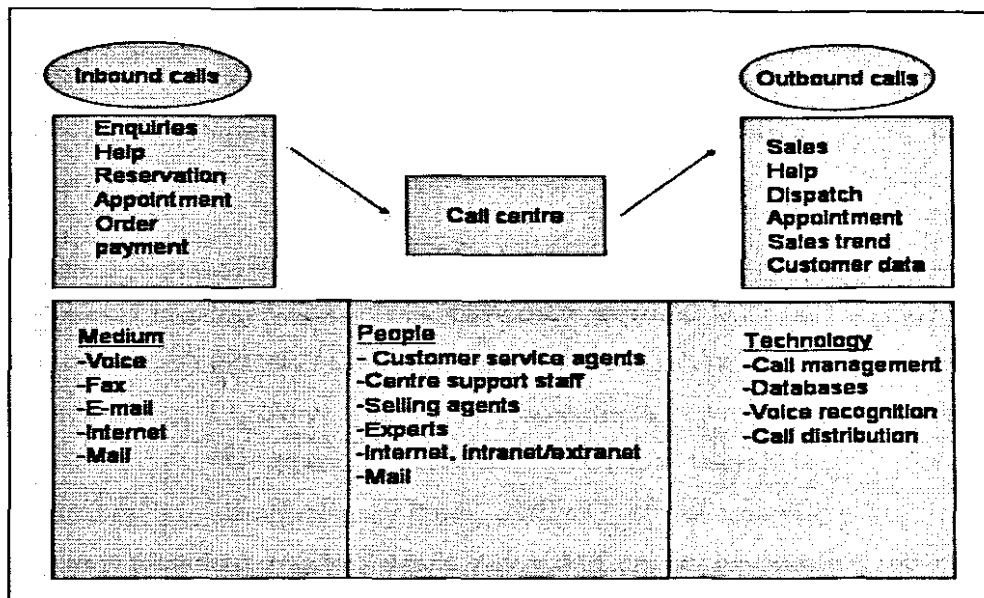


Figure 2.4: An illustration of a call centre

Adapted from Armistead, Kiely, Hole and Prescott (2002:247)

The teleretailing channel presents many benefits, some of which are identified by Friedman and Furey (1999:136-137), Kotler and Armstrong (2004:549), and Terblanché (1998:353):

- purchasing convenience to customers
- better customer service
- increased supply of products and services information
- reaches many customers within an existing market
- reactivates and re-establishes relationships with dominant customers
- covers geographically dispersed markets/customers cost effectively
- pre-qualifies sales opportunities for sales reps
- stimulates impulse buying
- increases customer-retailer communication
- supports other retail channels.

Furthermore, from the customer perspective, a number of advantages of teleretailing justify why customers use this channel. These include: time saving and convenient; customers avoid urban congestion; crowds and queues in shops; home delivery; easier to compare prices; allows customers a wide choice; and prevents transport and parking problems (Terblanché, 1998:353). However, retailers provide toll-free phone lines which also save customers money.



Indeed, retailers in South Africa print their toll-free numbers on their shopping bags, catalogues, news-paper advertissments, brochures, and even on their websites which allows customers to freely and conveniently contact them without having to page through the telephone directory.

Contrary to the many benefits of teleretailing, the channel has suffered some setbacks. As reported by Gilmore (2001:158), customers become frustrated because their problems are not completely resolved due to shorter call-lasting periods and lack of flexibility, as "agents" often get caught between trying to help customers and adhering to company rules. According to Kotler and Armstrong (2004:549), unwanted teleretailing which causes irritation to customers can be rejected by them. Certainly, not all customers are irritated by this form of retailing; otherwise retailers would not spend resources pursuing this channel (Galloway & Brown, 2004:37).

#### **2.4.8 The electronic retailing channel**

Electronic retailing (e-tailing) has to do with marketing and selling to individual customers via the Internet, where the customer visiting the retailer's website views the products and conducts the transaction right there - online (Duffy & Dale, 2002:432; Botha, Bothma, Geldenhuys, Singh, Van der Merwe, Booysen & Fourie, 2004: 97).

As stated by Dawson (2000:35), the "convergence of information and communication technologies over the 1990s ... and the development of the Internet technologies for commercial use" has made it possible for e-tailers to enter into substantial markets. These technologies eliminate hurdles that impede information flow and interaction between retailers and customers, as well as the flow of products and services leading to improved customer relationship (Read, 1998:35). Dawson forecasts that e-tailing will contribute about eight percent to retail sales by 2010 and 12% by 2015 in Scotland. In South Africa, online sales totalled R 341 million in 2003 which represents a 35% growth on that of 2002 (Goldstuck, 2004:9). These indicators openly demonstrate how fast e-tailing is gaining ground in recent years.

According to Turnbull and McNicholas (2002:3), many of the large retailers in the United Kingdom have developed remote shopping services owing to the increase in demand for such services. For example, Tesco the biggest online grocer in the world, made up to £ 200 million as early as 2000 (Turnbull & McNicholas, citing IDG, 1999). However, this has not been the same in developing economies. The Goldstuck (2004:21) report also indicates that e-tailing in South Africa still needs a major boost in terms of broadband Internet access that will enable a strong "kick-start".

Nevertheless, e-tailing is not limited to large online retailers only. Read (1998:37) makes a powerful statement that “on the World Wide Web no one knows that you are a dog”, meaning, Internet’s size is not what matters, but the provision of differential and added-value services. Further, Read points out that this could result in the Internet’s being an excellent channel for retail SMMEs. On the contrary, Turnbull and McNicholas (2002:12) conclude that most small store owners do not recognise the significance of the Internet as a strategic tool for increasing sales. This indicates that there are still misconceptions about this channel, especially on the part of retail SMMEs. Turnbull and McNicholas also indicate that small retailers do not believe the Internet has any potential to increase sales, without the products sold being unique in order to gain a competitive advantage.

According to Rowley (1996:28), the World Wide Web offers the opportunity for retailers to advertise both on small and large virtual shops or malls. At the least, the retailer can sell on the Internet by using e-mail with the idea of enhancing retailer – customer communication and vice versa. Ghosh (1998:132) and Rowley (1996:28) suggest that the Internet presents some opportunities for retailers:

- The use of the Internet improves retailers’ communication with their customers as it allows for personalised interaction between the two parties which can lead to heightened customer satisfaction and loyalty.
- It increases service to customers as it allows for information regarding products and prices to be accessed by customers, and even queries are dealt with online without customers’ having to go to the store, which saves retailers the problem of attending to these issues in persons.
- It “can provide a highly effective sales support mechanism not previously available to” retail SMMEs.
- Online transactions allow retailers a competitive advantage.

According McLean and Blackie (2004: 244), the channel is still in a stage of evolvement. However, it offers both retailers and customers several benefits over other channels, such as the availability of numerous alternatives, the ability to compare volumes of information about alternatives, unlimited ordering capability, cost savings (printing and postage of catalogues), the ability to verify shipping status personally, retailers can change prices with ease and carry product lines not in the stores (Weitz, 2000:214-218; Berman & Thelen, 2004:149).

Dawson (2000:36) is of the view that customers' willingness and decision to use the Internet channel depends on, *inter alia*, the following:

- It provides customers with access convenience as they can shop from home, work, and so on.
- E-tailers offer lower prices on products and services than fixed stores.
- A wide range of product choices is easily presented by the Internet.

Dawson also avers that retailers use the e-tailing channel for numerous reasons: (1) Large retail firms tend to "have limited expansion possibilities through fixed stores" especially into smaller communities. In this case the best option becomes e-tailing. (2) Large retailers already have the technology to support e-tailing. (3) Reduces labour, warehouse and rent costs. (4) Retail SMMEs are able to compete with product range through e-tailing.

While the Internet channel presents e-tailers with many opportunities and benefits, these are not achieved without problems. As the Internet allows retailers to tailor the presentation of their promotions to specific customers, it also raises privacy concerns because of the collection and use of customer information without their consent. Although this benefits the customer, most of them are uncomfortable with retailers keeping their demographic and purchase information (Weitz, 2000:213).

As reported by Turnbull and McNicholas (2002:9) the "fear of the unknown" hinders the adoption of the e-tailing channel by small businesses, and even those that have websites still need to fully understand the terrain of this channel in order to exploit it. In the same vein, Schlenker and Crocker (2003:15) attribute the failure of this channel among small businesses to their very nature. According to Schlenker and Crocker, many such businesses are more keen to develop new products and services than advance technologically, although they recognise the benefits of e-tailing. This complements the fear of the unknown attitude.

In support of this view, MacGregor and Vrazalic (2005:522) make mention of some key barriers of the e-tailing channel: its complexity to implement, the difficulty in choosing the right standard of implementation, limited financial resources, and lack of technical knowledge. Furthermore, both MacGregor and Vrazalic and Turnbull and McNicholas aver that not all types of products are profitable on the e-tailing channel. According to Naidoo (2006:4), entertainment-related products, travel, sports and gifts are the ones customers often buy through this channel, which shows that the type of customers buying online are in the higher income brackets and mostly have a tertiary education.

It is interesting to note that just as online customers are concerned about the legitimacy of retailers' websites, retailers also feel the same about customers visiting their websites,

especially after the September 11 terrorist attacks (Stair & Reynolds, 2003:344). Quite apart from this, Ring and Tigert (2001:266) are of the opinion that e-tailing denies customers the opportunity to see, touch and smell the physical product in the store. Some customers even want to ask questions, make special requests, for example for "specific cut of meat" whilst other buy products impulsively as they walk around the aisles. These practices are of utmost importance for some customers who will resist e-tailing.

However, this is where MCR becomes necessary. Customers with the above-mentioned special preferences can simply go to the fixed store to have everything over the counter, or pick up the phone and make special requests or order. At the same time, the retailer faces the challenge of having to make these alternative channels available or lose out on potential customers. From this viewpoint, the electronic kiosk, which largely depends on the Internet for its functionality, is therefore being looked at to establish how it can become a complementary channel to e-tailing.

#### **2.4.9 The electronic kiosk channel**

The electronic kiosk, also known as information kiosk or multi-media kiosk, is a computer workstation specifically designed to provide the general public with access to both electronic information and transactions and for this reason: they are located in public places such as airports, malls, railway stations, motorway service stations, libraries and leisure centres, hotels, university campuses and the foyers of office blocks (Rowley, 1995:36; Dawes & Rowley, 1998:352; Rowley & Slack, 2003:329).

Rowley and Slack (2003:329) explain that the kiosk technology supports public applications by providing highly visible housing for a workstation, easy to use interfaces and a touch-screen interface. This means that the user normally touches the screen to select both retail stores and transactions. Rowley and Slack also describe an electronic kiosk as usually being a computer put in an elegantly designed box with the screen fixed at a level where people can easily touch it, just like an ATM machine. Kiosks also present information in various media such as text, sound, graphics, images, video, and some even have card readers, keypads and keyboards, for which reason they are said to be multimedia (Dawes & Rowley, 1998:352).

According to Rowley and Slack, kiosks complement the Internet in retailers' customer communication and service, and while the Internet helps retailers to reach customers in geographically far-flung localities, homes and offices, electronic kiosks are placed in public places as mentioned earlier. The use of the electronic kiosk offers customers several benefits some of which are pointed out by Rowley (1995:33), Dawes and Rowley (1998:353), and Rowley and Slack (2003:329), as follows: customers can view images and videos of

products, view stock levels and availability, find detailed information about products, get recipes, view special offers and order products.

In addition to the benefit of the electronic kiosk in terms of service to the customer, the retailer also enjoys some benefits offered by this channel. Rowley (1995:39), Boudioni (2003:331), and De Moerloose, Antioco, Lindgreen and Palmer (2005:488) state some of these benefits as following:

- Retailers provide an additional attraction to customers.
- It boosts customer loyalty as it allows for free 24-hour access to the retailer and immediate customer feedback.
- Kiosk allows for more effective communication of retailer-customer information.
- Increase in sales.
- Improvement of customer service.
- Kiosk can be accessed by all customers.
- Retailers can measure the impact of customers' buying attitude.
- The retailer can display a wider range of products than they can stock at a given outlet.

Notwithstanding the numerous benefits of the electronic kiosk channel, there are also some shortcomings of the channel. According to Rowley (1995:37), Rowley (2000:393), and De Moerloose *et al.* (2005:488) and the following are impediments to the success of the electronic kiosk as a retail channel:

- It is not possible to order several kinds of products and services.
- Some kiosks are not user friendly.
- Customers would need to leave their homes to go to public places or retailers in order to obtain access to kiosks.
- Customers may feel uncomfortable entering credit card details during online ordering.
- The use of kiosks makes it difficult for retailers to establish close relationships with their customers.
- It will replace other systems or hard copy catalogues which could harm the interests of MCR.
- Kiosks will increase database creation and maintenance costs.
- Long queues, complex screens and menu structures involving lots of reading and slow loading would not be accepted by customers.

Besides this, electronic kiosks still act as a stimulant to the Internet channel and thereby enhance MCR.

Boudioni (2003:330) mentions that the future of the "touch-screens" will encompass televisions with web browsers known as digital TVs which will provide users with free TV channels and which can also be used for online shopping. In fact, South Africa is about to launch a digital TV system as part of its preparation towards the hosting of the 2010 football World Cup. This is to allow South Africans to view all the world cup matches from as many TV channels as possible. Besides the World Cup, the digital TV is said to be used for online retailing in South Africa (Morning Live, 2006).

#### **2.4.10 The interactive television channel**

Interactive television (iTV) retailing channel is a television show that is normally broadcast 24 hours via cable or satellite dish and that allows customers to view and order products without having to leave their homes (Fritchie & Johnson, 2003:249). The iTV retailing environment is likened to that of a TV talk show, according Fritchie and Johnson, where a host and co-hosts sit round a table and make presentations of the products during which time customers can phone in to order.

The interactive nature of this channel therefore involves both parties: retailer (host) and customer (viewer) on a social platform where the objectives of personal selling are still achieved. This is what differentiates iTV from other in-home channels like catalogues, the Internet and telephone. Estavillo (2006:1) asserts that:

*Countries worldwide are now preparing to migrate to digital TV from analog. Digital TV, which makes use of digitized and compressed TV signals, can offer a wide array of services: interactive TV, multi-channel programming, interactive advertising, TV-based online shopping and banking and the delivery of premium television content directly to mobile phones.*

Thus, retail companies in countries that are inclined to adopt digital TV will have the enabling environment to develop their iTV retail channels. This will stimulate growth among retailers. The South African 2010 FIFA World Cup digital TV adoption plan is a good example (Morning Live, 2006).

The importance of iTV cannot be overemphasised, as Williamson (2001:20), quoting the words of Josh Bernoff (principal analyst at Forester Research), estimates that, the average household spends 50 hours per week watching TV which is claimed to be "seven times the duration of typical Internet usage". This, coupled with the fact that homes without telephone lines often have TVs is what led Kofi Annan, the former United Nations Secretary General,

“to promote iTV as a bridge over the digital divide” (Williamson, 2001:20). This indicates that iTV also goes a long way to solving other socio-economic and political problems like “bridging the digital divide”, besides its retailing potential.

As compared with other home shopping channels, the iTV channel has a number of advantages. Pavitt (1997:40) and Williamson (2001:20) mention the following:

- The channel is easy to use.
- The task is fairly straightforward.
- It takes place in a social environment and is therefore fun.
- More information is provided on this channel.
- It allows customers (viewers) to shop while a commercial is playing.
- It is cheaper to use compared with teleretailing or direct mail.
- The ability to stream advertisements and communication to match the size of households.

Despite the above advantages of iTV over other channels, it does not necessarily serve customers who are always on the move, as compared with the mobile retailing channel. In this regard, it becomes important to examine what experts say about the mobile channel in order to fill this gap.

#### **2.4.11 The mobile retailing channel**

Mobile retailing (m-tailing) can be defined as the execution of any retail transaction with a monetary value either directly or indirectly, done on mobile equipment via mobile or wireless telecommunication networks, or switched public networks (Barnes, 2002:92, Gunasekaran & Ngai, 2003:187; Shi, 2004:119).

From a practical viewpoint, Leung and Antypas (2001:12) define m-tailing as “content delivery (notification and report) and transaction (purchase and data entry) on mobile devices”. This definition is seen as very practical, because it clearly points out the activities undertaken by the parties (retailer and customer) involved in the m-tailing operation. In this case the retailer initiates the process by simply notifying the customer of a special deal. The customer either accepts or rejects the deal by entering data which gives the retailer feedback.

A typical example of m-tailing is the following communication between Café Pronto and a customer in the United Kingdom:

... A message sponsored by Café Pronto tells her that two friends from her 'buddy list' are walking nearby. Would she like to send them an instant message to meet for coffee at the nearest Café Pronto around the corner? ... Click 'yes' ... to send the message - and win an electronic coupon worth 50p ... (Anon, 2000:38).

Siau, Lim & Shen, (2001:4-5) affirm that m-tailing possesses some unique features that are not available to traditional e-tailing. These include:

- *Ubiquity*: Information is disseminated via mobile devices to customers where and when it is needed.
- *Personalisation*: Since different customers need different information, service and application at different times, much personalised information can be sent to different specific users.
- *Flexibility*: It allows for users to conduct transactions while engaged in other activities due to the portability of the devices.
- *Dissemination*: Information can be delivered to a large customer category at a time.

With the above features, it is clear that m-tailing is out to add value to customers' shopping experiences. According to Siau *et al.* (2001:5) and Simon (2000:60-63), m-tailing offers customers a myriad of benefits: convenience; ability to access information anywhere, anytime; immediate purchase opportunity; sales or specials and upcoming events alert; wireless coupons with promotional offers; electronic money transferred to a customer's mobile device to be used for payment of purchases; alerting customers when their friends are nearby (buddy finding).

The m-tailing technology developed from computer and communication technologies (Yang, 2005:264). It came into existence following the recent advancement in wireless technology which led to an increase in the number of mobile device users and hence facilitated the development of e-tailing conducted with wireless devices (Siau *et al.*, 2001:4). Siau *et al.* therefore describe m-tailing as any e-tailing transaction carried out via mobile devices using a wireless telecommunication network and other wired e-tailing technologies. This is why it is often called mobile e-tailing or mobile e-commerce.

Leung and Antypas (2001:12) and Siau *et al.* (2001:6) maintain that there are categories of mobile devices used for m-tailing and these categories include: (1) Cellular phone with built-in wireless application protocol (WAP); (2) Personal digital assistant (PDA) or palm-sized computers. (3) Laptop computer with wireless connectivity to the Internet. (4) Vehicle-mounted interfaces.



According to Siau *et al.*, several technologies such as networks, network systems, databases and security systems come together to make m-tailing a possibility. Yet Siau *et al.* believe that m-tailing systems are enabled by mobile hardware, software and wireless network to speed up data transmission, find the exact location of users (customers), and to carry out business activities with better security and reliability.

These mobile technologies are therefore very important to retailers since they facilitate the delivery of trustworthy information, for example, new product lines, markdowns, advertisements, and promotions to customers anytime, anywhere, without the recipients having to go online.

However, there are operational constraints associated with mobile phones, PDAs and other wireless devices that could cost users wireless Internet access and subsequently hamper the interest in m-tailing activities (Matskin & Tveit, 2001:27). These constraints are the direct results of server and wireless data network limitations, thus making it difficult for m-tailing to operate in the same environment as e-tailing conducted over the wired Internet (Matskin & Tveit, 2001:27; Siau *et al.*, 2001:4).

M-tailing suffers numerous application setbacks, some of which are pointed out by Hirsch, Coratella, Felder and Rodriguez (2001:36), Matskin and Tveit (2001:27), Siau *et al.* (2001:6) and Fenech (2002:484):

- Limited resource capability of mobile devices such as disk, memory, and processing power when compared with those of line computers.
- Lower connection stability of mobile clients owing to users switching off devices or slow networks.
- Power limitations owing to shorter battery life.
- Less bandwidth and less "surfability".
- High cost but high risk in terms of damages, data storage and transaction errors.
- Very small screen displays and small multifunction keypads.
- Complicated text input mechanisms.
- Fewer standardised protocols.

These limitations therefore impede the growth of m-tailing, especially in developing countries where resources to combat the restrictions are scarce. For example, in 2004, the Goldstuck survey on online retailing in South Africa reported that the South African market was still not ready for m-tailing because of lack of sufficient technology to support it (Goldstuck, 2004:78).

It is important to note that even retailers in developed economies still, as stated by Matskin and Tveit (2001), face an additional problem of high cost of wireless communications even though mobile device users don't get sufficient experience of the Internet. Taking into consideration all the impediments to the growth of m-tailing, Leung and Antypas (2001:12) forecast during 2001 that "over the next five years, mobile commerce will produce only a fraction of the revenues wireline e-tailing will generate over the same period".

Notwithstanding the limitations of m-tailing, Matskin and Tveit propose that if network service connection time is reduced and high precision of information delivered is ensured, the constraints of m-tailing could be minimised. In trying to minimise the constraints of m-tailing, ubiquitous retailing become very useful as it increases reach and access to information by customers anytime, anywhere. It is therefore necessary to study the literature of ubiquitous retailing to ascertain how retailers can make use of it.

#### **2.4.12 The ubiquitous retailing channel**

"Ubiquitous retailing" (u-tailing) is ubiquitous commerce (u-commerce) with specific reference to retailing, just like e-tailing and m-tailing. To serve the purpose of this research, the term ubiquitous retailing instead of ubiquitous commerce is used.

Owing to the dynamic nature of retailing, the industry has experienced some noticeable changes. Indeed, it is through these changes that most retail channels have come into being, and u-tailing is no exception. The term u-tailing was coined by Accenture Consultancy to describe the growing trend of retail transactions through Internet, mobile (wireless), telephone (voice), television and silent retailing<sup>1</sup> communication devices (Accenture, 2001:29). Accenture refers to the integration of these channels as "ubiquitous commerce" which in the case of this research is "ubiquitous retailing" or "u-tailing". The consultancy therefore defines u-tailing as:

A continuous, seamless stream of interactions, transactions, communications, content and services that constantly passes between retailers, customers, employees and their gadgets, that are ubiquitous, unconstrained by power lines and telephone wires and geographically boundless (Accenture, 2001:29).

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<sup>1</sup> Silent retailing concerns the retailing improvement opportunity created by making everyday objects intelligent and interactive (Accenture, 2001:43). It is a demonstration of retailing ease through intelligence. By the use of powerful computer chips such as Radio Frequency Identification (RFID) and Micro-Electro-Mechanical Systems (MEMS) chips, retailers are able to check, identify and track products both in-store and through the supply chain, according to Accenture.

The u-tailing channel has some significant characteristics that seek to further throw light on the above rather technical definition by Accenture. Galanxhi-Janaqi and Nah (2004:744), Junglas and Watson (2003:672) describe these characteristics as follows:

- *Ubiquity*: this encompasses high accessibility, reachability, and portability of computer chips making them more or less “omnipresent”. This enables people to access networks any time anywhere without having to see or touch computers, and they can be reached any time from any location. The mobile or cell phone is an immediate example.
- *Uniqueness*: this characteristic allows for customers to be uniquely defined according to their identities, preferences and geographic locations. Information can therefore be customised to suit the context and needs of a particular customer at any time and place.
- *Universality*: universality will “eliminate the problem of incompatibility caused by lack of standardisation”, and merge devices and networks so that devices like mobile phones can be used to perform multiple functions across all networks.
- *Unison*: this feature of u-tailing integrates information to allow for multiple applications. This makes it possible for information to be accessed and viewed uniformly from as many devices possible. A current example is the checking of e-mail through different devices such as PCs, PDAs, and cell phones. Figure 2.5 illustrates u-tailing and the other channels that it embodies.

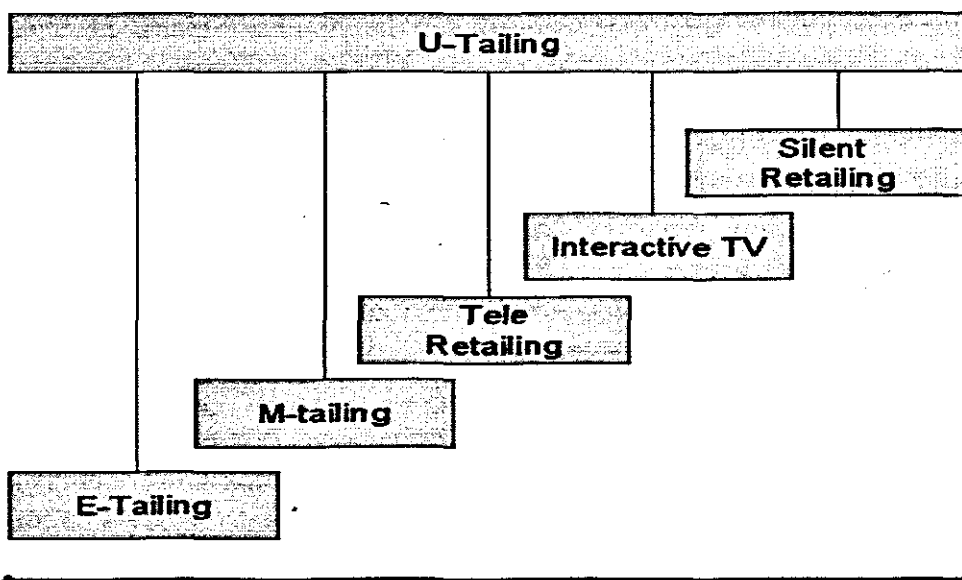


Figure 2.5: Model of u-tailing

Source: Accenture (2001:29)

The fact that u-tailing comprises five different channels qualifies it to combine the benefits of all those channels to its advantage. This has given the channel huge potential ever since it was first articulated by Accenture (2001:29). Accenture reports that 83 per cent of European executives has since expected more opportunities to come from u-tailing over a three year period.

Quite apart from the above perceived benefits by European executives and businesses, u-tailing also offers some real benefits as described by Accenture (2001:29), Galanxhi-Janaqi and Nah (2004:747), and Turban, King, Viehland and Lee (2006:389):

- It facilitates the exchange of products and services between retailers and customers.
- It provides new customer services by making available low-cost electronic channels beyond the computer to television, telephone, PDAs, cell phones and other devices.
- It enhances innovation and therefore improves operation efficiency.
- It increases personalisation and interactivity.
- Ubiquity creates easier access to information in a real-time environment, which is of high value in today's retail marketplace.

A key challenge of u-tailing, however, is how to accommodate the complex connectivity created by the ubiquitous networks. This, in most cases, will lead to changes in the communication structures of retail organisations from simple, unrestricted models to complex multi-directional networks to allow all stakeholders to communicate with one another, (Galanxhi-Janaqi & Nah, 2004:747). This is where retail SMMEs have an advantage as the simplistic nature of their business structures makes them more flexible and they can easily adapt to changes. In this regard, u-tailing will be more retail SMMEs friendly and therefore presents a good opportunity for retail SMMEs, especially those that have the online presence to pursue MCR.

However, the literature on u-tailing has not touched on retail SMMEs specifically, but there is no doubt that u-tailing can benefit retail SMMEs. More research therefore needs to be done in this area to address this problem. As the last channel discussed in this study, the focus of the literature review will now shift to other key aspects of MCR, commencing with the multi-channel customer.

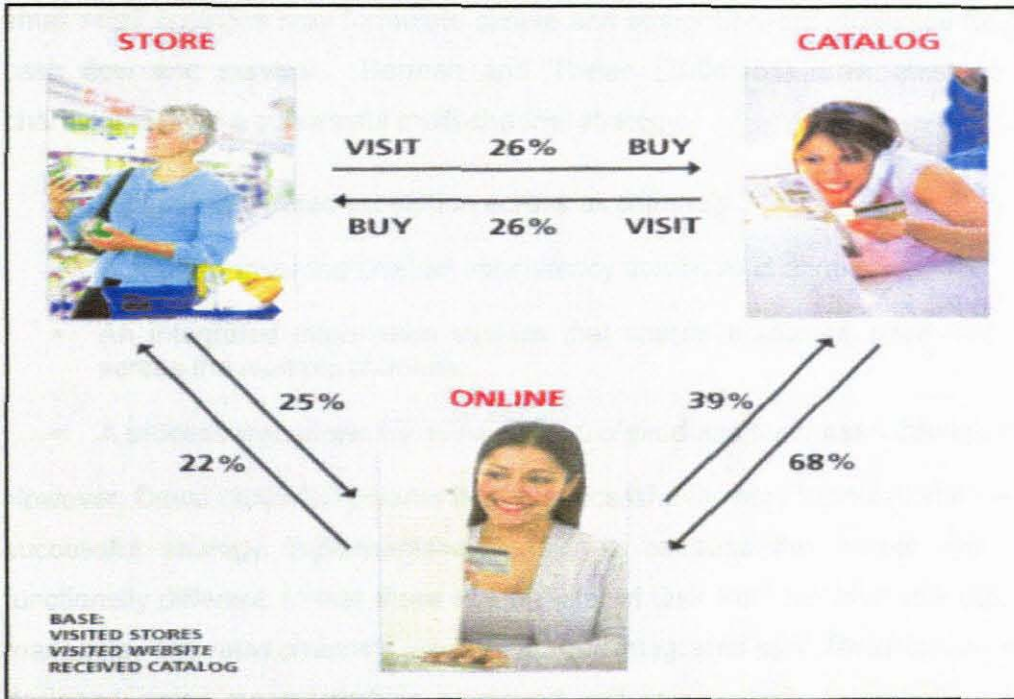
## **2.5 The multi-channel customer**

As customer attributes such as age, income (wealth), level of education, culture, life-stage patterns and value systems change, it becomes difficult for retailers to “define, categorise and reach” them (Gagnon & Chu, 2005:14). The solution to this problem is MCR, as the changing nature of customers leads them into using different and multiple channels. A multi-channel customer is a person who shops or interacts with retailers via different and multiple channels. Also, a multi-channel customer can be referred to as someone who uses more than one channel in a single purchase. Such customers often have a need for convenience and other social needs, and therefore expect retailers to satisfy them. Wind and Mahajan (2002:65) see multi-channel customers as being like the “centaur of Greek mythology” (half human and half horse). They shop via multiple channels, and are therefore characterised by a combination of many and different channels.

Wind and Mahajan identify five human needs and desires that characterise the multi-channel customer: the desire for uniqueness, personalisation, and customisation; for social interaction both online and offline; for convenience and options; for competitive value; and the desire to make better choices. Each of these desires and needs is fulfilled at one or two different channels, thus forcing the customers with these desires to demand those channels in order that the need can be satisfied.

What is more, these kinds of customers do not want to be restricted to any one channel: the open market, over-the-counter, catalogue, Internet or mobile, to mention a few. In the light of this, retailers should create an enabling environment for multi-channel customers to cross channels easily, so that a product purchased online, for example, can be returned in the store if necessary (Schoenbachler & Gordon, 2002:46).

Research shows that a good number of customers interact and conduct transactions through two or more channels. A practitioner, the J.C. Williams Group (2001), found some interesting cross-channel behaviour in a certain population of customers as shown in Figure 2.6 overleaf. It was found that 68% of customers that received catalogues in the first instance subsequently switched to buy online, whereas there was no bias to switch channels amongst customers that initially visited the retailer’s website or store. However, the “certainty” of these figures is not clear as the actual report is not publicly available.



**Figure 2.6: Percentage of customer cross-channel purchasing**

Source: J.C. Williams Group (2001)

There are reasons affirmed by Ganesh (2004:142) as to why there is so much focus on multi-channel customers: they increase retailers' growth opportunities, they are the most valuable and loyal customers, and they lead to an increase in the retailer's number of channels. Gagnon and Chu (2005:17) predict that by 2010, retailers will need to learn more about their customers in order to "maintain relevance to the complex customers, drive meaningful innovation and sustain growth". The strategies that can lead to the success of MCR in either large or small retailing are explored next.

## 2.6 Multi-channel retail strategy

Based on David's (2005:5) definition of strategic management, a multi-channel strategy can be described as the art and science of formulating, implementing and evaluating cross-channel decisions. This will allow a retail outlet to achieve the objectives of reaching more customers and making more sales. In building an integrated multi-channel model, it is important that the retailer analyses and understands which channels are used by the target market and customers, and how they buy (Friedman, 2002:64).

This presents the retailer with accurate information regarding the choice of channels offering the best opportunities for multi-channel based growth which Friedman affirms. This is therefore a key element of the strategy formulation process. In large retail organisations

complex strategies are created in conformity with their vision, mission, objectives and internal and external environment (Newman & Cullen, 2002:100). Newman and Cullen also believe small retail business may formulate simple and straightforward strategies for the purpose of cash flow and survival. Berman and Thelen (2004:151) draw attention to some key characteristics of a successful multi-channel strategy:

- A highly integrated promotion across all channels.
- A strategy involving product consistency across all channels.
- *An integrated information system that shares customer, price and inventory data across the multiple channels.*
- A process that allows for store pick-up of products purchased through other channels.

However, David (2005:242) warns that a "successful strategy formulation does not guarantee successful strategy implementation". This is because the former and the latter are functionally different, in that there is a transfer of task from top level managers to functional managers. The retail channels are created and integrated here, for instance, websites can be designed, sales representatives employed, call centres built, to mention a few (Friedman, 2002:65). Again, strategy implementation differs according to type and size of the retail business; the larger the business the more complicated this will be.

The third and final part of managing and strategising is strategy evaluation. David (2005:313) indicates that strategy evaluation is essential to all businesses regardless of their size. It consists of three actions, identified by David as follows: (1) examining the basis of the business's strategy, (2) comparing expected results with actual results and (3) *taking corrective measures to ensure that the target objectives are achieved.* In an MCR environment this could help ascertain channels which are more profitable than others and why. This way, the best channels can be developed and integrated to prevent channel conflict.

The MCR strategy offers several benefits to multi-channel retailers. Some of these benefits include: increased profits, reach of more customers, market leadership, determination of how resources are allocated, increased business proactiveness and improved communication with customers (Newman & Cullen, 2002:99; David, 2005:15). On the other hand, David outlines three vital challenges of strategic management as: the decision as to whether the process must be an art or science, whether strategies should be made known to stakeholders, and deciding on the bottom-up or top-down approach. Given the current strategic imperative to adopt MCR, the integration of those channels becomes a critical issue. Multi-channel integration is therefore considered next.



## 2.7 Multi-channel integration

Multi-channel integration encompasses the creation of an integrated system or model that allows for a multiple channel operation in a retail environment where different channels perform different tasks within a single sales transaction (Friedman, 2002:233; Ganesh, 2004:142). Channel integration is therefore a crucial aspect of MCR that cannot be ignored. Ganesh (2004:141) suggests that, “[r]etailers need to seamlessly integrate their different channels, if they wish to enhance their likelihood of repeat purchase in the future”. A good example is what Friedman describes as the sales cycle, in which a call centre generates leads, sales representatives close deals, and a website provides after-sales support. This support can also be presented through mobile (cell phones) and electronic kiosks. Figure 2.7 below illustrates the sales cycle which starts with lead generation and ends with post-sale support.

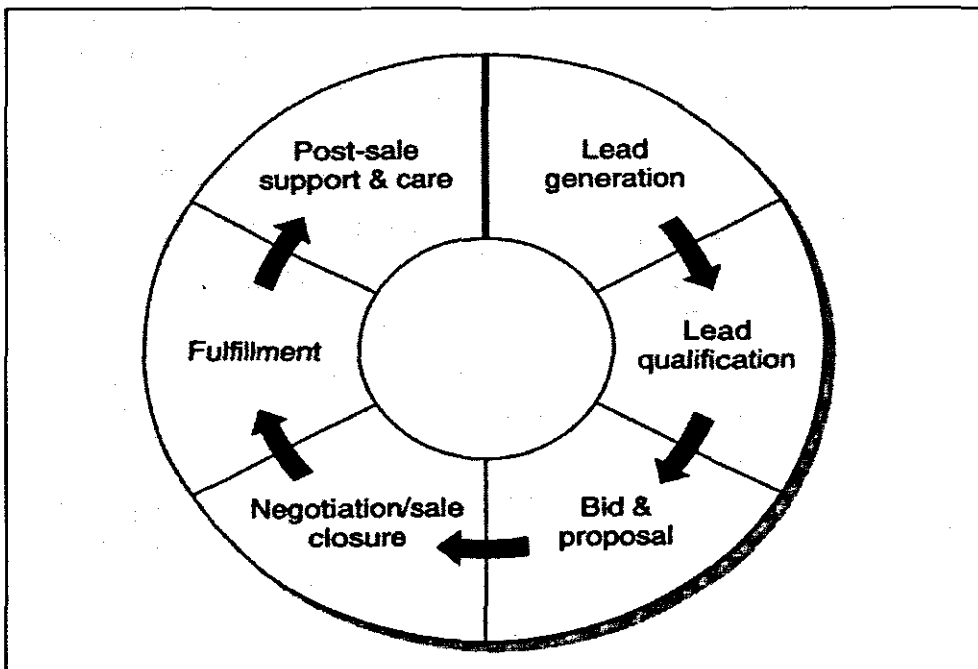


Figure 2.7: The sales cycle showing the tasks performed in the sales process

Source: Friedman (2002:234)

An integrated multi-channel retail model has five indispensable characteristics presented by Friedman in support of the description of this integrated model:

- Multiple channels work together to make sales, channels take on specialised roles within the sales cycle.
- Channel integration is achieved through information systems used to coordinate the activities of the channels.
- Integrated MCR models usually serve a targeted market or a group of markets and not all the company's markets, since different markets usually require different channel combinations.



As more and more retail outlets are gearing towards multi-channel operations, integrating the different channels becomes essential, Friedman affirms. A well-integrated multi-channel system generates synergies leading to increased sales, increased profits, increased customer base and services, and subsequently increased market share (Berman & Thelen, 2004:147). Moreover, Berman and Thelen argue that in an MCR environment, a good multi-channel integration strategy also has the potential to handle some of the key challenges posed by the multiple channels, such as the multi-channel integration itself, channel conflict resulting in cannibalism, and processing multiple orders.

Besides the above capabilities of multi-channel integration, its implementation also brings forth some benefits. Ganesh (2004:143) and Friedman (2002:231-232) offer the following:

- It improves customer loyalty and retention. This is very important to the retailer since multi-channel customers remain the most valuable customers.
- If well integrated, the model can increase the retailer's sales and profits.
- An integrated multi-channel system can facilitate the handling of customer returns effectively and efficiently across the various channels, which will increase the level of customer satisfaction and loyalty.
- It also helps retail outlets to run their promotions simultaneously across the different and multiple channels.
- It enables wider customer coverage and therefore leads to increased market share.

Besides the above, one important benefit of MCR is the growth opportunity it has to offer retailers. MCR opportunities can range from increase in sales, profitability to customer base, and market share. This all-important aspect of MCR is examined next.

## **2.8 Opportunities in multi-channel retailing**

While MCR is a challenging proposition, it presents retailers with enormous and unique opportunities (Schoenbachler & Gordon, 2002:47; Crawford, 2005:2). According to Schoenbachler and Gordon, an opportunity to minimise the existing challenges of MCR is to gain much more understanding of the multi-channel customers, analyse what impels their channel choice and focus more on the customers rather than on the channels. In this regard, it can be deduced that if multi-channel customers are well taken care of, the concept of MCR will pose little challenge to retailers.

Additionally, MCR presents retailers with several options (Sotgiu & Ancarani, 2004:128) that can allow them to offer different products on different channels, leading to the avoidance of any possible confusion and channel conflict; offer all products on all available channels at the same price; offer similar products on different channels at different prices, thereby creating

different images; take advantage of the synergies created by the multiple channels; integrate pricing strategies on the different channels, hence leveraging on customer base, information and knowledge. However, the numerous opportunities of MCR are not achieved without challenges. The following topic deals with the challenges of MCR.

## **2.9 Challenges in multi-channel retailing**

“Add more channels = make more sales” (Friedman & Furey, 1999:9) and “more is better” (Schoenbachler & Gordon, 2002:43) are some important phrases of MCR. These quotations embody some element of truth from the MCR perspective, and are believed by most retailers with regard to the adoption of MCR as a retail strategy. The idea is to create more means for customers to buy products and services at their convenience. If so, what is wrong with just placing products and services on channel after channel as new channels spring up and watching what happens? Indeed this is exactly what some retailers do (Friedman & Furey, 1999:9). Most store-based retailers establish online and other channels do not launch them with as great care as with the traditional fixed stores, which makes it difficult to get them working efficiently (Schoenbachler & Gordon, 2002:42).

Besides the above, numerous other challenges face multi-channel retailers as defined by Read (1998:35), Christensen (2000:60), Knott, Hayes and Neslin (2002:60), Schoenbachler and Gordon (2002:43, 45), Torella (2002:5), Webb and Hogan (2002:339), and Ganesh, (2004:141). Some of these are so essential to the MCR phenomenon that they cannot be taken for granted:

- How to integrate the different channels in order to improve their benefit to customers.
- A key challenge of MCR is to determine what product to target to which customer.
- Multi-channel customers are knowledgeable and highly demanding, and satisfying them becomes a challenge.
- Channel conflict and the cannibalisation of profitable channels, arising from conflicting objectives of channels, conflict over customers, and potential customer confusion.
- Another key challenge is how to match the success of the back-end with that of the front-end of the retail outlet.
- Overcoming the ignorance of some retail SMMEs about the new technologically oriented channels. Most of these retailers are suffering from the fear of the unknown syndrome.
- The cost of developing a multi-channel strategy may be too high for some retailers especially retail SMMEs.
- Multiple-order processing, providing fulfilment for orders that display radically different profiles, and managing complex logistics processes.

- If MCR is not done properly, there could be potential brand damage due to inconsistency of customer experiences.
- Misinterpretation of the MCR strategy of different business functions is also a potential setback.

The literature review concludes by providing an overview of SMMEs in retailing. The SMME overview examines at them from a general viewpoint beyond the retail industry in order to give a holistic view of how they operate.

## **2.10 An overview of small, micro and medium-size enterprises**

The South African National Small Business Act (South Africa, 2003:8) defines a small retail business as having between 21 and 50 fulltime paid employees, with a total annual turnover of no more than R 19 000 000 and a total gross asset worth no more than R 3 000 000. A medium-size retail business is described by the same Act as one with a total of not more than 200 fulltime paid employees. The annual turnover of such a business must not exceed a total of R 39 000 000 with total gross assets of no more than R 6 000 000. The same Act also qualifies a retail business as micro if it has no more than five fulltime paid employees and a total annual revenue not exceeding R 20 000.

There are numerous characteristics of SMMEs, some of which are highlighted by Sim (1999:84) and Schlenker and Crocker (2003:10) as follows:

- Small entrepreneurs go into business with the aim of satisfying their financial needs, with 70 per cent of such firms focusing more on "quality of life issues than stock value". Hence, the second characteristic.
- The main purpose of some of these outlets is not to maximise revenues, but to generate income for their owners.
- Most small businesses do not have expertise in some of the core business practices as sales management, logistics and after-sales service.
- They usually have limited resources – finance and technology.
- They are also characterised by rigid hierarchical leadership where decisions are made based on the owner's intuition.
- They are mostly family-managed businesses.
- Most of such businesses open for long hours and act as social centres for communities.

The importance of SMMEs in economies worldwide cannot be over emphasised. SMMEs across all sectors contribute immensely towards local community development and national economic growth in both developed and developing countries. Schlenker and Crocker (2003:10) also aver that in Europe, the Middle East and Africa (EMEA), they constitute 98 per

cent of all companies, employ 66 per cent of the work force and contribute 54 per cent of private sector turnover. Besides, the American small business sector constitutes up to 99.7 per cent of all employers while only one per cent of businesses has more than 50 employees in the European Union (Dockel, 2005:58). This shows how important the contribution of the SMMEs is to the world economy. On the contrary, Dockel (2005:58) rejects this view when it comes to SMMEs in South Africa. Dockel also stresses that the South African SMME sector, ever since its introduction, has failed to "live up to expectation" with regard to reducing unemployment, the main purpose for its strategy adoption.

Notwithstanding the important role played by SMMEs worldwide, it is estimated that between 70% and 80% of SMMEs fail mostly within the first five years of operation in South Africa and other developing economies (Brink, Cant & Ligthelm, 2003:1, Van Eeden, Viviers & Venter, 2003:13). This statistics therefore exonerate Dockel's (2005:58) claim that the sector in South Africa does not live up to expectations. The SMME literature review as presented above is not industry-specific. Researchers consider SMMEs across all sectors and who therefore cannot be taken to represent the retail industry solely. However, since they are inclusive of the retail industry, they give an indication of how the SMME retailers are performing.

Research shows that the small-scale retail sector has suffered the impact of new retail formats such as supermarkets and hypermarkets, store chains, and shopping centres in the past years. Other factors such as insufficient marketing activities, poor quality products and services, misreading customer trends and needs, and poor customer service have hampered the success of small retail business (Brink, Cant & Ligthelm, 2003:4). Radder (1996:80) points out that a large number of small retailers still focus on the traditional retail concept of ordering products into the store, marking-up and waiting for customers to come and buy.

In contrast, this does not necessarily mean that retail SMMEs cannot or do not survive. The success of any retail business, whether micro or multinational, depends on how its products and services satisfy customers' needs, how it gains competitive advantage through its operations, and how its product and/or service offering provides for continual income generation (Schlenker & Crocker, 2003:8). Moreover, Newman and Cullen (2002:58) argue that "[large] size is not itself a guarantee of success". They aver that retailers in the SMMEs sector can suppress the advantages of large retail outlets by, firstly, forming co-operative bodies to increase their buying power which could translate into a reduction in the cost of their offerings, and secondly, operating in "small well-defined niche markets" that cannot be invaded by their larger competitors.

Yet, to accelerate and propel their growth and profitability, retail SMMEs need to devise new ways of presenting their products and services that is more suited to changing customer

expectations (Newman & Cullen, 2002:59). This is where MCR comes to the fore. With MCR, retail SMMEs can combine different retail channels to increase their customer reach, and make more sales.

A small retailer that runs an online only shop could easily add an electronic catalogue, kiosk, vending machine and m-tailing, while a store-based small outlet can extend into teleretailing, hard copy catalogue, open market, sales representatives and so on. One apparent advantage of small retail outlets in this regard is that they are by nature more entrepreneurial and therefore more keen to try out new ways of doing business than large corporations (Jutla, Bodorik & Dhaliwal, 2002:140). Furthermore, experts believe that SMMEs naturally are more flexible when it comes to changing and adapting to new business strategies.

### **2.11 Summary of the literature review**

As the retail industry remains complex and competitive, retailers are looking for a better means of selling to customers and making more sales. MCR is identified as the means to solve this problem. This is because retail businesses, both large and small, are provided with numerous choices of channels with which to approach the marketplace, and their customers are faced with similar choices of channels available to them.

However, the MCR literature does not cover all the available retail channels. This is because the MCR concept is fairly new and authorities in retail only started investigating it after the invasion of the industry by the Internet in the 1990s. Before this period the industry was dominated by over-the-counter and catalogue channels. As a result, most authoritative work on MCR only focuses on three channels: over-the-counter, the catalogue and the Internet, to the neglect of all other channels. For example, Pookulangara's (2003) thesis on MCR only took into consideration the three mentioned channels.

Another pressing issue is that there is virtually no authoritative MCR research focusing on retail SMMEs businesses. However, retail SMMEs are rather less structured, very flexible and more entrepreneurial (Jutla, Bodorik & Dhaliwal, 2002:140). Therefore, they are most likely to try new strategies, easily adapt to change, and can therefore take advantage of MCR for their survival and growth. Some research work does exist on the different individual channels such as catalogue, direct retailing, e-tailing, m-tailing to mention a few, but very little attention has been paid to SMMEs in the retail industry from the MCR perspective.

Moreover, almost all the MCR literature neglected the developing world, especially Africa. The focus of MCR research has been more on the direction of new and technological channels like e-tailing, m-tailing, interactive TV, and u-tailing. However, retailers, especially retail SMMEs in Africa, cannot afford to ignore the traditional non-technological channels, for

example, direct retailing, open market, sales representatives, over-the-counter and catalogue.

To this extent, it is clear that more research needs to be done in the area of MCR that considers all available channels, retail SMMEs and the developing world. This is because an extensive body of knowledge needs to be created in the MCR domain if retailers of all kinds are to take advantage of the opportunities that it presents. This could be a breakthrough in reducing the high failure rate of SMMEs, which is estimated to be between 70% and 80% in South Africa (Van Eeden, Viviers & Venter, 2003:13).

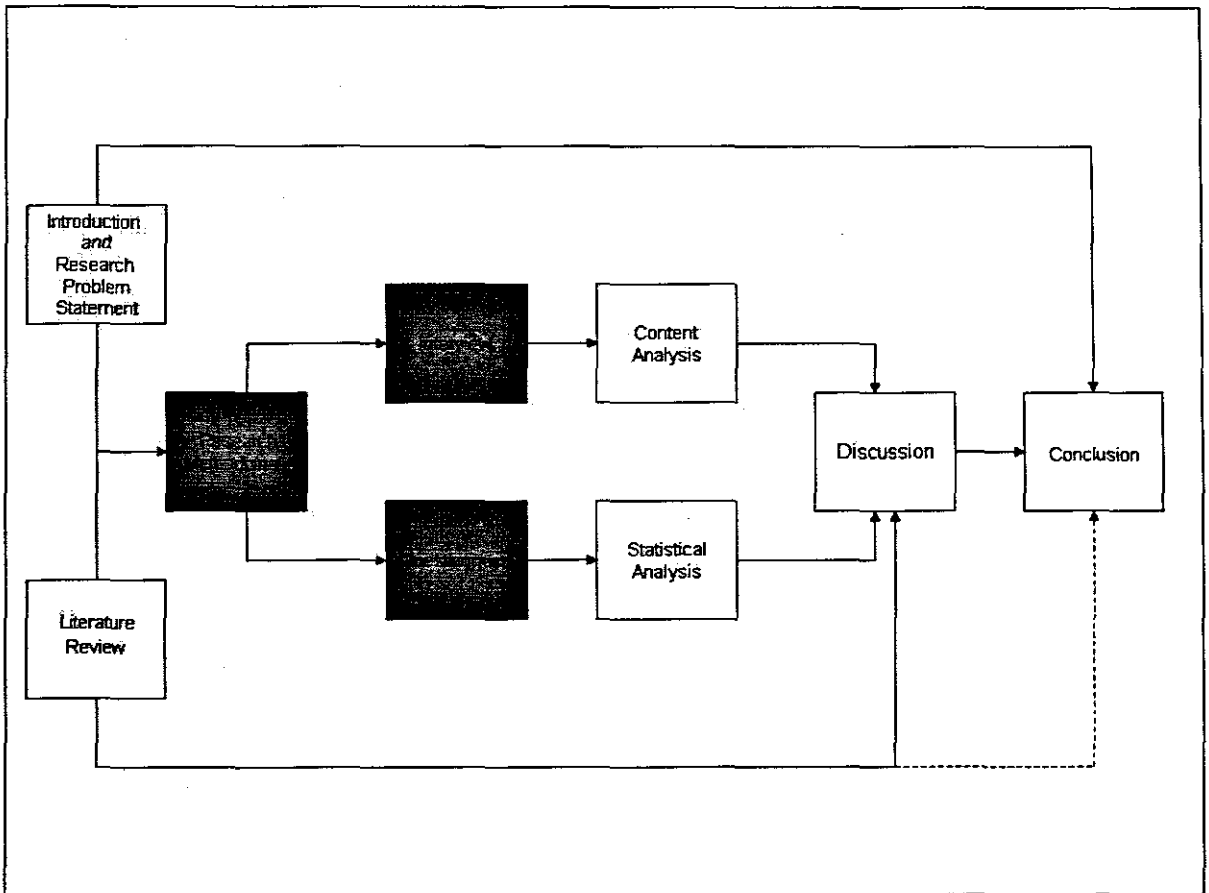
The MCR concept presents some opportunities to both large and small retailers, such as the creation of synergies, reaching many more customers and making more sales. There are however, some challenges, including how to integrate the different channels; determining what products sell on what channel and to what type of customer; dealing with channel conflict and so on. The focus now is how to integrate the multiple channels in ways that could minimise the challenges, and this is an issue that is taken up here, in this research project.

Although MCR can benefit both large and small retail outlets, the literature provides no evidence that lessons from large retail outlets (which are evidently more involved in MCR) might help their small counterparts, with regard to the adoption and practice of MCR. However, knowledge of how large retailers develop multi-channel strategies might contribute to the understanding needed by retail SMMEs to successfully run multi-channel operations and also minimise the challenges they would face.

Furthermore, the literature does not delve deeply into the different sectors of the retail industry and how the diversity of the industry hinders MCR progress, even though there is evidence that different markets require different channel mixes. For instance, grocery retailers might face particular challenges unique to that sector, different from the challenges faced by shoe retailers, computer retailers and hardware retailers. There is therefore the question as to whether a generic multi-channel strategy can cater for retailers across the different sectors of the industry, since MCR is an industry-wide phenomenon.

This research project set out to deal with some of these issues and develop a growth strategy for SMMEs. The approach to the research, and the framework that was used for data collection and analysis, is described in the next chapter.

## CHAPTER THREE: RESEARCH METHODOLOGY



**Figure 3.1: Model of the research process**

### 3.1 Introduction

This chapter provides a detail explanation of the research methods employed in carrying out this research study. The study took the interpretive approach to research, specifically using case studies to break down the complex phenomenon under study for a better understanding of it. As MCR is complex, and affects the entire retail industry, the flexibility of case studies allowed for small researchable units to be used and methodological triangulation for data collection. Furthermore, both interview and survey data were obtained, leading to a better solution to the research problem.

The interview information was analysed by content, while that of the survey was analysed statistically. Conclusions from both sides were combined in answering the research question below. The main question of this research was:

### **How can Multi-Channel Retailing enable retail SMMEs' growth?**

This question has been narrowed into several investigative sub-questions as follows:

- How is MCR applied in large retail outlets?
- What factors affect the success of MCR in large retail outlets?
- How is MCR applied in retail SMMEs?
- Could MCR benefit SMMEs and their customers?
- How do these benefits contribute to growth?

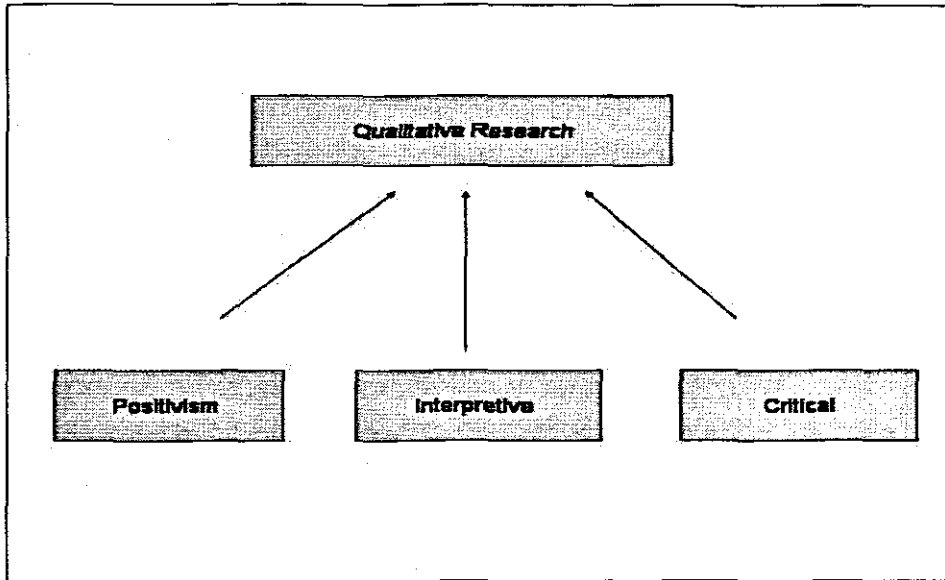
The literature review provided some evidence of the benefits, opportunities, challenges and strategies of MCR practice. This information therefore helps to address the research questions by supporting the conclusions from both the interview and survey data collected. It also provides insights that enable a better understanding of the MCR phenomenon, which is a key aspect of this study. The retail channels were also gathered from the literature and then used to design a structured questionnaire for the customer survey. The retail channels identified and discussed in the literature review were summarised into eleven purposely, to suit the setting of the research study and data collection. These channels include: flea markets, retail stores, hawkers, sales representatives, catalogues, vending machines, call centres/telephones, *online/Internet*, *cell phone/mobile*, *TV commercials*, and *post/mail*. However, the appropriate research approach to answering the research questions is dealt with below.

### **3.2 The research approach**

This study employs the interpretivist approach to allow for an understanding of the phenomenon under study. Since the concept is relatively new and unexplored, the need to understand and indicate how retail SMMEs could take advantage of MCR as a retailing strategy for growth becomes imperative. This phenomenon affects the retailer who provides products and services via multiple channels on the one hand, and the customer who purchases these offerings through multiple channels on the other. In this regard, it is not enough to rely on a quantitative survey and statistics, but rather to embark on an in-depth examination of the subjective qualities concerning human relationships like MCR (Holliday, 2002:7).



The interpretive approach is one of the three main research paradigms provided by the qualitative method. The three paradigms of qualitative research, according to Myers (1997:n.p.), are illustrated in Figure 3.2 below.



**Figure 3.2: Paradigms of qualitative research**

Source: (Myers, 1997:n.p.)

The characteristics of these paradigms are shown in the Table 3.1 below. Since the phenomenon involves people, and according to Miller and Brewer (2003:190), “people have views, constructions, interpretations, beliefs, feelings, perceptions, thoughts, moods, emotions, ideas and conceptions”, these human attributes make it difficult for positivist and critical research to be conducted. Hence the interpretive research which permits these attributes to be dealt with.

**Table 3.1: Characteristics of the three qualitative paradigms**

Adapted from Myers, 1997:n.p.; Blanche & Durrheim, 1999:6

Characteristics of the three qualitative research paradigms		
Positivism	Interpretivism	Critical
Fixed, stable reality	Unstable reality	Constructed reality
Objectivity	Subjective	Observation
Quantitative data	Specific	Textual analysis
Generalisation	Interaction	Comparisons
Predictive	Interpretative	Suspicious
Experimental	Qualitative data	Discourse analysis
Hypothesis testing	Explanative	Political
Outside view.	Inside view	Observer construct

As shown above, the characteristics of the interpretative approach differ from positivism and critical research, which makes it suitable for this kind of research. This is because of the uncertainty within the domain of study, and the need for explanation rather than experiment or simple observation. In using this approach, the phenomenon can be understood in the light of how large and small retailers interpret, conceptualise and understand MCR (Kaplan & Duchon, 1988:572).

### **3.3 The research design**

Yin (2003:20) defines design as a coherent succession of activities or steps that ties up the “empirical data to the study’s initial research questions and ultimately, to its conclusions”. In essence, it is a footpath to carrying out a research study as it represents all the series of events that occur and how they occur. However, Yin (2003:21) warns that the research design should not be seen as dealing with a “logistical problem” but a “logical problem”. Yin stresses that the evidence must provide answers to the original question based on which the research was conducted. In this case, the design seeks to answer the question: how can multi-channel retailing enable retail SMMEs’ growth?

The phenomenon under study revolves around the retailer, the channel, and the customer, with the channel being the meeting point between the retailer offering products and services and the customer purchasing the offers. The aim of this study was to analyse and understand MCR in the context, as seen by both large and small retailers in order that it can be translated into a strategy for retail SMMEs growth. However, the phenomenon is open to all the different sectors of the retail industry, thus making it difficult to understand from an industry-wide perspective.

This therefore made it necessary to employ case studies which allowed for a small number of research units purposely selected from across different sectors of the retail industry for data collection. Case studies also make it possible for complex phenomena to be understood in their “real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin, 2003:13). The case studies were therefore chosen in order that the complexity of the MCR phenomenon could be understood in the very dynamic retail marketplace. According to Soy (1997, n. p.), the case study presents the following advantages:

- It excels at bringing researchers to understand complex issues.
- It adds more meaning to existing knowledge.
- It emphasises detailed contextual analysis of a limited number of events or conditions and their relationships.
- It allows for multiple means of data collection techniques to be used.

With regard to the complex nature of the phenomenon, the sources of useful information that could make understanding possible became very important. The most commonly used sources of data for case studies are identified by Yin (2003:85) as documentation, archival records, interviews, direct observations, participant observation, and physical artefacts. However, one key characteristic of case study research is the fact that it allows for the research data to be collected using different sources and methodologies (Rowley, 2002:18; Woodside & Wilson, 2003:498; Yin, 2003:14).

The nature of this study therefore called for a methodological triangulation approach to data collection. Triangulation concerns the use of both qualitative and quantitative techniques for research data collection (Watkins, 2006:74). As the study seeks to interpret this new phenomenon to retail SMMEs as strategy for growth, it was essential to gather information from large retail outlets which practise MCR and from retail SMMEs irrespective of their level of MCR involvement. Both the large and small retail outlets were selected using the purposive sampling technique, which, according to Welman and Kruger (2001:63), "is the most important kind of non-probability sampling".

With regard to the large retailers, store managers, sales or marketing managers, and merchandising, administrative or assistant store managers were sampled for this study. *Further, managers of the retail SMMEs were included in the sample. These people are in management positions and could therefore provide useful information to help answer the research question.* Interviews were used in this case to enable the researcher gather insightful information about the phenomenon.

Studying the large retail companies was intended to help put the practice of MCR in perspective since large retailers are heavy users of the concept. On the other hand, studying the retail SMMEs provided an insight into their current approach to retailing, as well as the extent to which they are familiar with the MCR concept.

However, the question as to whether MCR could benefit retail SMMEs depends much on the willingness of their customers to purchase via multiple channels. In this respect, it became crucial to elicit information regarding customers' buying behaviour of the products sold by the selected retail SMMEs. A structured survey questionnaire was used to collect customer data regarding their channel choice in buying the products sold by the selected retail SMMEs.

### **3.4 Data collection**

The focus of the field study was on two selected large retail companies that run multi-channel operations, and four retail SMMEs, each representing a different sector of the retail industry in the Cape Town region. As mentioned earlier, three respondents who are in various management positions were interviewed face-to-face in each of the two large outlets. In the same vein, one respondent who may be an owner/manager or a store manager was interviewed in the same way in each of the four retail SMMEs. A standardised interview plan was used to ask the managers probing questions across all the cases, on the respondents' business premises and the responses were recorded into a voice recorder.

With regard to the customer survey, the customer population was specified as the customers of the different product categories sold by four retail SMMEs in the Cape Town Central Business District (CBD). The Cape Town CBD was seen as the best location for this survey because it attracts people from all around the Cape Town region. The retail SMME outlets were representative of the product categories in question: shoes, groceries, computer and computer accessories, and hardware. Ten customers of each of the product categories mentioned above (totalling 40 customers in all) were decided on as the purposive sample size.

In collecting the survey data, a structured interview questionnaire was designed using the retail channels picked from the literature (and reviewed by experts). The questionnaire was also piloted on ten customers of each of two of retail SMMEs under study in the stores, which totalled 20 customer respondents. The intention was to ascertain the type of channels used by the respondents when buying the kind of products sold by each retailer and the channels they will use or will not use in the future.

However, because of the difficulty in getting people to explicate their future intentions, it was decided not to pursue this difficult question at this stage. This therefore led to a change in the structure of the questionnaire, but it served the purpose of the study. Nevertheless, this change of structure did not affect the channels which were the backbone of the questionnaire. Moreover, the initial copy of the questionnaire is attached as Appendix C which accommodates the future scenario and could therefore be used for further research as this is the first phase of an intended long-term research in MCR.

The questionnaire was also designed to cover all the retail channels mentioned in this study except u-tailing, which was not specifically mentioned. However, since u-tailing is a combination of e-tailing, m-tailing, teleretailing and interactive TV (Accenture, 2001:29), all customers using these channels together were considered as being u-tailing inclined. After conducting this pilot study it emerged that because the customers were spotted in the stores

they all responded positively to the usage of the over-the-counter channel. In addressing this problem, it was decided to obtain the views of potential customers outside the shops through purposive random sampling. This therefore has an element of bias, because only interested respondents answered the questionnaire which made it difficult to evaluate the extent to which the sample is representation of the population.

The revised structured questionnaire was then administered to the public in the Cape Town CBD, but was restricted to people who buy the product categories mentioned above. As noted earlier, the four product categories are representative of the four retail SMMEs studied and vice versa. Ten customers of groceries, ten customers of computer and computer accessories, ten customers of shoes, and ten customers of hardware products responded to the questionnaire.

The questionnaires were administered personally which allowed for any queries or questions from the respondents to be handled as well as to achieve a 100% response rate. In fact all the information gathered for the purpose of this study was carried out by the researcher through personal interviews, using an interview plan for the interviews and a structured questionnaire for the survey. This approach to data collection gave the opportunity for in-depth information to be obtained from unstructured interviews, respondents had the chance to ask for clarifications, it led to a 100% response rate, and the researcher also had the opportunity to clarify any misunderstandings regarding the phenomenon (Blanche & Durrheim, 1999:281).

### **3.5 Interpretation and analysis of the information**

In order not to deviate from the main focus of this study, it is very important to note that even though case studies were used, the scope of the case study was the understanding of and experience with MCR, and was interpreted from an MCR perspective, but including multiple views from different role players.

The information collected was in three parts: information from large retail outlets, information from retail SMMEs, and information from potential customers of the retail SMMEs. The main reasons for gathering these three set of data have been made clear earlier in this chapter, but for the sake of emphasis, those points are revisited.

*The information concerning the large retailers was meant to provide a better understanding of the phenomenon in real context, while that of the retail SMMEs was intended to given clues about their familiarity or even their naivety as well as their perceptions with regard to MCR. Through content analysis, comparisons were made between these two sets of information and conclusions drawn with a view to answering the research questions.*

In terms of analysis, this survey data was collected to merely describe channel usage of the potential customers of the retail SMME cases and not to draw statistical comparisons between the cases (Cooper & Schindler, 2003:10). The intention here was to identify the type of channels used by the said customers when buying the products in question. The survey data was graphically presented to describe the extent to which the potential customers of the retail SMME cases are multi-channel oriented.

The conclusions from the customer information were meant to support the conclusions of the first two sets of data. The logic here is that if MCR is to be a growth strategy for retail SMMEs, then it becomes indispensable to know what their customers think about the phenomenon. This has been the underlying motive for the involvement of the customer in this study. The research methodology has been summarised in Figure 3.3 below.

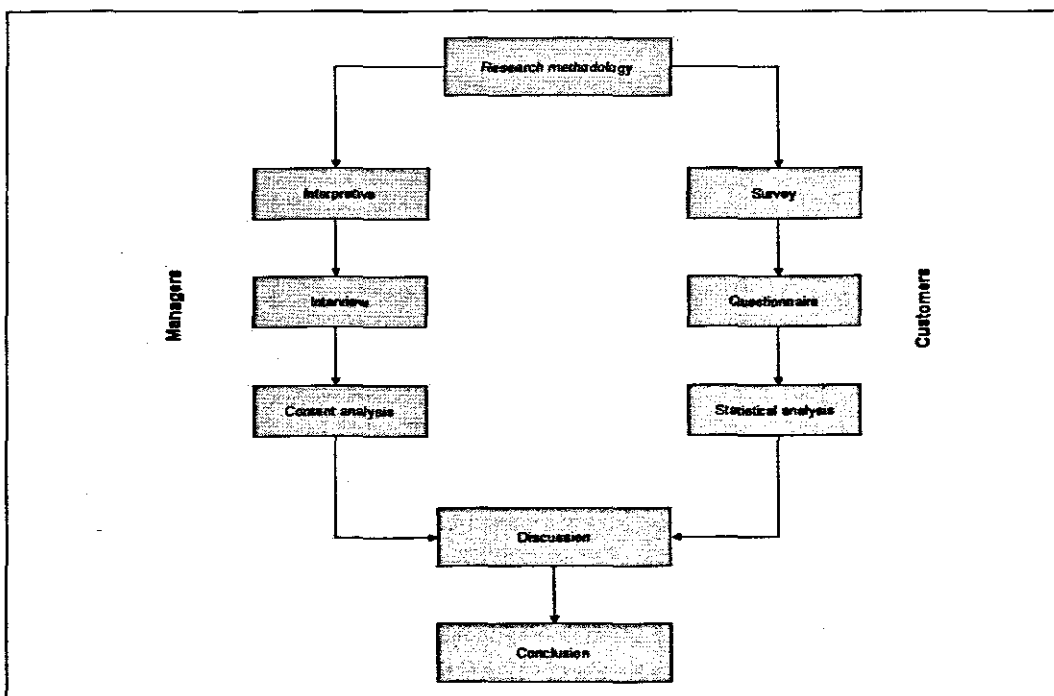


Figure 3.3: Summary of methodology

### 3.6 Company profile

The companies representing the cases were purposively selected to represent different sectors of the retail industry. The reason for this was to give MCR a broader spectrum since it is considered an industry-wide phenomenon. The National Small Business Act of South Africa (South Africa, 2003:8), provided a guide in the company selection process. The retail companies studied have been outlined in Table 3.2 overleaf.

**Table 3.2: Summary of companies**

Summary of companies		
Company	Location	Number of respondents
Incredible Connection	Cape Town CBD	3
Juta Bookshop	Parow	3
Elite supermarket	Athlone	1
Shoe HQ	Salt river	1
Digicape Apple Centre	Roeland Square	1
Gordons Hardware	Long Street	1

### **3.7 Problems encountered**

As mentioned earlier in this chapter, the interviews were carried out using a standard interview plan for all the respondents in both the large and small retailers. This therefore means that the same set of questions was asked of the respondents, and this was where the problem arose in. Some of the questions were not relevant to some retail SMMEs because they conduct their businesses through single channels. However, it also revealed their naivety or specific reasons why they focused on those particular channels, which is important as far as this study is concerned.

In respect of the customer survey, there were concerns about the collection of channels selected from the literature not covering all available. Happily however, the list of channels did not have to be changed. In fact none of the respondents use all the channels from the list. The next chapter will report on the findings so that conclusions can be drawn.

## CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

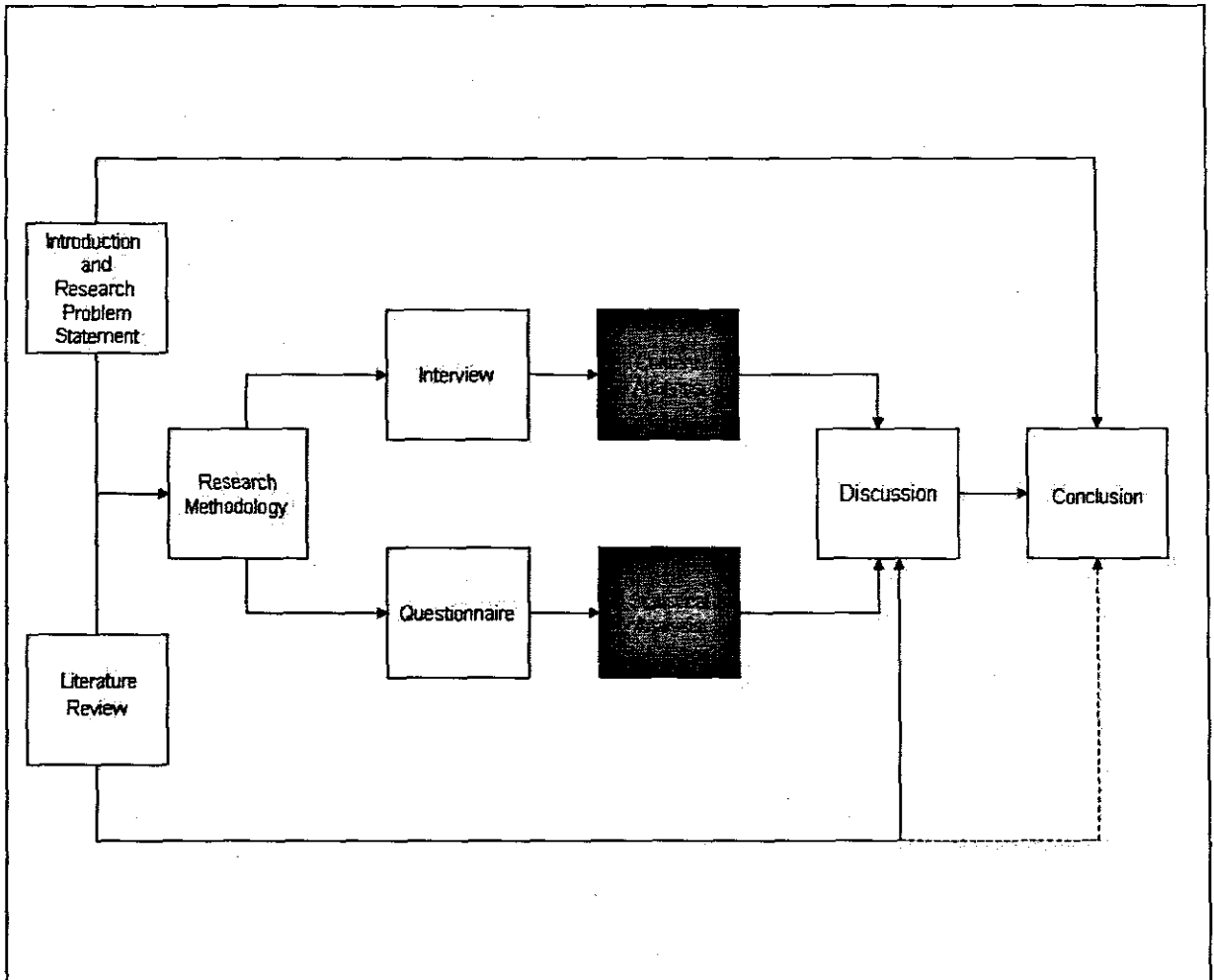


Figure 4.1: Model of the research process

### 4.1 Introduction

The study collected both qualitative and quantitative data. This makes it necessary for the data to be reported in two parts. The qualitative and quantitative data were reported in the first and second parts of this chapter respectively. The qualitative data was gathered from interviews conducted with three managers from each of the two large retail outlets and one manager from each of the four retail SMMEs purposely chosen for this study. The quantitative data, on the other hand, was collected through a survey of customers' channel usage among four product categories.



## **4.2 Part One: Qualitative data analysis**

All the responses received have been categorised in order to establish the different channels used by the companies concerned, and where multiple channels are used, how they are integrated. The benefits and opportunities of MCR to the companies, as well as the challenges involved, are also examined. The results from the two large retail outlets, Juta Bookshop and Incredible Connection, are analysed separately below, after which the results from the four smaller retail outlets follow.

Three managers, including store manager, administrative or assistant manager and sales manager were interviewed from each of the large retail outlets. These managers are referred to as Respondent One, Two and Three respectively in the following analysis of two large outlets. In the case of the retail SMMEs, one manager was interviewed in each of the four outlets, and is referred to as respondent, in the analysis. While the analysis makes use the relevant information from the interviews, the full transcribed interviews are attached as Appendix A.

### **4.2.1 Juta Bookshop**

Juta Bookshop is said to be the oldest indigenous bookseller in South Africa, which offers a wide range of publications such as academic text-books, law reports, and learning material for both learners and teachers. As publishers of the books that they sell, Juta has also introduced electronic publications for the legal profession using CD-Rom, Internet, and Intranet formats.

Although it has several stores, only Juta Bookshop in Cape Town was considered for the purpose of this study. The retail manager, administrative manager, and sales manager were interviewed, and appear in the presentation of their responses below as "Respondent One", "Respondent Two" and "Respondent Three" respectively.

#### **4.2.1.1 Retail channels said to be in use**

In examining the responses from the respondents of the first large retail company (Juta Bookshop) with regard to channel usage, several channels were identified. Apart from the fact that Juta Bookshop operates from stores, it also makes use of the Internet, sales reps, direct mail and m-tailing as complementary retail channels. However, although all the three respondents of the Juta Bookshop say they are involved in e-tailing, Respondent One feels they don't do much on the Internet as he says:

There is nothing that we put on there to try and increase sales, pretty much people find us and they do business with us.

The respondents of both companies also mentioned certain promotional channels such as newspaper adverts through which they get customers and inform potential customers about their products and services. This shows that a combination of retail and promotional channels makes MCR effective, since it leads to uniform promotional activities across the various channels. According to Berman and Thelen (2004:151), one of the key characteristics of a successful multi-channel strategy is integrated promotions across all channels.

#### **4.2.1.2 Integrating across channels**

It became clear from the responses that Juta Bookshop has no strategy for integrating its multiple channels. The first respondent of Juta Bookshop was quick to admit "we really don't, to be honest I don't think this strategy exists". The respondent also believes that without having to engage in any serious marketing activities, they would still make sales. He makes this clear in the following words:

We're at that stage where we never really took marketing very seriously. We really don't. Marketing has never been a big thing for us because the fact of the matter is we're a destination bookshop... You can go and get a can of peas from any shop; you can only buy books from a certain very few shops.

The respondent's position reveals that Juta Bookshop faces little competition in their particular sector. Therefore, they are not really pressurised to look to many other channels for making sales or to consolidate the channels that they already use. In the light of this, Juta Bookshop's adoption and usage of new channels has been that of a "try and see" process as the same respondents pointed out. However, as can be seen in the literature, the complex and competitive nature of the retail marketplace is what drives MCR (Terblanché, 1998:364). This therefore substantiates the fact that, in a less competitive retail environment, retailers like Juta Bookshop may not need to consider using multiple channels in order to sustain and even increase sales.

Respondent Two of Juta Bookshop is of the opinion that they provide their staff with the appropriate training to enable them deliver the best service at all channels. This results in customers getting the best and equal experience at all channels. The respondent's view is a clear indication that staff training and development is very important for the success of MCR. It is therefore a key item that cannot be neglected by any retail business in the adoption of MCR as strategy to enhance growth. In Juta Bookshop, the store manager manages the website while the sales manager handles the direct selling and so on. The respondent asserts that in terms of MCR strategy, there is the need to stay "up to date with ...technology", and to also check statistically which channel is doing better. Again, this is where they "try and see" because it's being done in an ad hoc fashion.

Besides that, Respondent Three of the same company holds the view that channels differ and because of that it is difficult to offer the same level of service on all channels. The respondent's claim clearly indicates that, because there is no existing strategy for integrating the different channels as mentioned by Respondent One, it becomes difficult to get the multiple channels to work together. This reflects the view of Schoenbachler and Gordon (2002:42) as mentioned in the literature, that getting new channels to work effectively is a key challenge for most multi-channel retailers. For example, the respondent said, "the service level on the website can always be a hundred percent, because that is your electronic medium that you can manipulate to your advantage; a person in the shop, that's a different story".

#### **4.2.1.3 Benefits and opportunities of multi-channel retailing**

With regard to MCR benefits, all the three respondents of Juta Bookshop believe that it brings repeat purchases and profitability. This consideration stems from the fact that certain channels are used to inform customers whose details have been captured about special offers. For instance, they send SMSes to their customers to inform them about promotions. In response they come back and buy from them, and therefore increase sales. It also shows a sign of channel integration in this particular case as the multiples work together to allow for repeat purchase and generate sales. This is one of the key characteristics of any integrated multi-channel retail model (Friedman, 2002:230). Furthermore, this discussion subscribes to Ganesh's (2004:141) suggestion that, "[r]etailers need to seamlessly integrate their different channels, if they wish to enhance their likelihood of repeat purchase in the future".

Yet, Respondent Two feels that, to achieve profitability, "you can't stay in the old regime and open a shop and just say [everyone] must come to the shop". Rather, there is the need to keep track of new channels just as customers do. In examining his position, it is clear that both retailers and customers seek multiple channels and thus MCR does not only benefit the retailer but also it benefits the customer. Additionally, this position concurs with some authoritative viewpoints in the literature. For example, Schoenbachler and Gordon (2002:50) propose that since more and more customers use alternative channels, retailers need to embark on MCR in order to meet the multi-channel expectations of such customers. In the same vein, Dunne and Lusch (2005:223) posit that most traditional store-based retailers will be reaching their target markets via multiple channels over the next few years in the United States of America.

Moreover, an analysis of all the respondents' positions links it to the fact that MCR leads to customer satisfaction, customer retention and customer loyalty and thus brings repeat buying. Also, it reflects the capability of MCR to increase sales, customer base and market share as a result of the synergies it creates (Berman & Thelen, 2004:147). All these

elements mentioned above are determinants of the success of any retail business. This makes the phenomenon a very important retail tool for growth and success. All the respondents hold the view that MCR is a strategic retail tool to enhance their growth and profitability. This is exemplified in the second respondent saying "it's a helping tool".

Addressing the question of MCR opportunities, the respondents' views are all centred around communication. The first respondent thinks MCR allows them to contact their customers in order to get them to come and buy again. Similarly, Respondent Two says communication is a vital part of any organisation, linking it to profitability. His point of view indicates that the more means retailers provide for customers to interact with them, the more sales and profit they would make. This is clear in his statement; "you would have growth if you have all these things".

The third respondent sees MCR leading them outside the borders of South Africa into the rest of Africa, especially with the online channel. She stresses "there is no reason why we can't do outside sales in Africa". This position shows that MCR has the potential to take retail companies to the international market.

#### **4.2.1.4 Challenges of multi-channel retailing**

In terms of the challenges faced by multi-channel retailers, Respondent One in this case indicated that SMSes can be sent to customers telling them about new products and requesting them to reply to the message in terms of buying and getting discounts. However, he says:

With that it moves away from the premise of the retail manager and becomes a marketing department's job, because the more time I put into doing that, the less time I have to actually keep my business running.

This therefore means that in order to fully exploit channels, a fulltime marketing manager and a marketing department would be required to manage the individual channels. Another important point that came out his response was a limited marketing budget. He said their marketing budget is R 100 000 which is not enough for all the promotional activities that need to be carried out. This is a challenge as bigger marketing budgets are needed to allow for cross-channel promotions to be undertaken.

According to the respondent, to be able to make use of the m-tailing channel, they embarked on a competition giving customers who spent more than R 200 the opportunity to enter a lucky draw in which they could win mp3 players or a grand prize of a laptop. This therefore allowed for customer information to be collected onto a database which then was used to send SMSes to customers whose details had been captured onto the database. The

process here also subscribes to the concept of Friedman's (2002:234) sales cycle, where different channels contribute to the same sales transaction. In this case, customers can receive promotional messages via the mobile devices and follow through to the store to make the purchase.

Respondent One is very concerned about using the e-tailing and m-tailing channels because of what he calls the "irritation factor". He stresses as follows:

If I'm a customer and someone keeps SMSing me with information that I don't want to know about, then I'm actually going to develop a negative attitude towards that company.

He believes the challenge is to solicit responses from customers before invading them with messages. It is therefore very important to take customers' feelings and wishes into consideration.

Still on challenges, Respondent Two believes that MCR is not without challenges. He explains that challenges creep in, especially when selling on the phone where you don't see the customer but you want to give the best service. Similarly, in dealing with the customer face-to-face over the counter, there is a challenge because "if you say something wrong the customers see it in your face". The respondent also points out that providing online service is also a challenge as it needs to be perfect, because customers that visit the website are financially sound. So the challenge is around different customers and the service being offered. This challenge is even bigger when dealing with the multi-channel customer. As mentioned earlier in the literature, multi-channel customers are knowledgeable and highly demanding, and therefore satisfying them becomes a challenge.

The third respondent of Juta Bookshop explains that the challenge is more with the sales reps who work in the old traditional way. In order to get people, they make cold calls, make appointments, go to see the customers, and take orders. In summary, she says it's a personal service thing, and the challenge is how to get the customers to place orders.

#### **4.2.2 Incredible Connection**

As evident on their website, Incredible Connection focuses on the retail aspect of the Connection group. It sells hardware, software and photographic equipment to both retail and corporate markets. Furthermore, Incredible Connection is said to be "Southern Africa's largest and leading computer technology retail chain, offering the widest range of national and international brands and products. Incredible Connection has a presence in all major metropolitan areas with 60 stores across South Africa, Botswana and Namibia".

A visit to the Incredible Connection store in the Cape Town CBD resulted in separate interviews with the store management: the store manager, administrative manager and sales manager. The managers provided an insight into their operation via multiple channels.

#### **4.2.2.1 Retail channels said to be in use**

Incredible Connection operates on three main retail channels including the Internet, call centre and the retail store. This is summarised as “click>call>come in”. However, the first respondent here added that they advertise on broadsheet in the newspapers and they also send catalogues out to complement the main channel. Furthermore, the second respondent pointed out that initially they had only one store in Cape Town and a call centre based in the store, which focused on generating sales through outgoing calls and also handled incoming calls to complement the store.

The respondent also revealed that “as the company progressed”, the number of stores increased and they also developed a website. “So there wasn’t such a demand for a call centre” because then, customers could do their own search and place a request over the Internet. He said they then “orchestrated the call centre to work in conjunction with the Internet, while the store channel focused on dealing with customers who come into the store”. However, the call centre is now mostly handling their corporate retailing. This therefore requires the various channels to be integrated in order to enhance their performance.

#### **4.2.2.2 Integrating across channels**

The analysis of the responses of the three respondents of Incredible Connection did not reveal any concrete strategy for the integration of their multiple channels. However, Respondent One describes how they operate through the different channels. According to the respondent, requests made on the Internet are sent to the nearest store where orders are processed and the customer is contacted using both the Internet and phone. The customer then comes into the store to pick up. This shows that a certain level of channel inter-dependency exists in the Incredible Connection’s multi-channel operation, since the channels depend on each other to get sales done. This means that while the store operations depend on the Internet to online customers, the Internet channel also depends on the store to get sales done. Channel inter-dependency is an important feature of MCR as it relates to the common characteristics of multi-channel strategies found by Berman and Thelen (2004:151) among top multi-channel retailers in the United States of America.

A second respondent’s position supports this as he says, “we orchestrated the call centre to work in conjunction with the Internet”. With this it is clear that the company’s multi-channel

operation is not entirely without an integration strategy. It may not have been well established but it certainly does help to get the various channels to work together while focusing them on their specific and respective target markets. In terms of strategy, the second respondent believes that it is important to start by looking at the existing customers and their needs. He asserts in own words that:

In terms of strategy obviously, you initially start with seeing who your existing client base is, and the analysing that and from there seeing what their needs are.

The respondent's belief reflects information finding as a very crucial part of strategy formulation. It also depicts the purpose of retailing; satisfying the needs of customers. In effect, to develop a multi-channel strategy to satisfy the needs of customers, examining the target market becomes imperative. This belief also subscribes to Friedman's (2002:64) view as mentioned in the literature, that analysing and understanding the channels used by the target market and customers is essential in developing an integrated multi-channel model.

Moreover, the respondent feels that this can always be reviewed for future development in order to identify new channels to cope with changes in demand. The third respondent's opinion is supportive of the argument of customer satisfaction. He emphasises: "Look, at the end of the day it's all about benefiting the customer" which is what translates into sales for the retailer.

#### **4.2.2.3 Benefits and opportunities in multi-channel retailing**

On the part of Incredible Connection, Respondent One explains that customers visit their website, where they are able to place and order online or go to the store. So this allows them to do their own search by viewing and comparing products and price packages. This again confirms the presence of channel inter-dependency, since customers can search for products online and follow through to the shop to buy. As indicated in the literature, an integrated multi-channel system allows for different channels to perform different tasks within a single sales transaction (Friedman, 2002: 233 & Ganesh, 2004:142).

Respondent One, in viewing the Internet as a very dynamic industry, also said that "the more people use our website the bigger the requests become and the bigger the staff need becomes". This is so because the Internet and store channels of Incredible Connection work hand in hand, hence the online requests and orders get finalised at the nearest store. So the growth of the Internet channels affects the growth of the store channel. Thus, it can be deduced from this argument that in an MCR environment, especially where the channels are integrated, the success of one channel supports the success of others rather than cannibalising them.

The respondent believes MCR allows them to reach more people which then translates into growth and profitability. As depicted in his words "... you are improving your growth and bottom line at the end of the day". This view alludes to the position of Friedman and Furey (1999:9) that, "add more channels = make more sales" and that of Schoenbachler and Gordon (2002:42) that "more is better". It therefore follows that the potential to achieve sales, profitability and growth by retail outlets with MCR is enormous.

A further analysis of the respondent's opinion reveals that because they are a computer retailer, their focus is more on channels that are brought into being by technological advancement. He affirms that technological advancement brings new ways of communicating and carrying out transactions, and thus "we are working on exploring new avenues". Interestingly, the respondent pointed out a total new channel that was never considered with regard to this study. According to him, "Blue Tooth technology which currently is not a huge channel that people are using", is improving at a faster rate. He confirms people with Blue Tooth on their cell phones can receive advertisements and for that matter promotional information "directly with no cost".

The mention of this new channel proves that the list of channels seen in the literature was not complete. However the Blue Tooth channel is affiliated with m-tailing and would very likely be used by the users of m-tailing since SMS is used in both cases. This is how the respondent sees the future of MCR in South Africa concerning opportunities.

In accessing the second respondent's position, it is evident that MCR has huge growth potential as long the channels are well harmonised. He feels they are doing well in terms of MCR. This declaration is revealed as he proudly says "the fact that our footprint constantly increases is proof enough that we are achieving the objectives that have been set". In terms of the future opportunities, Respondent Two also made mention of video calling as a potential channel that can be explored. It is therefore important to note that there could be several other channels which have not been mentioned by the literature, and as a result not explored in this study. This respondent also touched on the issue of SMMEs making use of MCR. He stresses that, "in terms of SMMEs being able to get to customers, there [are] a lot of opportunities there ... Nobody has looked at it this way but these facilities are available".

The third respondent, in this case, feels that MCR saves money and time, as he says "if I can buy something from where I am and have it delivered here, it saves more than me having to go out and look for the product ... So this multi-channel retailing would benefit anybody" he emphasised.



#### **4.2.2.4 Challenges of multi-channel retailing**

With regard to MCR challenges, Respondent One believes that there are always challenges in retailing. He said "currently with the Internet rate being as high as it is compared to the rest of the world", it is a challenge because not everybody can afford the Internet, which therefore "limits your exposure on that avenue". This hampers the growth potential of MCR as the Internet is one of the key channels which fuel the operation of other channels like electronic kiosk, and u-tailing.

He also asserted that the long nationwide security personnel strike that took place in South Africa represented in no small measure a challenge to retailers. During this period stores were vandalised by strikers, and this also prevented people from coming into town because of a security risk. This was a setback to the operations of the over-the-counter channel, the open market channel and so on. Hence, the respondent warns that "dynamic challenges always pitch up" and retailers need to be ready for them. Both Respondent Two and Three are very general here, and as such their contributions did not point out the challenges from an MCR perspective.

From this point the results from the four retail SMMEs - Elite Supermarket, Digicape, Shoe Head Quarter and Gordons Hardware - are presented and analysed separately. The same headings are used as in the case of the large retailers in order to facilitate a comparison.

#### **4.2.3 Elite Supermarket**

Located in Rylands Estate, Elite offers competitive prices, excellent service and long trading hours to accommodate all working people, and is said to attract customers from Mitchell's Plain, Athlone, Woodstock, Cape Town and as far as Paarl. It is made clear on the website that hard work and honesty, good customer relationships and social responsibility to the community are the principles of Elite. One manager of this outlet was interviewed on a visit as required by the study.

##### **4.2.3.1 Retail channels said to be in use**

In terms of channels, the respondent states that their main retail channel is customers coming into the store to buy. However, Elite has a website but uses it only for advertising purposes. The respondent further explains that the owner is still scared of it, as the owner does not trust the Internet. "He is sceptical of the Internet," the respondent said. This reflects what Turnbull and McNicholas (2002:9) refer to as the "fear of the unknown" which is an impediment to their usage of the e-tailing channel by some retail SMMEs. In this case, it is due to the owner's concerns about the fraud and security risk associated with the Internet.

Additionally, the respondent is of the opinion that selling via multiple channels can be advantageous and problematic as well, as the following issues would have to be addressed:

- the need for more staff
- the need to look at different avenues to ensure that sales are done correctly
- revenues received correctly and on time.

He also notes that with Internet sales you're going to now require more vehicles to do the deliveries, staff to pack the orders, deliver, and bring back cash or cheques. Also, in the case of the open-market channel, the respondent feels it would be difficult to deal with perishables because a refrigerator would be needed. Fruits cannot stay outside for 12 hours a day, as he stressed this point in his words: "That is going to be a limitation." So it's just an added cost involved. Besides that, "the owner wants to see everything done in front of him, in the store".

The above points constitute the reasons why they are adhering to the known and trusted channel - the store. Moreover, the respondent's argument brought to light some important challenges of MCR at this early stage of the discussion.

#### **4.2.3.2 Integrating across channel**

In the case of Elite supermarket, only the store channel is being used and therefore there is no channel integration issue at this stage. The respondent states that supermarket business is mainly store-based.

#### **4.2.3.3 Benefits and opportunities in multi-channel retailing**

An analysis of the respondent's view-point makes clear that, although the supermarket does not already practise MCR, the respondent sees some potential benefits of the concept. He says they could possibly make sales over the Internet from those customers who are able to come to the store if they were to go multi-channel. As such, he believes "it could be of benefit at the end of the day". This is a good start because the respondent can see how MCR could possibly boost their sales growth. The recognition of the benefits and the opportunities that abound in the use of multiple channels is a driving force that can lead to the adoption of the concept.

This is further portrayed in his statement: "I think there'll be an added advantage; you could sell to more people, and the more people you get the more sales you get". The respondent's position also supports Freidman and Furey's (1999:9) view that, more channels equal more sales, as well as "more is better" (Schoenbachler & Gordon, 2002:43).

#### **4.2.3.4 Challenges of multi-channel retailing**

In terms of MCR challenges, the respondent already mentioned them to justify why they are not using multi-channels. All the same, he made a brief summary here, saying more structures would have to be set in place before MCR can be in operation. He asserts that logistics support would have to be looked at, and cost effectiveness of the operation. For instance "if you're running say five customers a month and then you've to employ three people do delivery, whether they deliver or not you pay them every day".

#### **4.2.4 Digicape Apple Centre**

The Digicape is a computer store that sells ipod and ipod accessories, Macintosh computers and accessories, software and books and also provides Apple training services. The Cape Town-based dealer of Apple IMC is said to have been very successful in its line of business. Testifying to this, Digicape won the award for the top South African Apple dealer for 2005. According to the information found on the company's website, the award was based on the number of CPUs sold during 2005.

It was interesting to discover from the same website that the award-winning targets were met during the festive season and the launch of the Digicape online ordering website. However, the information on the website also indicates that the retail division of the company has only been in operation for two years. The operation of the retail division is what this study takes into consideration. An interview with the retail manager provided an insight into Digicape's retail operation with regard to MCR.

##### **4.2.4.1 Retail channels said to be in use**

At Digicape, the respondent revealed that two more channels are used to complement the fixed store, including e-tailing and sales representatives. According to the respondent, the sales representatives focus mainly on their corporate selling to business.

##### **4.2.4.2 Integrating across channel**

With regard to channel integration, the respondent makes it clear that there is what he calls "a good balance" between the channels. He said that although they have an online store, they still prefer customers coming into the store as opposed to buying online. The reason is that people often make wrong choices when buying computer products, and this happens most with online purchases where mistakes are easily made. In this regard the respondent affirms that, "we don't have an online store where you can purchase online with your credit card". Online requests and orders get e-mailed to the store where they are processed, and

either delivered or prepared for collection by the customer. According to him, they normally call the customer in order to ensure that the right purchase decision has been made.

The two channels therefore work together in making sales and delivering the best service. Also, an order placed on the Internet does get finalised in the store, which, as in the case of Incredible Connection, represents a high level of channel inter-dependency. On the contrary, big corporate customers are handed over to the corporate team which includes the sales representatives for better service as “they need more attention than the guys in the store can generally give”. Thus, this is where the balance comes in between the channels.

#### **4.2.4.3 Benefits and opportunities of multi-channel retailing**

In the line of benefits and opportunities, the respondent did not hesitate in confirming that MCR is of huge benefit. This is shown in his expression “more exposure, more customers, [and] more money”. Yet again, his assertion echoes Freidman and Furey’s (1999:9) “more channels = more sales” and Schoenbachler and Gordon’s (2002:43) “more is better”.

Quite apart from that, the respondent sees the Internet as a big resource for the display their products, and also for placing online information for customers to learn about the products. It also allows them to collect solicited customer information into a database as they sign up. This is therefore used for further promotional activities like e-mail reminders, and special offers to specific customers.

The respondent believes there is always opportunity to grow and they are busy trying to grow the “business to business clients”. He mentioned that, as long as they maintain high-level service and get “word of mouth”, he is confident that the business will grow. This gives an indication that good customer service can enhance the successful growth of retail businesses. In his optimism, the respondent pointed out that there is huge room to grow as “the PC market is massive”. Knowing this, he feels it would be very important for them “to diversify a bit more”, making sure that we don’t “put all our eggs in one basket”, that is, limiting the products to only computers and iports. This diversification could also lead to the introduction of new channels.

#### **4.2.4.4 Challenges of multi-channel retailing**

Analysing the respondent’s views brings to light that the multi-channel operation of Digicape is not without challenges. He indicates that it was very difficult at first with the Internet as orders were taking too long to get processed which created problems, for example:

There was confusion, you know, if an order was placed the people would come in expecting the order to be ready for them and ...we didn't have that order, we didn't know what was going on.

So there were a couple of problems as expressed by the respondent. However, they were identified and dealt with, with the assistance of computer systems. It is interesting to examine how the non-technologically oriented retailers like Shoe Headquarters deal with their problems.

#### **4.2.5 Shoe Headquarters (HQ)**

Shoe HQ is an apparel company that sells fashionable shoes from around the world, with some of its leading brands including Counter Culture, Plum, Mazarata, Zola 7, Zoom, Oxygen and Hot-Rock. The company has a website, which it does not use in making sales, but for displaying information. According to the website information, Shoe Headquarters operates from a number of stores around Cape Town and a newly opened Durban store. Its store at Salt River, Cape Town, was visited and the store manager interviewed. The outcome of this interview is discussed below.

##### **4.2.5.1 Retail channels said to be in use**

In terms of channels, Shoe Headquarters is only a store-based operation. The respondent states this clearly in his words: "We mainly sell to customers in the store," he also emphasised that 99.99% of their sales come from the store channel. The company has a website but just for the display of information and nothing else.

##### **4.2.5.2 Integrating across channel**

With 99.99% of sales coming from the store channel, the Internet is not being used to make sales and therefore no integration has taken place.

##### **4.2.5.3 Benefits and opportunities of multi-channel retailing**

The respondent in this case at least recognises that MCR has the potential to benefit them. He states that "there is always a benefit" and that they would be able to sell more shoes if they were to embark on MCR. Regarding the future, the respondent believes the phenomenon exists; and has the potential to improve any business. Hence his position that, "if there is growth in the company we can look at multi-channelling". However, this rather details the respondent's understanding of MCR in the sense that he doesn't see it as a tool for growth. He expects the company to grow before they can adapt the concept to reap the benefits that it offers.

#### **4.2.5.4 Challenges of multi-channel retailing**

In his response with regard to multi-channel related challenges, the respondent is concerned about the rampant fraudulent activities in the retail marketplace which could obstruct the success of MCR. He believes that everything has to be done with care and as such "you've to put the systems in place first". Looking at the respondent's position here critically, it explains why he suggested earlier the need for them to grow before going multi-channel. More so, their website is being used to make sales.

#### **4.2.6 Gordons Tool and Hardware**

This company is one of the many businesses on Long Street, Cape Town. As the name implies, it is a retailer of a wide range of tools and hardware products and its customer base includes both corporate and individuals. They offer superior customers service levels which include delivery services. A general manager who oversees everything was interviewed and her responses are discussed below.

##### **4.2.6.1 Retail channels said to be in use**

An examination of the information provided by the respondent at Gordons hardware reveals that only the store channel is being used to make sales. However, the respondent also indicated that they have a website, but they don't use it as yet. She said they use the telephone not for the purpose of making telesales but to facilitate enquiries and also to a lesser extent to take orders. They also advertise in the newspapers and Yellow Pages, which is helpful in drawing customers to the stores where the sales transactions actually take place.

The respondent also indicated that they do substantial deliveries because there is no parking around their location for customers. For this reason some customers prefer to do phone ordering, and hence they provide the delivery service. In this case, the delivery man is an intermediary channel connecting them and their customers.

##### **4.2.6.2 Integrating across channel**

In terms of integrating, Gordons does very little since its main channel of transaction is the fixed store. Conversely, harmonising the telephone enquiries and orders with those of the in-store customers as well as the delivery services can be likened to integration in a multi-channel environment. It also openly demonstrates that if Gordons were running a multi-channel operation, integrating the different channels could possibly have done very well.

#### **4.2.6.3 Benefits and opportunities of multi-channel retailing**

Looking at MCR from the perspective of benefits and opportunities, the respondent feels that not much has been done to reap the benefits of MCR. However, she sees opportunities for growth in terms of using multiple channels. She mentioned a few channels that they could possibly use including initiating calls to prospective customers through a call centre, and using sales representatives to go customers. This indicates that even though the company is not using MCR, the respondent has a good understanding of the concept and how they could benefit from it. She avers that:

Not everything is suitable for us but there are of course there are a few things that we could do that could potentially help the growth of the company. Instead of waiting for our regular customers, we could go out and see potential new customers, do telesales by calling potential new customers.

#### **4.2.6.4 Challenges of multi-channel retailing**

In analysing the respondent's views, it is clear that making products available in the store for their demanding customers is a challenge. As she notes:

We try to get products that are in the store for customers who place orders within 24 hours. So we've got to have efficient suppliers and good relationships as well as trust with our suppliers.

#### **4.2.7 Summary of the analysis**

This last part of the discussion elicits only the key points or terms which are elucidated in this first half of the chapter. These key points are organised by company and according to the heading used in the discussion. The findings are summarised in Table 4.1 overleaf which provides a quick summary of what has been dealt with in the chapter.

According to the table, all the companies, both large and small, conduct their retailing activities through physical stores. The two large retailers additionally both use multiple channels and are therefore practising MCR. The table also shows variations in the channels used by the large retail outlets. With the store and Internet, Juta Bookshop additionally uses sales representatives, direct mail and m-tailing, but Incredible Connection only adds their call centre. In the case of the retail SMMEs, the store remains the only channel used by Elite Supermarket, Shoe Headquarters and Gordons Hardware. Digicape, on the other hand, combines the store with the Internet and sales representatives in order to boost sales.

With regard to channel Integration, the summary table reveals that there is very little integration of channels among the retail outlets. Of course, no integration is required where there is only one channel in use. However Table 4.1 overleaf exhibits the existence of channel inter-dependency where there are multiple channels, even in the case of Juta Bookshop in spite of its ad hoc operation of MCR.

Across all the different retail outlets studied, there is evidence (as summarised In Table 4.1 below) that MCR has the potential to increase sales and enhance growth. Notwithstanding these potential benefits, the application of MCR is not without challenges. As shown in the table, MCR poses challenges in the areas of marketing skills, high cost of services, ethical issues and the fear of the unknown, as well as logistical and operational nightmares.

The next stage of this discussion concerns the quantitative customer survey data which is discussed in the second part of this chapter. This survey used questionnaires to gather data in relation to customers' choice of channels in their buying decisions as far as the four retail SMMEs and the four product categories are concerned. As mentioned earlier, the four product categories represent the four retail SMMEs in this study. Thus, the customers' choice of channels for each product category can be taken to represent the manner in which they would buy from the retail SMMEs as in reflection of this study.



**Table 4.1: Key points of discussion**

MCR Items	Retailer							
	Large			SMME				
	Juta	Incredible	Summary	Elite	Digicape	HQ	Gordons	Summary
<b>Channels</b>	<ul style="list-style-type: none"> <li>- store</li> <li>- E-tailing</li> <li>- Sales reps</li> <li>- Direct mail</li> <li>- M-tailing</li> </ul>	<ul style="list-style-type: none"> <li>- Store</li> <li>- E-tailing</li> <li>- Call centre</li> </ul>	<ul style="list-style-type: none"> <li>- Both companies practise MCR to some extent</li> </ul>	<ul style="list-style-type: none"> <li>- Store</li> </ul>	<ul style="list-style-type: none"> <li>- Store</li> <li>- E-tailing</li> <li>- Sales reps</li> </ul>	<ul style="list-style-type: none"> <li>- Store</li> </ul>	<ul style="list-style-type: none"> <li>- Store</li> </ul>	<ul style="list-style-type: none"> <li>- Mostly retail store</li> <li>- Most have internet presence</li> </ul>
<b>Integration</b>	<ul style="list-style-type: none"> <li>- Not integrated</li> <li>- Operate in an ad hoc manner</li> </ul>	<ul style="list-style-type: none"> <li>- Fairly integrated</li> <li>- Channel inter-dependency</li> </ul>	<ul style="list-style-type: none"> <li>- Integration is a problem</li> </ul>	<ul style="list-style-type: none"> <li>- Only one channel is used</li> </ul>	<ul style="list-style-type: none"> <li>- Channel inter-dependency</li> </ul>	<ul style="list-style-type: none"> <li>- Only one channel in use</li> </ul>	<ul style="list-style-type: none"> <li>- Only one channel in use</li> </ul>	<ul style="list-style-type: none"> <li>- Focus is on the fixed store</li> </ul>
<b>Benefits and opportunities</b>	<ul style="list-style-type: none"> <li>- Customer satisfaction</li> <li>- loyalty</li> <li>- Repeat purchase</li> <li>- Increase in sales and profits</li> <li>- Enhance communication with customers</li> <li>- Increase market share</li> </ul>	<ul style="list-style-type: none"> <li>- Increase in sales</li> <li>- Profitability</li> <li>- Increase their presence in new markets</li> <li>- Potential channels: Blue Tooth, video call</li> <li>- Saves customers time and money</li> </ul>	<ul style="list-style-type: none"> <li>- Both companies are benefiting from MCR in various ways including sales increases</li> <li>- Optimistic about of MCR</li> <li>- Propose new channels</li> </ul>	<ul style="list-style-type: none"> <li>- Believe there would be an added benefit</li> <li>- Opportunity to sell to more customers leading to more sales</li> </ul>	<ul style="list-style-type: none"> <li>- More exposure</li> <li>- Increased customers base</li> <li>- Increased sales</li> <li>- Opportunity to grow</li> </ul>	<ul style="list-style-type: none"> <li>- Potential benefits: sell more shoes leading to increased sales</li> </ul>	<ul style="list-style-type: none"> <li>- Opportunity to grow by using new channels: calling potential customers and sales reps</li> </ul>	<ul style="list-style-type: none"> <li>- They see huge potential in MCR to enhance their growth</li> </ul>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>- Require a marketing manager and department</li> <li>- High marketing budget</li> <li>- Invasion of privacy</li> <li>- Satisfying customers' expectation via multiple channels.</li> </ul>	<ul style="list-style-type: none"> <li>- High Internet rate in RSA limits exposure</li> <li>- Environmental factors; strike</li> <li>- Dynamic challenges</li> </ul>	<ul style="list-style-type: none"> <li>- Requires more marketing skills</li> <li>- High costs of services</li> <li>- Privacy concerns</li> </ul>	<ul style="list-style-type: none"> <li>- Logistics</li> <li>- Cost benefit</li> </ul>	<ul style="list-style-type: none"> <li>- Problems with multiple-order processing</li> </ul>	<ul style="list-style-type: none"> <li>- Fraud</li> <li>- Putting systems in place</li> </ul>	<ul style="list-style-type: none"> <li>- Meeting demand</li> </ul>	<ul style="list-style-type: none"> <li>- Concerns about operational difficulties</li> <li>- The fear of the unknown</li> </ul>

### **4.3 Part Two: Analysis of quantitative data**

This part of the chapter reports the quantitative data which were collected by means of a customer survey, using charts. The findings from this customer survey present an interesting understanding of retail activities within the four product categories under study. These products categories which represent the retail SMMEs are groceries, computer and computer accessories, shoes, and hardware products. The survey included 10 customers per product category, totally 40 respondents.

The analysis examines the total average usage of individual channels in buying all the products under study as well as the total average usage of all the channels for each product category. It also examines each product category separately with regard to customers' channel usage. Percentages of the customers' channel usage for each product category are presented in charts. Furthermore, the demographics for all the four categories and for each individual category are analysed. The channel choices of the different demographic groups are also examined. Finally, there is a brief summary at the end to give an overall view of the quantitative analysis.

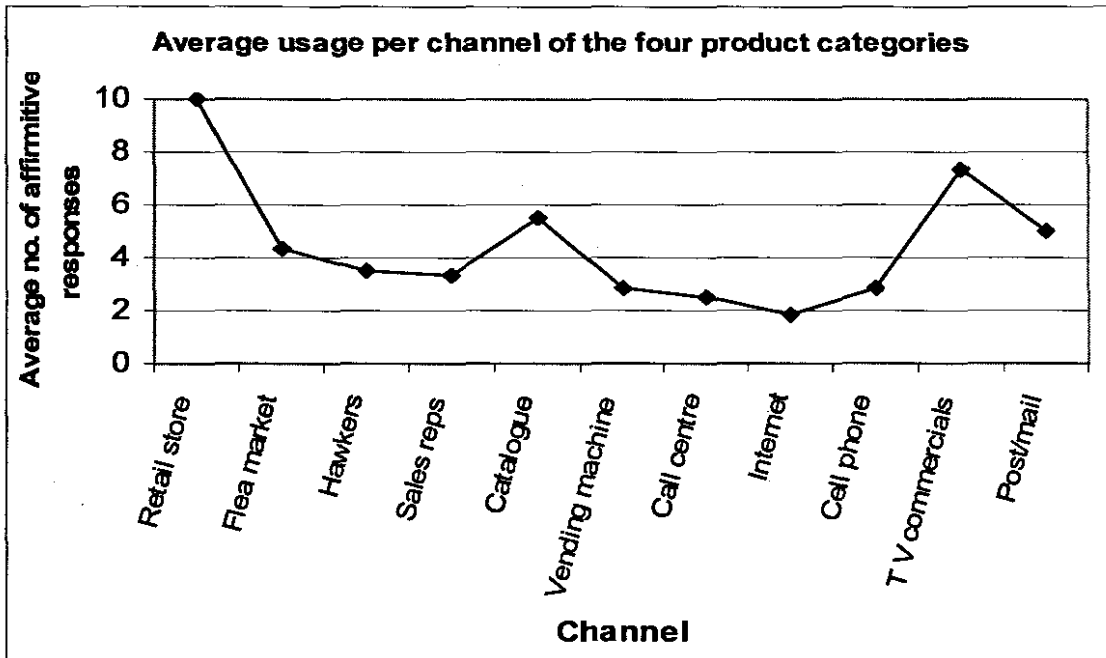
#### **4.3.1 Average usage of channels**

In order to give a broader perspective, it was also necessary to look at the average usage of the channels by the respondents in the purchase of the four product categories. In this view, two types of averages have been determined as follows:

- The average usage of individual channels per all the four product categories has been presented graphically.
- The average usage of all the channels in relation to each of the four product categories has also been established.

##### **4.3.1.1 Average usage of individual channels for all the four product categories**

The averages of the individual channel usages have to do with the average number of respondents using each channel in buying all the four products in question. This is therefore presented graphically in Figure 4.2 overleaf.



**Figure 4.2: Average single channel usage across all product categories**

The figure above shows that on a per channel basis, the average usage of most the channels across all the product categories is very low owing to the low usage of those channels. A detailed analysis of these is presented in the following points:

- An average of 10 respondents out of 10 in the case of each product category, buy from the retail store. This represents a total average usage of the store across board.
- On average, four out of 17 respondents who use flea markets, buy all the four different products through the channel.
- Also, an average of three of the respondents who buy from hawkers, buy each of the four products via the same channel.
- The average users of sales representatives channel, by the respondents in buying each of the four products among to three.
- With regard to catalogue usage, an average of six respondents per product category is shown by the figure above.
- It is also clear that the respondents' usage of vending machines in buying each of the products also averaged three.
- The figure also shows that an average of three of the respondents use call centres when it comes to buying each of the four products.
- It is quite interesting to point out that only two of the respondents for each product category use the Internet on average. This is the least used channel in all four product categories.
- According to the figure above, on average three of the respondents use cell phones in buying each of the products.

- TV commercials record on average seven of the respondents across all product categories.
- An average of five respondents uses the postal mail for each of the product categories.

#### 4.3.1.2 The average usage of all the channels in relation to the individual product categories

Unlike the average usage per the different channels, the averages here concern the number of respondents that use all the channels in buying each of the products under study. According to Figure 4.3 below, very little difference exists between the four product categories when it comes to the respondents' average usage of all the channels in buying the said products. The figure indicates that on an average basis, the number of respondents using all the channels in buying each of the products under study is between four and five. Moreover, the respondents' usage of all the channels in buying groceries averaged 4.3, which is the same in the case of hardware. Computers record a slightly higher average of 4.4 while shoes have the highest average of 4.6.

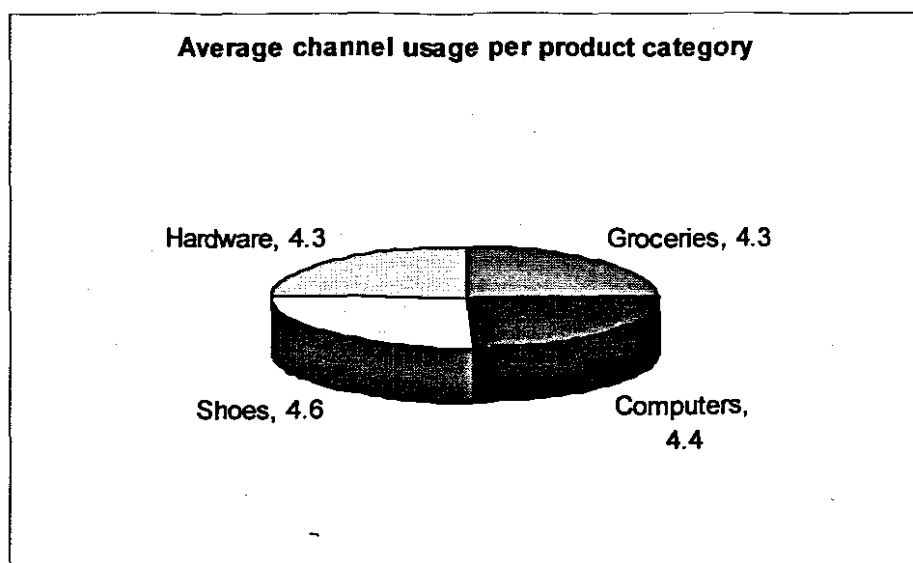


Figure 4.3: Average usage of all channels per product category

There is therefore the need to investigate how the channels performed at each product category. Thus, the respondents' choice of the channels in the case of each of the product categories is discussed next. This discussion includes a graphical presentation of the levels at which the respondents use each of the channels when buying the products in question. In this case, the product categories are therefore discussed individually.

### 4.3.2 Channel usage among grocery customers

The analysis takes into consideration how the respondents in this category use the various channels in buying grocery products. In this regard, the percentages of respondents who use the channels as well as those who don't use them are presented in charts. Figure 4.4 below shows the levels of channel usage among the respondents in the grocery category.

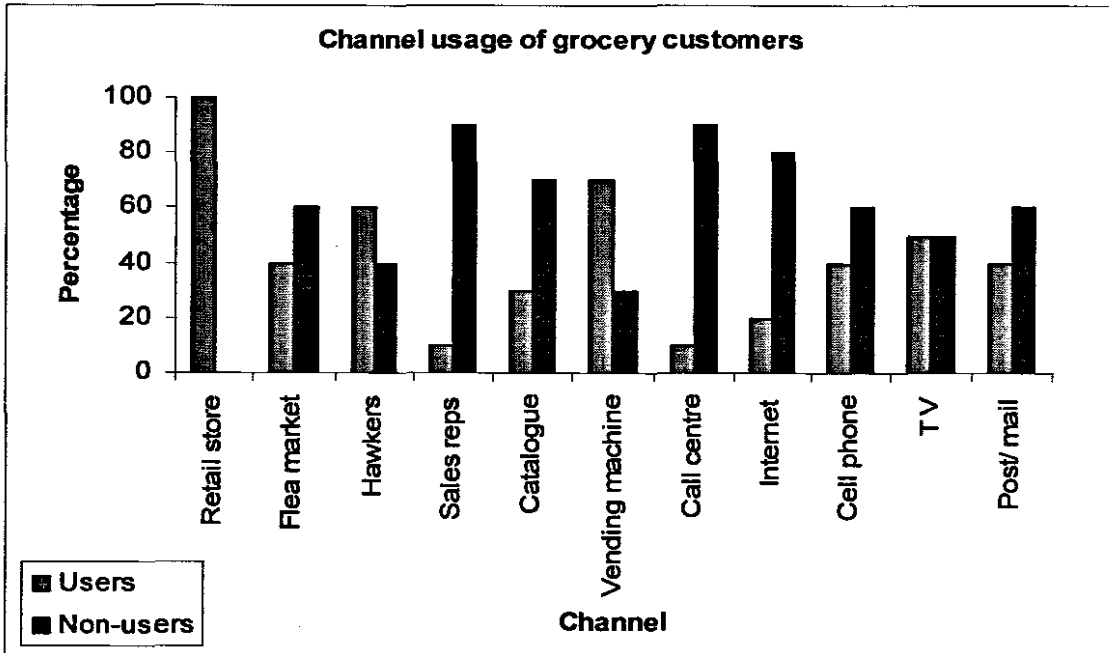


Figure 4.4: Channel usage of grocery customers

Figure 4.4 above shows the retail store to be the most used channel among the respondents in buying grocery products. The figure depicts a 100% usage of the retail store, which means that all the respondents in this category buy their groceries from the store. Therefore, those who use the rest of the channels in buying groceries are using two or more channels. As such, there is an element of multi-channel usage by the respondent in this category.

On the contrary, the figure above shows that the usage level of most of the channels by the same respondents is very low. For instance, only 10% of the respondents buy groceries from the sales representatives as opposed to 90% who do not use the channel. This is the same in the case of call centres, and is closely followed by the Internet channel which is used by 20% of the respondents, while the remaining 80% don't buy online. This trend is, however, significant in determining the suitable channel mix for different product categories.

### 4.3.3 Channel usage among computer customers

In this case, a comparison between the users and non-users of the various channels is drawn to indicate the channels used by respondents in buying computer and computer accessories. The extent to which the different channels are used is also important in revealing the multi-channel usage by the respondents. Figure 4.5 below illustrates this comparison vividly.

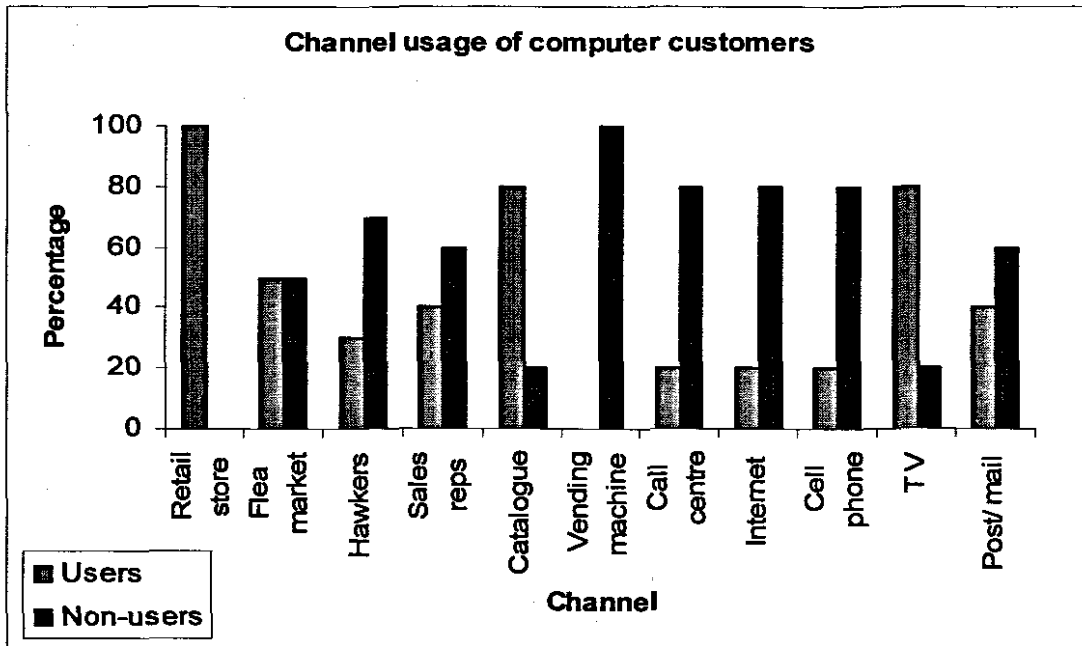


Figure 4.5: Channel usage of computer customers

As in the case of groceries, Figure 4.5 above shows that all the respondents in this category also buy their computer and computer accessories over the counter from the retail store representing a 100% usage. According to Figure 4.5 above, some channels such as catalogues and TV commercials are also in high use. It is shown that 80% of the respondents use each of these channels as compared with 20% who do not. This is also a clear indication that multiple channels are used in buying computer products.

Notwithstanding the high levels of usage of channels like the retail store, catalogue and TV commercials, none of the respondents use the vending machine in buying this category of products. Figure 4.5 above depicts that 100% of the respondents do not use the vending machine. Moreover, 80% of the same respondents do not use call centres, the Internet, and cell phone respectively. These results therefore inform that, although the respondents may use multiple channels, not all channels are appropriate for this product category.

### 4.3.4 Channel usage among shoe customers

With regard to buying shoes, the analysis focuses on the channels that are used by retailers as compared to those that are used by customers in this category. Furthermore, the levels at which shoe customers use and don't use the various channels are also crucial in determining the multiple channel usage behaviour of the customers under study. This is illustrated in Figure 4.6 below, which compares users and non-users of the channel.

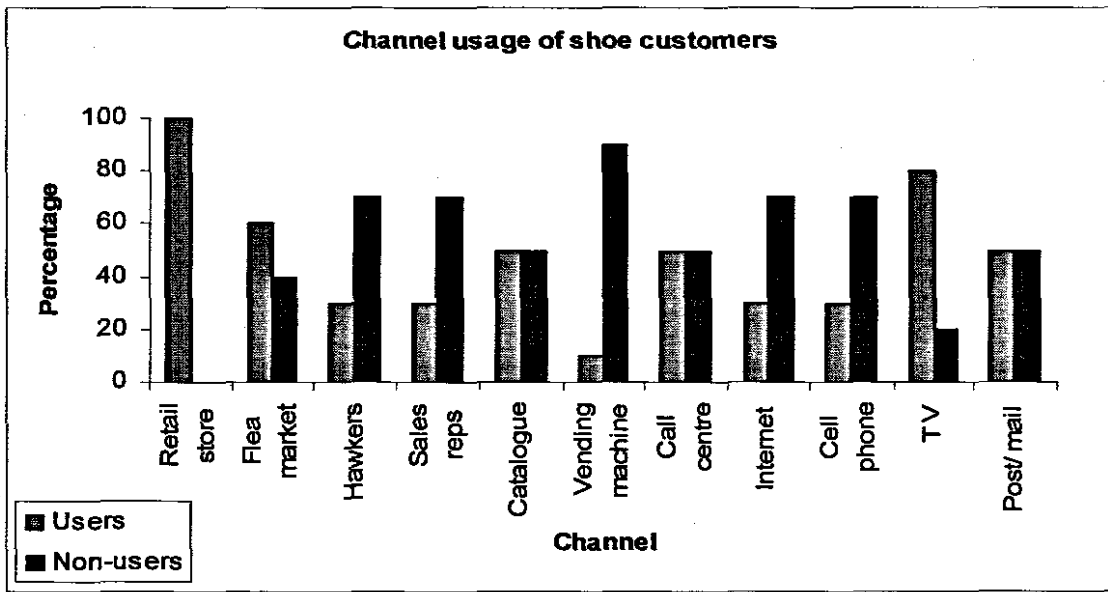


Figure 4.6: Channel usage of shoe customers

It is interesting to note that the retail store channel still dominates this category, as it achieves a 100% usage of the channel as shown in Figure 4.6 above. The figure also shows that all the channels in this survey are being used at different levels by the respondents in buying their shoes. This represents a multiple or cross-channel usage as well as customer channel preferences in buying such product as shoes.

On the other hand, the majority of the channels are only being used to a lesser extent by the same respondents in this category. From Figure 4.6 above, the highest records of less used channels are 90%, 70%, 70%, 70%, and 70% of the respondents don't use vending machines, hawkers, sales representatives, the Internet and cell phones respectively. This means that customers are not comfortable using these channels, which is significant in selecting channels for a multi-channel strategy in this category.

### 4.3.5 Channel usage among hardware customers

The survey for this category also presents some interesting results on the customers' channel preferences in buying hardware products. Figure 4.7 below illustrates this by showing the users versus non-users of the channels.

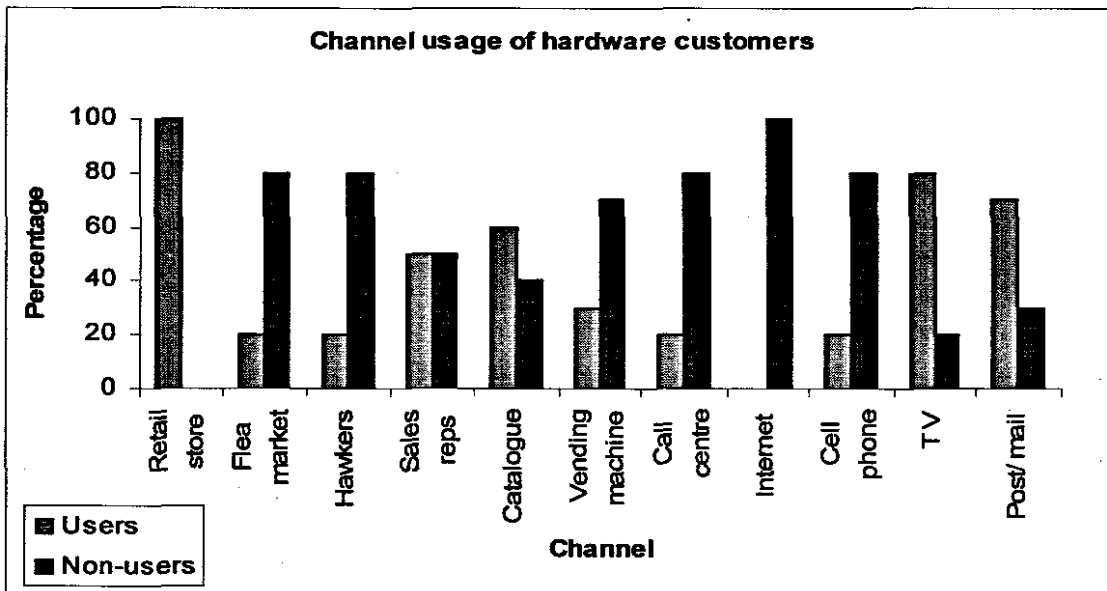


Figure 4.7: Channel usage of hardware customers

The most significant difference in this case, according to Figure 4.7 above, lies between the retail store and the Internet, where 100% of the respondents buy hardware products from the retail store but do not buy on the Internet, and vice versa. This gives an indication to retailers wishing to embark on MCR that not all channels are used or even preferred by customers in buying all products.

Besides, the majority of the rest of the channels are less used by the respondents. Some of these include: flea markets, hawkers, call centres and cell phones, each of which records 80% non-users as shown by the figure above. It is also clear that 70% of the same respondents don't use the vending machine in buying hardware products. However, this shows what type of channels to combine in formulating a multi-channel strategy.

While there is no difference among the product categories when it comes to buying through the store, the choices of the respondents' channel usage vary from one product category to another. Some of these differences are highlighted in the following points:

- Apart from the store, the grocery customers prefer to buy more from the vending machine and hawkers. The least used channels for groceries are sales representatives, call centres and the Internet.



- The responses from computer customers reveal that the catalogue and TV commercials are the next most used channels aside from the store. Unlike grocery customers, however, computer customers do not make use of the vending machine.
- Shoe customers choose to buy more through the flea market and TV commercials in addition to the store. Vending machines, hawkers and sales representatives are the least used channel in this case.
- Meanwhile, hardware customers tend to use more catalogues, TV and post in their buying. The Internet, on the other hand, is not used at all by such customers.

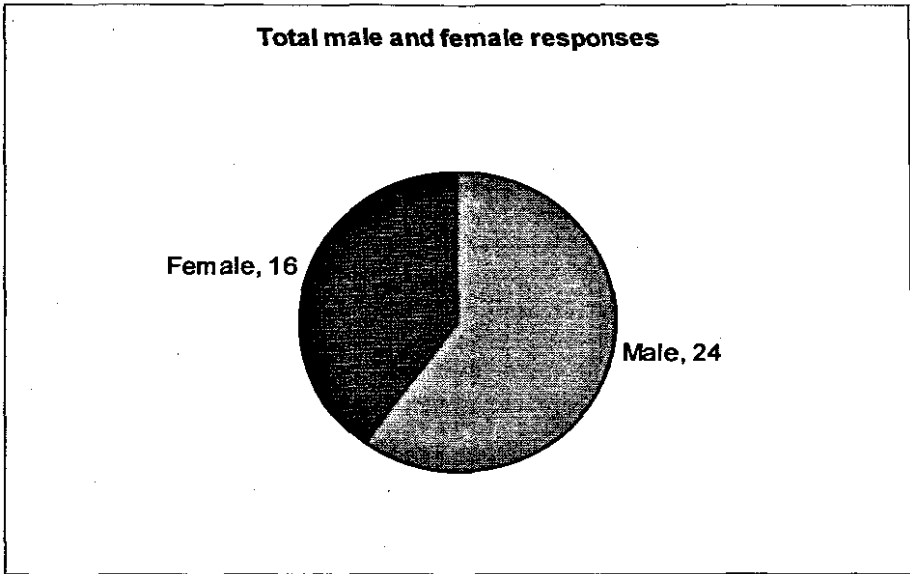
The analysis of the demographic information of the respondents follows from this point. This includes the total demographics of respondents across all the product categories and that of each individual product category.

#### **4.4 Demographics**

This aspect of the analysis presents in charts the demographic distribution of the respondents who participated in the survey. Although the respondents differ in relation to the different product categories, the demographics are totalled and presented graphically to give an overall picture of the respondents. This is followed by the demographic analysis of the respondents per each product category. The demographics include gender, age group, level of education and annual income.

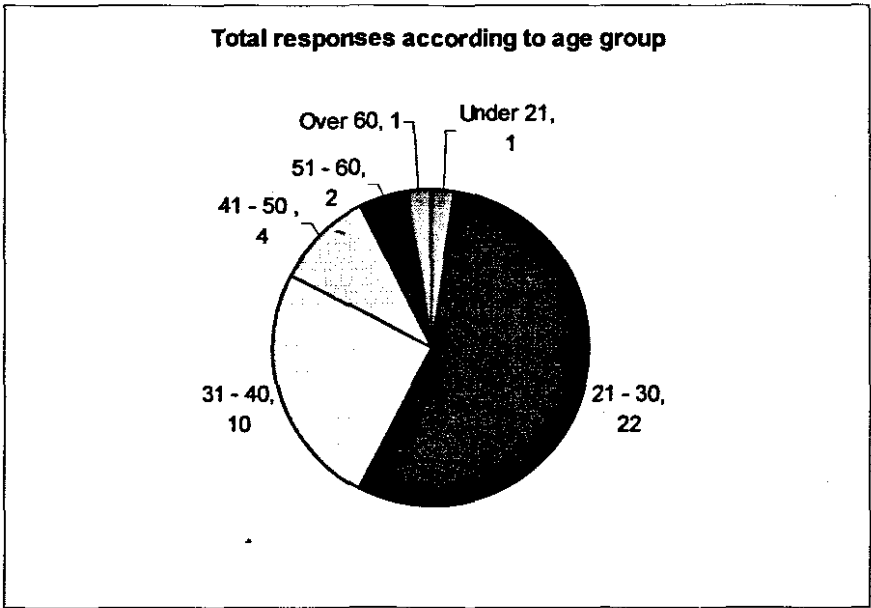
##### **4.4.1 Total demographics of all the product categories**

The combination of the responses of the four product categories indicates that 24 out of the 40 respondents were male while the remaining 16 were female. This indication as shown in Figure 4.8 overleaf might have contributed to the channel choices made by respondents across the four product categories. Also, the male domination respondent population shows the kind of channels male respondents use more than females. However, this is different when it comes to the individual product categories.



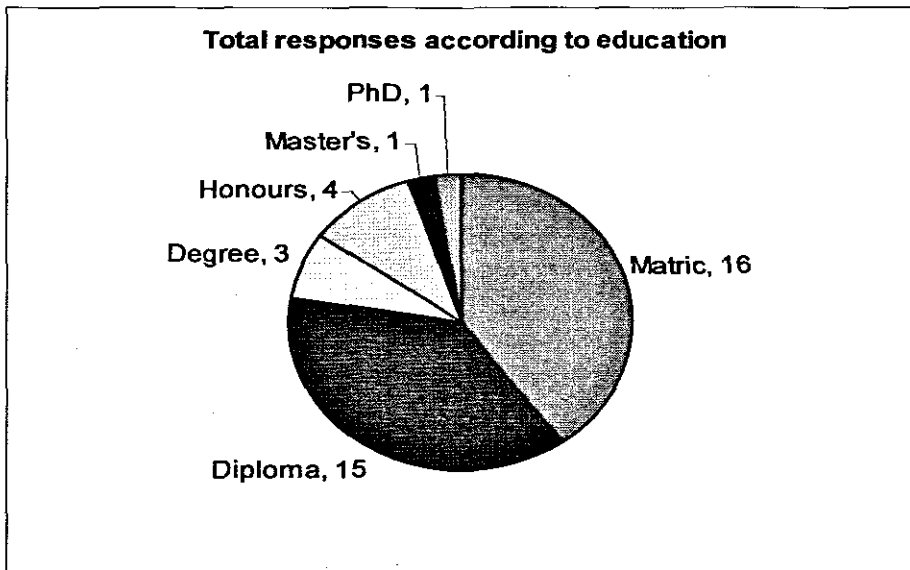
**Figure 4.8: Total male and female responses**

The combined age groups of the respondents across all the product categories as depicted in Figure 4.9 below reveals that more than half of the respondents were within the age groups of 21 and 30. A quarter of the population was also between the age groups 31 and 40 while the remaining respondents were split among the rest of the age groups. Although these age group distributions could be different in the case of the individual product categories, the score of the 21-30 age groups is significant enough to have tilted the channel choices of the respondents to their preferred channels.



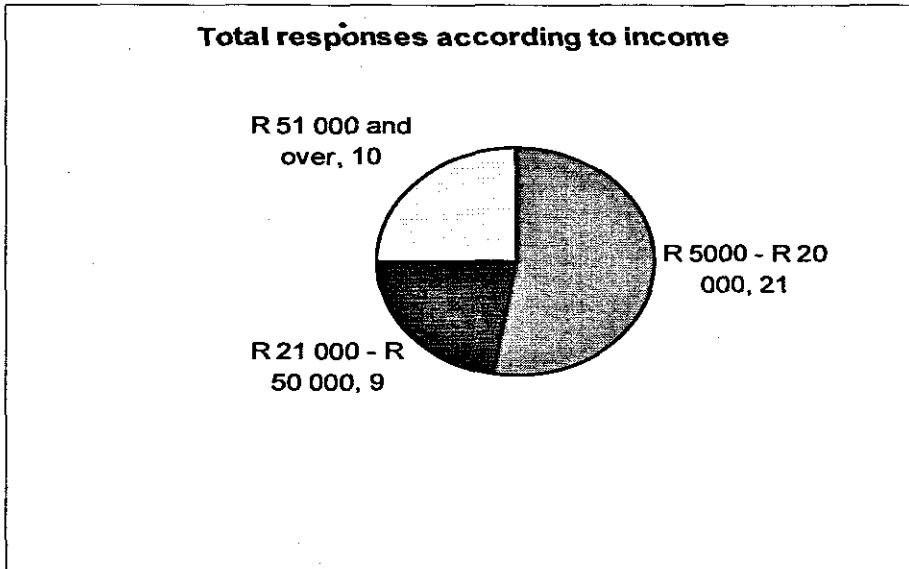
**Figure 4.9: Total responses according to age group**

The respondents' level of education is one of key aspect of this demographic analysis since education can lead to knowledge, usability and affordability of channels. As a result, the overall levels of education of the respondents of all the four product categories are examined. Figure 4.10 below shows that, 16 of the 40 respondents have Matric certificate as their highest level of qualification while 15 out the 40 hold Diploma qualifications. The rests are marginally split between degree, honours, master's and PhD qualifications. On a general note, these trends have influenced the respondents' channel decision-making.



**Figure 4.10: Total responses according to education**

Having looked at gender, age group and level of education, the respondents' levels of income are analysed. In relation to Figure 4.11 overleaf, the majority of the respondents fall under the income level of R 5000 – R 20 000, while the remaining are divided between the income levels of R 20 000 – R 50 000 and R 51 000 and over. This explains why certain channels, especially those that are powered by sophisticated technologies, are not top priority to the respondents in the case of all the four product categories, since more than half the total respondents belong to the lowest income group.



**Figure 4.11: Total responses according to income**

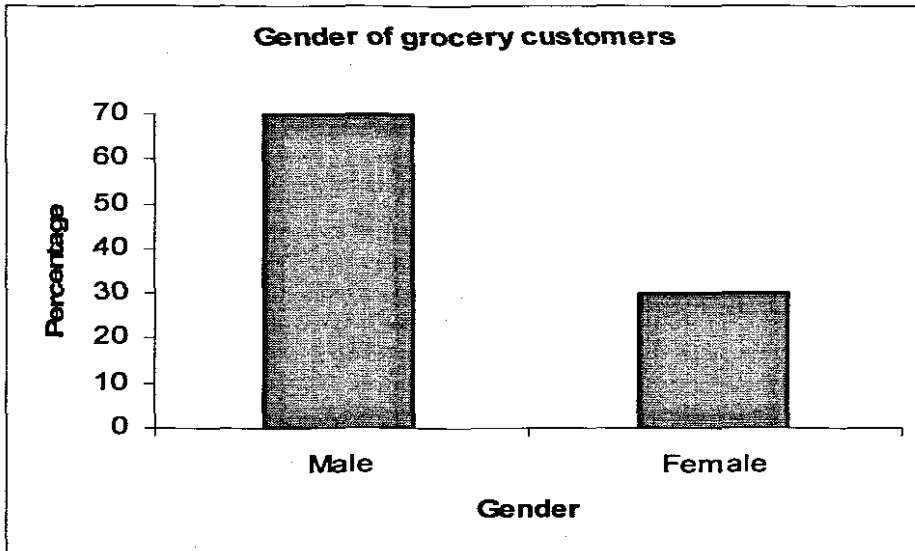
Having looked at the demographics of the respondents across all the product categories, it is necessary to view the demographics from the perspective of each product category. Hence, the demographic composition of the respondents in the case of each product category is discussed next.

#### **4.4.2 Demographics per product category**

In this case, the analysis examines the demographic information of the respondents of each individual product category in relation to their channel usage. This is because the respondents of the different product categories are not the same. It is also in this regard that the various groups of respondents are dealt with separately. The demographic distributions of the respondents have an influence on their channel decision-making in any of the product categories.

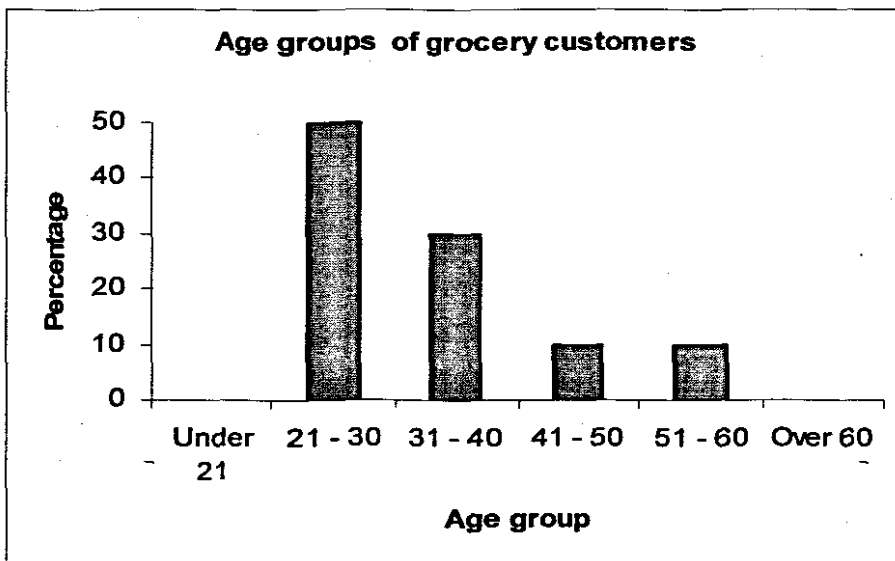
##### **4.4.2.1 Demographics of grocery customers**

With regard to gender, the respondents in this category comprise 70% male and 30% female as shown in Figure 4.12 overleaf. The fact that the majority of the respondents under the grocery category are male may have influenced their channel choices as shown in Figure 4.4 above. Figure 4.4 above shows the store, vending machines and hawkers to be the most used channels by the customers, while sales representatives, call centres and the Internet are the least used.



**Figure 4.12: Gender of grocery customers**

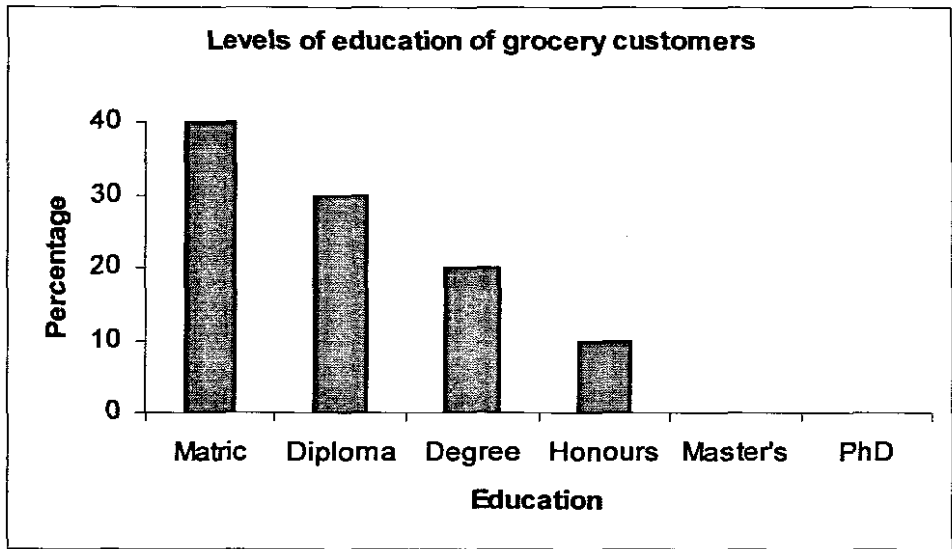
In terms of age group, the respondents are aged between 21 and 60. This could also have an impact on their channel choice. According to the results shown in Figure 4.13 below, 50% of the respondents are between the ages of 21 and 30.



**Figure 4.13: Age groups of grocery customers**

The rest of 50% is split between the age groups of 31 to 40, 41 to 50 and 51 to 60, while there were none under 21 and over 60. These statistics therefore show the kind of channels used by people under these age groups in buying grocery products as illustrated in Figure 4.4 above.

As Figure 4.13 above shows, most of the respondents appear to be between the ages of 21 and 30, and less elderly, their levels of education also reflect a higher number of Matric holders, followed by diploma, degree and honours graduates. None of them holds a master's or PhD degree. This is illustrated in Figure 4.14 below.



**Figure 4.14: Levels of education of grocery customers**

In this instance, the level of education of the respondents has influenced the kind of channels, as well as the number of channels that are being used or not used by the respondents as shown in Figure 4.4 above.

Although education may play an important role in the knowledge and use of certain retail channels by customers, this is not without financial constraints. For instance, customers who do not have access to the Internet may find it hard to take advantage of the online channel even though they may be computer literate. Figure 4.15 overleaf illustrates that 70% and 30% of the respondents in the grocery category are within the income groups of R5000 – R20 000 and R 21 000 – R 50 000 respectively.

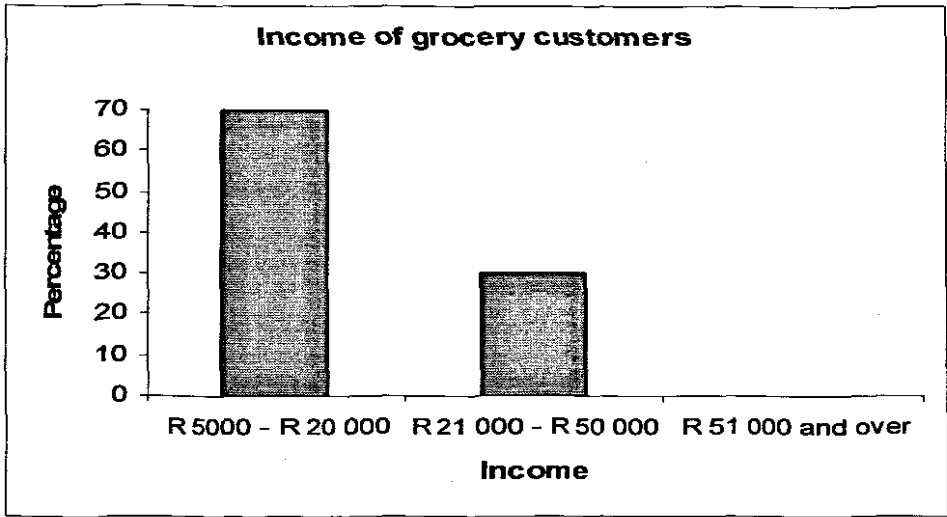


Figure 4.15: Income of grocery customers

#### 4.4.2.2 Demographics of computer customers

The respondents' composition with regard to gender in this category, are 50% male and 50% female according to Figure 4.16 below. This therefore means that the choice of channel usage made by the same respondents in Figure 4.5 above had an equal contribution from both male and female.

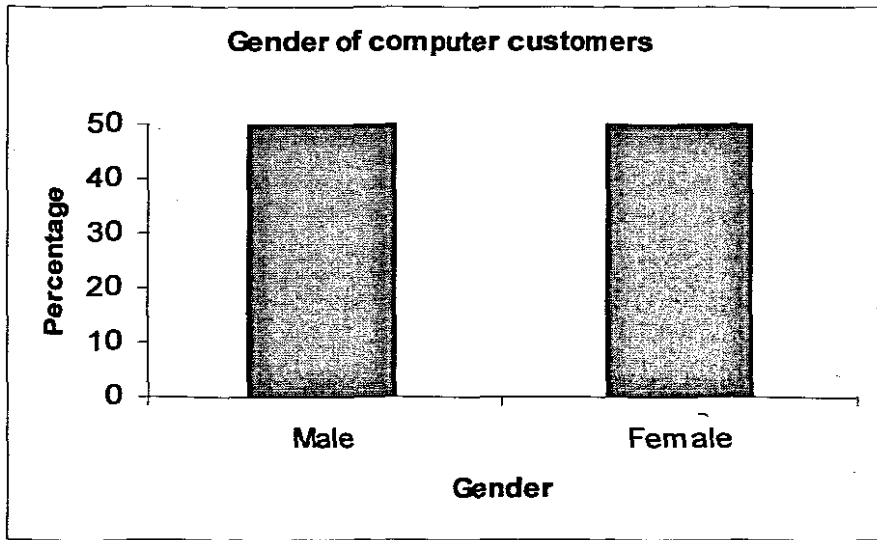
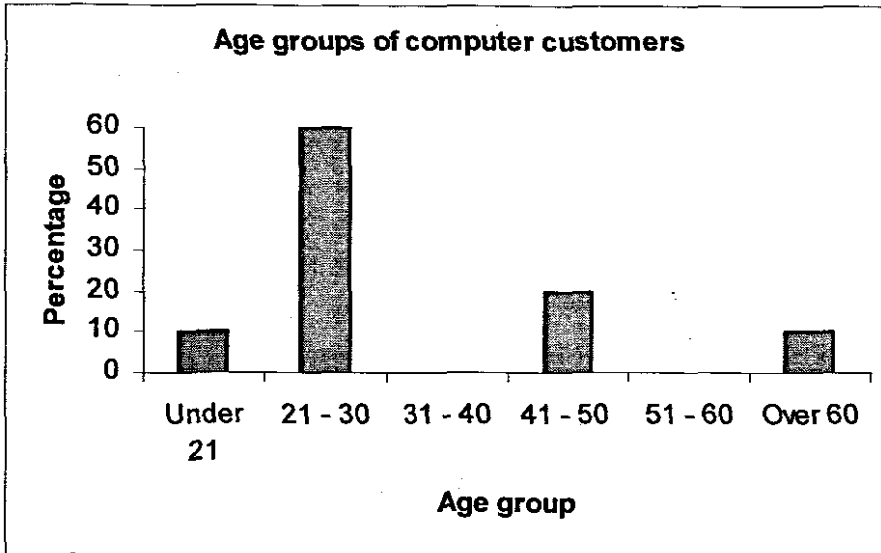


Figure 4.16: Gender of computer customers

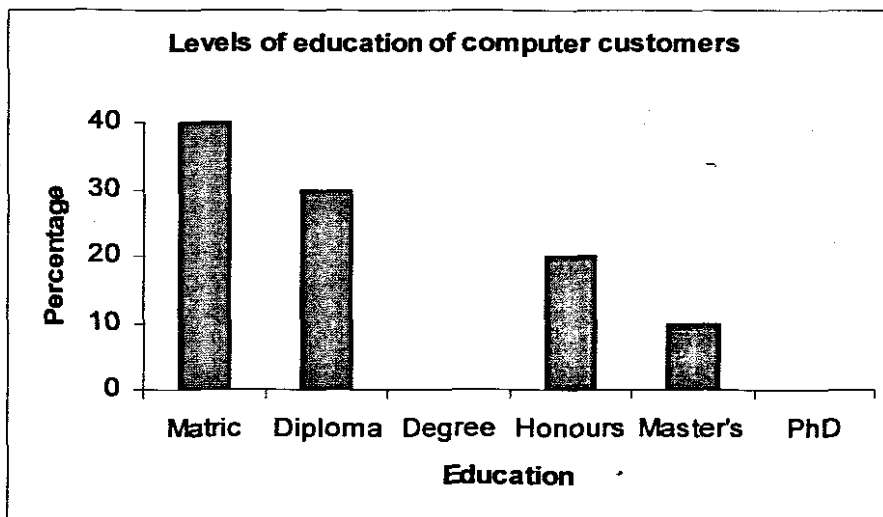
As in the case of groceries, the majority of the respondents in the computer category are aged between 21 and 30 while none of them fall under the age groups of 31 – 40 and 51 – 60. This is evidenced in Figure 4.17 overleaf.



**Figure 4.17: Age groups of computer customers**

The fact that the majority of the respondents in this category are within the age group of 21 – 30 contributed to their channel choice as illustrated in Figure 4.5 above. This therefore suggests that the channels mostly used in the category cannot be neglected by the computer retailers if customers in this age group are going to be taken care of.

In terms of education, the respondents in the computer customers' category consist of 40% Matric certificate holders, 30% diploma holders, 20% honours graduates and 10% master's graduates as depicted in Figure 4.18 below. The figure also shows that none the respondents has a first degree or a PhD as the highest qualification.



**Figure 4.18: Levels of education of computer customers**



According to Figure 4.19 below, 40% and 20% of the respondents here are within the income brackets of R 21 000 – R 50 000 and R 51 000 and over, respectively. The respondents in these two high income earning groups put together are more than those in low income groups which represent 40%. Despite the high income of the respondents, their channel choice has not favoured the technologically oriented channels such as the Internet, cell phone and call centre (refer back to Figure 4.5).

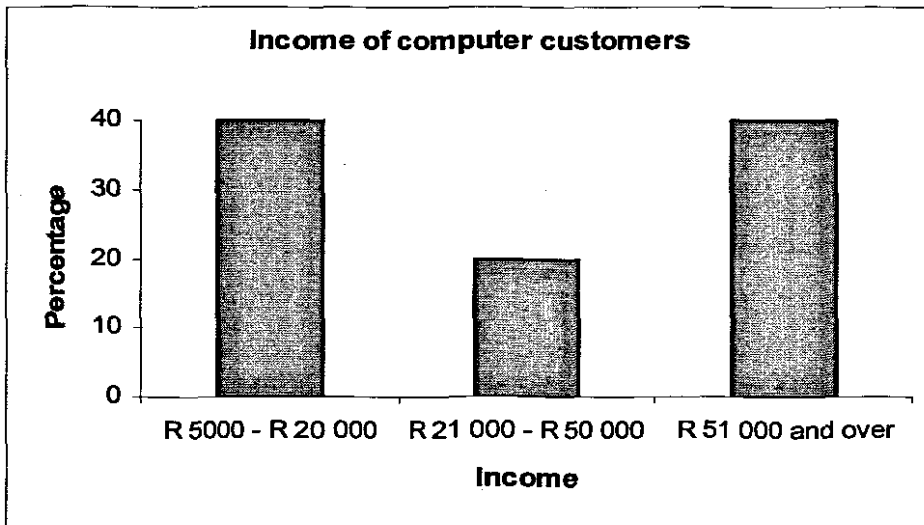


Figure 4.19: Income of computer customers

#### 4.4.2.3 Demographics of shoe customers

In this section, the gender, age groups, levels of education and income are presented in charts. With regard to gender, there is a perfect split in this category as the respondent composition from Figure 4.20 below is 50% male and 50% female. This means that the channel choices of the respondents in the category of shoes, has been influenced by gender imbalances.

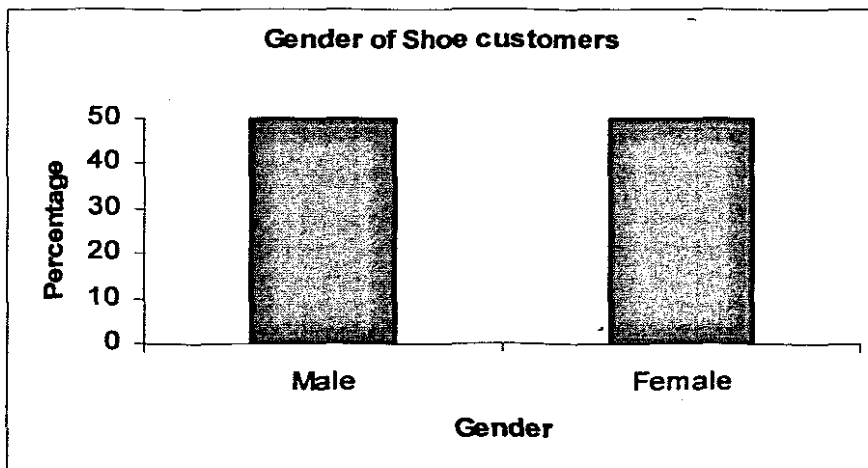


Figure 4.20: Gender of shoe customers

Unlike the gender distribution of the respondents, their age groups fall between 21 and 40. According to Figure 4.21 below, 60% and 40% are within the groups of 21- 30 and 31 – 40 respectively. It is clear that the channel usage choices in this category as shown in Figure 4.6 above were made by only respondents in the two age groups. This therefore cannot be taken to represent the choices of all the age groups under study.

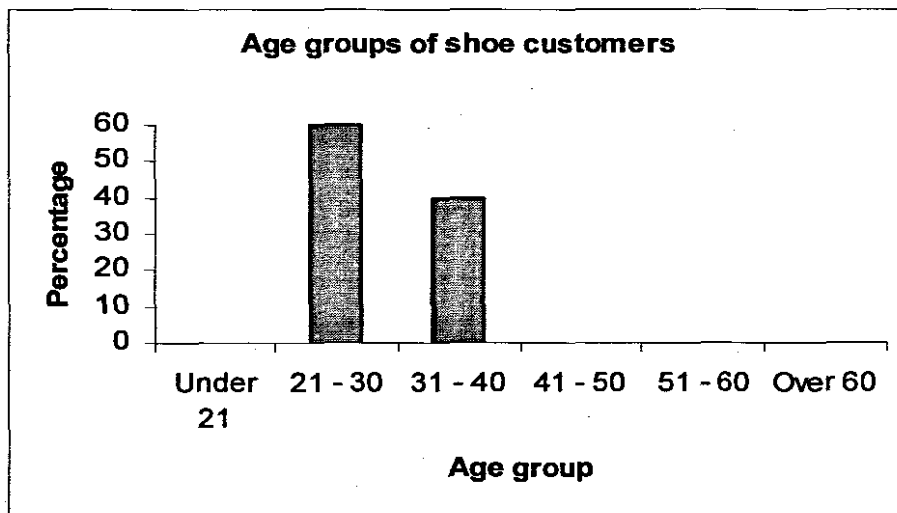


Figure 4.21: Age groups of shoe customers

The results with regard to education shown in Figure 4.22 below indicate that 70% of the respondents in this category have diplomas as their highest qualification. The remaining 30% are split between Matric, honours and PhD. Education plays a significant role in the channel usage choices of customers as it creates channel awareness as well the ability to use certain channels, for example, the Internet.

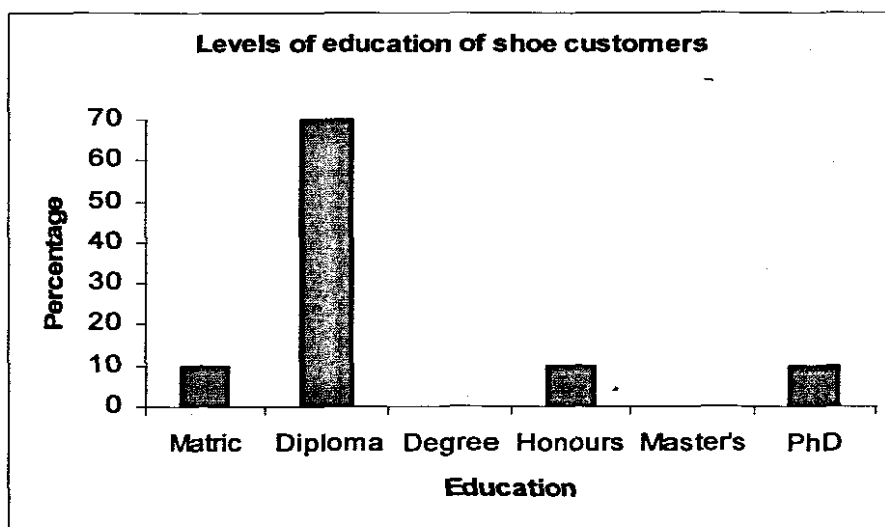


Figure 4.22: Levels of education of shoe customers

The income brackets of the respondents as illustrated in Figure 4.23 below indicate that 60% of the respondents here earn over R 50 000 per annum. The income level of these respondents also contributes to their choice of channels and usage. This is because the financial strength of customers can break the barriers to using certain channels. A typical example of this is Internet and cell phone charges.

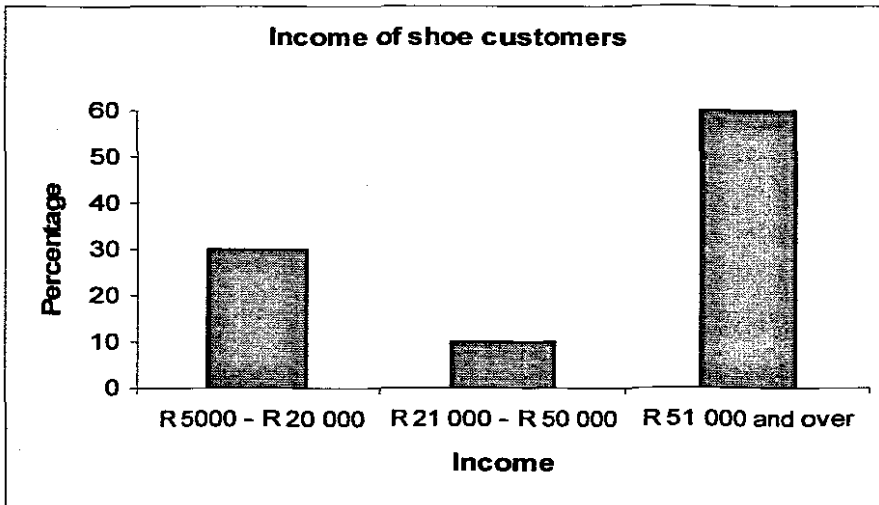


Figure 4.23: Income of shoe customers

#### 4.4.2.4 Demographics of hardware customers

As in the case of all the other product categories, the gender, age group, education and income of the respondents are presented in charts. In terms of gender, males dominate the hardware category as Figure 4.24 below shows: the respondents for this category comprise 70% male and 30% female. This gender imbalance would have influenced the channel choice and usage of the respondents.

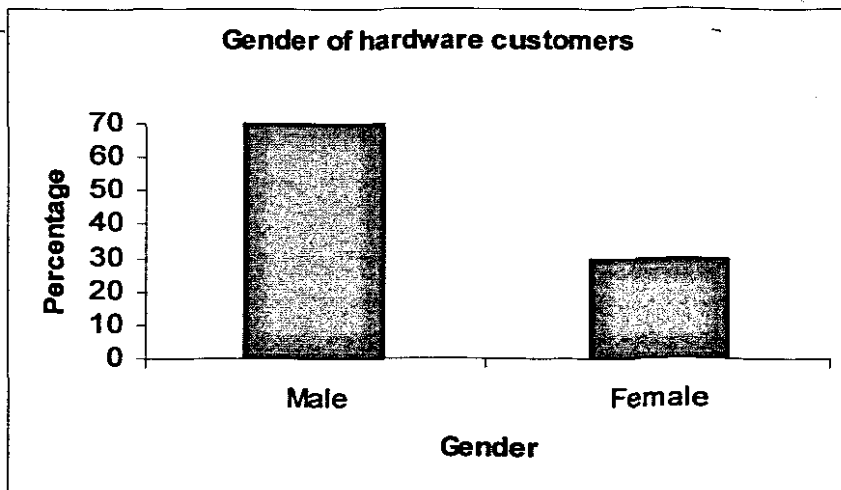


Figure 4.24: Gender of hardware customers

Quite apart from gender, the respondents in this category fall under three of the six age groups studied. These include 21 – 30, 31 – 40 and 51 – 60, where 60%, 30% and 10% are recorded respectively in Figure 4.25 below. It follows, therefore, that the channel choices made by the respondents in this category do not represent the choices of all the age groups under study.

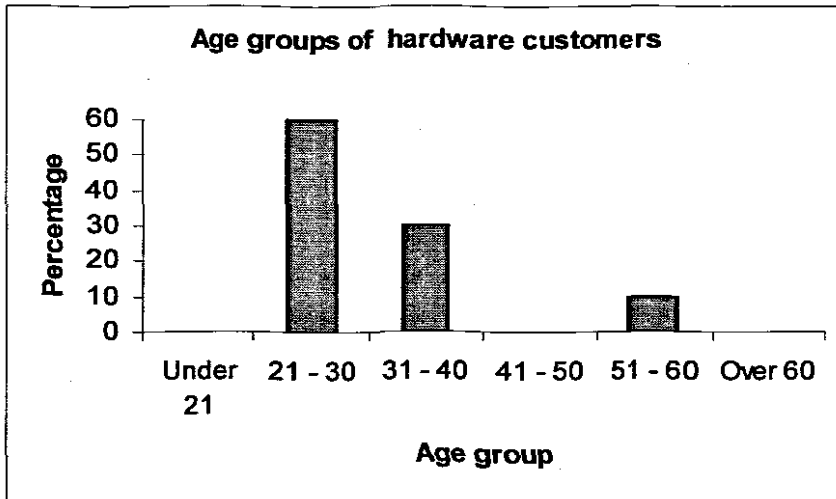


Figure 4.25: Age groups of hardware customers

The respondents' composition concerning their levels of education as presented in Figure 4.26 below indicates that 70% of them have Matric as their highest qualification. The rest of the respondents consist of 20% diploma holders and 10% graduates. The high number and percentage of the Matric qualification holders among the respondents may have contributed to their channel decisions. For instance, one of the respondents in this category uses the online channel, as shown in Figure 4.7 above.

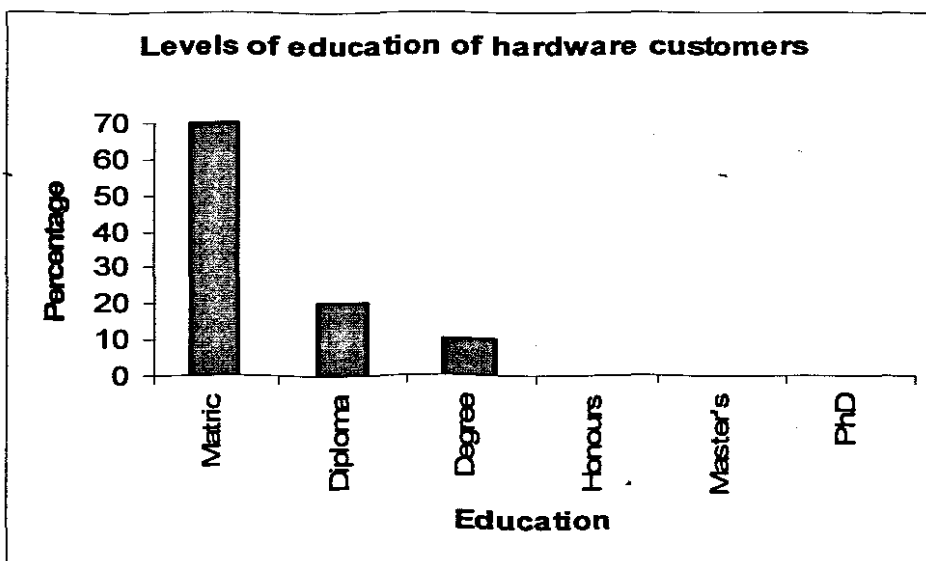


Figure 4.26: Levels of education of hardware customers.

Similar to the case of education, 70% of the respondents fall within the income brackets of R50 000 and R20 000 in this category according to Figure 4.27 below. Owing to this, it becomes difficult for them to use channels that are sophisticated and costly. For example, the Internet channel, which requires access to the computer, the Internet connection and usage cost, is not used by the respondents in this category.

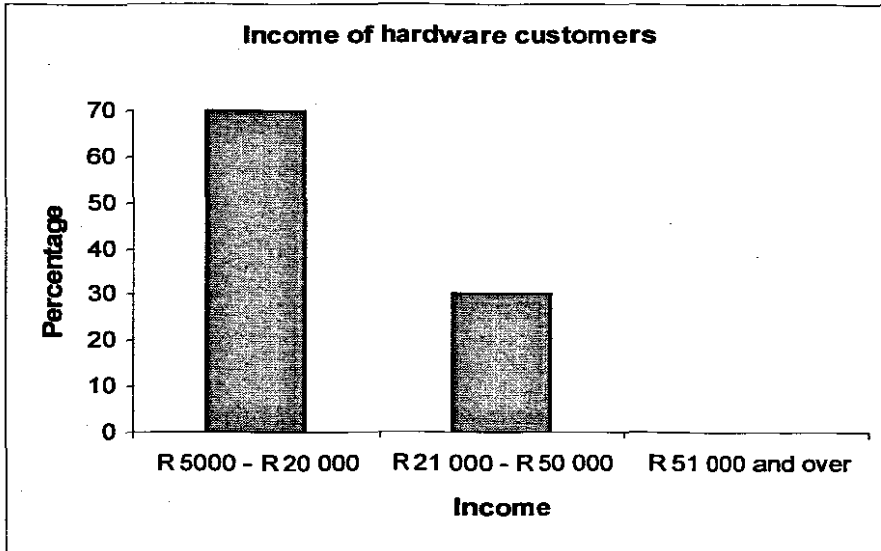
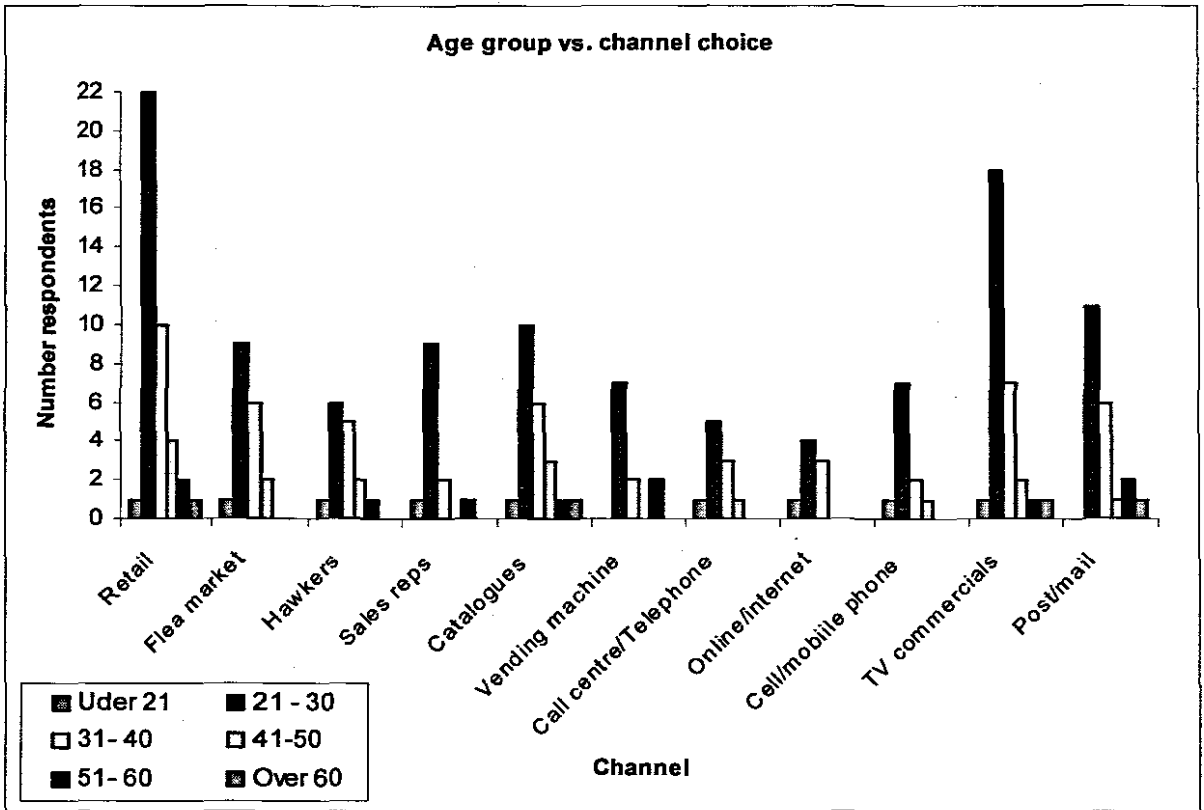


Figure 4.27: Income of hardware customers

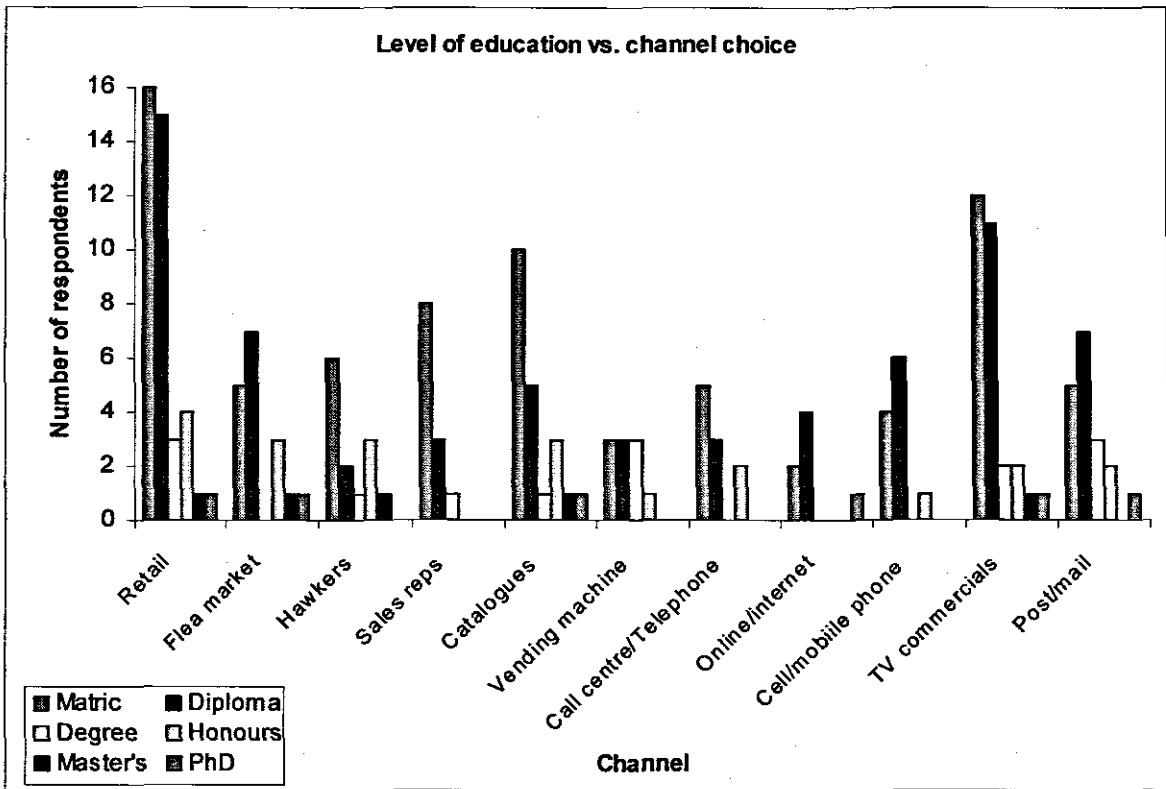
#### 4.5 Channel choices of the different demographic groups across all four product categories

Unlike the above demographic information, this aspect of the analysis indicates the number of customers (respondents) that use each of the different channels across all the four product categories studied. Figure 4.28 overleaf shows the 21-30 age group as being dominant in more than half of the channels and the over-60 group being the least dominant, since customers in this group use fewer channels. This correlates with the data in Figure 4.9, which shows that the 21-30 age group forms more than half of the customer population studied.



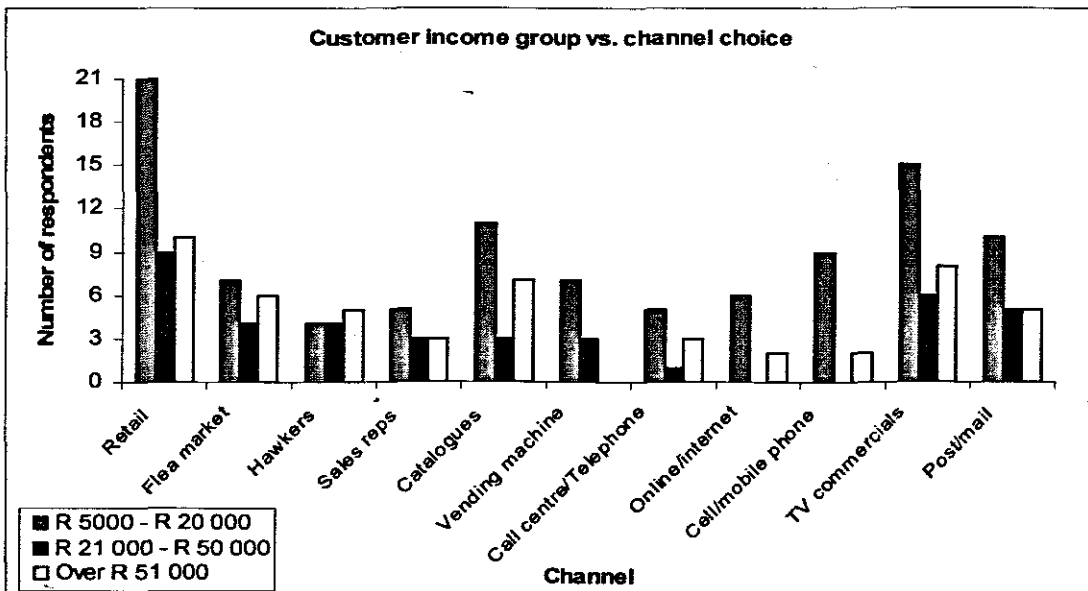
**Figure 4.28: Customer age groups versus channel choices**

Analysing the levels of education of customers and their channel choices, it is clear as revealed by Figure 4.29 overleaf that customers with diplomas and degrees are the most users of all the different channels across the four product categories. The figure shows the number of customers at each level of education using each of the different channels across the four product categories.



**Figure 4.29: Customer level of education versus channel choice**

With regard to income group of customers measured against their channel choices, the lowest income groups are the most users of almost all the channels across the four product categories. This is illustrated by Figure 4.30 below, and corresponds with Figure 4.11 which shows that the lowest income group represents more than half of the sample population. According to Figure 4.30, customers within the R 21 000 – R 30 000 income group do not use the Internet and mobile phone in buying any of the four product categories.



**Figure 4.30: Customer income group versus channel choice**

#### **4.6 Summary of the quantitative analysis**

Across all the four product categories there is a 100% usage of the retail store channel, which means that all respondents within the sample population use this channel irrespective of the different product they buy. This 100% usage of the retail store channel therefore implies that the respondents who use the rest of the channels in this study would have been using two or more channels, which is a clear sign of multi-channel usage. Interestingly, the Internet channel is the least used channel for these products as far as this study is concerned.

Quite apart from that, the levels of channel usage are very dependent on the product category. While grocery customers use certain channels at higher levels, computer customers are the fewest users of those same channels and vice versa. This also applies to the rest of the product categories. Owing to this, the results cannot be generalised across the different product areas; rather it shows that the results are very dependent on the nature of the product at hand: customers buy individual products using different preferred channels. As the product categories in question also represent the four retail SMMEs in this study, the results from this survey simply reveal the extent to which customers or potential customers would buy their products using the available channels.

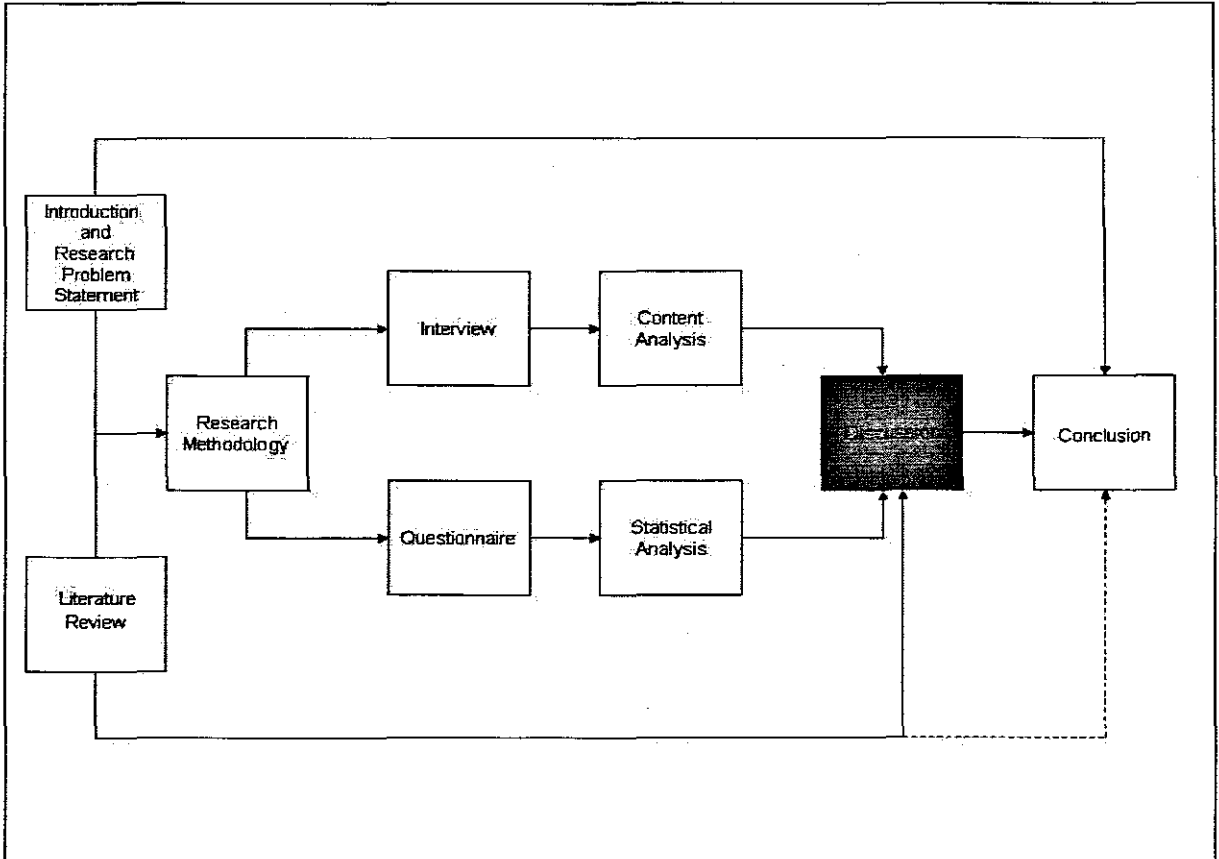
The demographic characteristics of the respondents also have an impact on their channel choice and usage in buying the different products. For instance, the education of the respondents contributes to their knowledge of the different channels, which then leads to better channel choices. However, this is product category specific and cannot be taken to represent all the product categories.

The two sets of analysis provide some interesting findings regarding MCR and the retail industry. While management interviews reveal that channel inter-dependency is a key success factor for both large and small multi-channel retailers, the customer survey indicates that customer channel choice is dependent of the product to be purchased. Sector differences become critical.

Findings are discussed in the next chapter and assessed for their contribution to answering the research question.



## CHAPTER FIVE: DISCUSSION OF THE RESULTS



**Figure 5.1: Model of the research process**

### 5.1 Introduction

This study has produced both qualitative results (retailers' feelings about MCR) and quantitative results (customers' feelings about MCR). This chapter sets out to compare and contrast the two sets of data.

Following the presentation of the findings in Chapter Four, there is an emerging pattern of retailer customer channel usage. It has been found that all the retail outlets, both large and small, rely on over-the-counter sales and all the customers also buy that way. So the few cases where there are alternative channels become interesting. In this chapter, the qualitative and quantitative findings are discussed and compared in a bid to answer the investigative questions. These questions, derived from the main research question, are restated overleaf to guide the discussion in this chapter.

1. How is MCR applied in large retail outlets?
2. What factors affect the success of MCR in large retail outlets?
3. How is MCR applied in retail SMMEs?
4. Could MCR benefit SMMEs and their customers?
5. How do these benefits contribute to growth?

The chapter works through the following issues related to the research question, so that these research questions can be addressed:

- Multi-channel retailing in large retail outlets
- Multi-channel retail strategy
- Steps of purchase in a multi-channel environment
- Multi-channel retailing in SMME retail outlets
- Benefits of multi-channeling to retailers
- Benefits of multi-channel retailing to customers
- Growth opportunities in multi-channel retailing
- The retailer and the customers
- Challenges in multi-channel retailing.

## **5.2 Multi-channel retailing in large retail outlets**

As mentioned earlier, the large retail outlets were studied in order to have a better understanding of MCR so that it can be interpreted as a growth strategy for retail SMMEs. It is in this regard that the two large retail outlets, Juta Bookshop and Incredible Connection, were studied, with three interviews undertaken in each company. The interviews were centred on the channels used by the companies, integration of the different channels, benefits and opportunities of using multiple channels, and the challenges involved as explained in Chapter Four. The discussion in this chapter therefore draws considerably from the analysis in Chapter Four in order to reveal the differences and similarities between the two companies from an MCR perspective.

The information concerning the large outlets reveals that although the two companies are from different sectors of the retail industry, they are similar when it comes to multi-channel issues. Of course, the analysis in Chapter Four pointed out some variations in the channel usage between the two companies. Juta Bookshop uses store, e-tailing, sales

representatives, direct mail and m-tailing, while Incredible Connection uses the store, e-tailing and call centre. This is where it becomes necessary to explore the differences in their channel mixes.

While both companies placed more emphasis on the store, Juta Bookshop does this more, because as mentioned before, it is a destination store which faces limited competition in its particular sector, and therefore does not take marketing seriously. This also explains why Juta Bookshop's MCR programme is being run in an ad hoc manner with no solid strategy for change. Besides that, apart from sales representatives who go out to customers, all the e-tailing, m-tailing and direct mail activities are intended to attract customers into the store and not to make sales on their own. Interestingly, this is not different in the case of Incredible Connection, where the Internet and catalogue canvass customers to the store while the call centre caters for their corporate customers. So, in this instance, the difference is only in the channel mixes, since the two companies belong to different sectors, and different markets require different channel mixes (Friedman, 2002:230).

It has also come to light from examining the large retail outlets, that customer information is very important in a multi-channel environment. According to the findings, this customer information is collected through some of the channels in a multi-channel environment, such as the Internet and also via promotional activities such as running competitions. For example, with Incredible Connection, product requests made on the Internet are normally sent to the nearest store for processing. Here, one of the respondents says, "[We] would phone the customer and do a direct follow-up." This shows that the contact details of all customers who make online requests are being recorded, and can therefore be used for operations on other channels such as m-tailing, direct mail and sales representatives. Furthermore, customer information is collected through promotional events like competitions, according to the large retailers. In exploring this, a respondent at Juta Bookshop had this to say:

We are running a competition and had daily draws where if you spent R200 or more you enter into a competition and we had daily draws on MP3 players ... and a laptop as grand prize ... and with all that information we formed a database. What we did with the competition form is, we recorded where the students were studying, what course they were studying and then we tied that to the invoice number of the transaction and entered it into [the] database.

This therefore leads to customer knowledge, which is useful in determining customers' preferred channels in an MCR environment. As Gagnon and Chu (2005:17) predict, by the year 2010, retailers would need to have more knowledge about their customers if they want to remain relevant to their customers as well as sustain growth. Another respondent concurred that:

It requires a database, [and] it requires knowing who your customer is. If you don't know who your customers are, where they are and how to reach them, then you forget doing it. You can have the best campaign in the world but if you can't get to them it's a waste.

It is therefore evident that for the multiple channels of retailers to work effectively, customer information and knowledge are needed in order to facilitate the activities of the different channels.

Another issue that emerged from the large retail outlets is the cost-benefit measurability of the different channels. In order for retailers to choose the best combination of channels to suit their particular kinds of business, they need to be able to measure the performance of each channel. One respondent believes that the channels need to be compared with each other with regard to their financial viability. This way, the channels which bring in more money, as well as the ones mostly used by their customers, would be the most fitting channels to focus on. Another respondent added:

So if I'm not having a success with my newspaper placement ... and I do the same with 2000 SMSes and get responses, guess where I'm going to spend my money next time?

A further examination of the large retail outlets reveals that MCR requires equal service levels at all channels if there is to be synergy and not channel "cannibalism". Ganesh (2004:146) concludes that the ability of retailers to provide "uniform buying experience across channels" is important for increasing customer retention and remaining competitive. A respondent at Incredible Connection is confident that their service levels are uniform across their channels; in his words: "So customer service standards stay the same, and continue from the Internet to the store." In the same vein, one respondent at Juta Bookshop explains how they deal with the issue across channels:

We've got one person working on the Web, and that's predominantly the manager, so ... you should be able to get the best service [there]. We do obviously train our staff on the phones also ... so that [they give] the best service. We give the necessary training to our staff so that communication is carried on to the customer in the best possible way. So that ja, customers get the best experience ... when they do come, phone in, going on the Web, coming [into the store], sales reps going [out], they get that experience.

The discussion above elaborates on the operations of the large retailers across numerous channels. It is therefore crucial at this stage to examine the strategies employed by these retail outlets for integrating their different channels, and for successful multi-channel operations.

### **5.3 Multi-channel retail strategy**

This research has established that the multi-channel retailers studied do not have any concrete strategies for their multi-channel operations, including integration of the various channels. However, Berman and Thelen (2004:147) noted that a well-integrated multi-channel system leads to create synergies which lead to increase in sales, profits, customer base, and market share. So, how then could these retailers reap the benefits of MCR without having good multi-channel strategies in place? A respondent in his response to the question of strategy said the following:

That's a bloody good question. I don't think we do, we really don't. ... Quite frankly, to be honest, I don't think this strategy exists.

On the other hand, although these retailers have no solid strategies for running their multi-channel operations, they are doing well according to what has been found. In this regard, the research and the discussion of the large retailers above reveal channel inter-dependency is an important element which contributes to their ability to manage the different channels. Switching channels is a feature of an extended purchase process, as will be discussed later - this is where channel integration becomes important if customers are not to become confused and frustrated.

The above discussion also indicates that, despite the limited integration strategies of the said retail outlets, they rely on several retail operational measures to enhance multi-channel operations. These include staff training, measuring the contribution of channels to sales, knowing their customers, and understanding their needs. As one respondent explains:

In terms of strategy, obviously you initially start with seeing who your existing client base is, and the analysing that and from there seeing what their needs are.

According to Friedman (2002:64), when developing an integrated multi-channel model, it is important for the retailer to analyse and understand the channels used by the target market, and customers, and how they buy. Friedman also asserts that this provides the retailer with accurate information concerning the channel mix that presents the best opportunities for a multi-channel based growth. This therefore makes the acquisition and management of customer information a key element of an MCR strategy formulation process.

The study of the large retailers also reveals the stages of purchase in the multi-channel environment as a chain, where the buying process starts at one channel and ends at another. This therefore necessitates future exploration into the steps of purchase in MCR as discussed under the next heading.

#### **5.4 Steps of purchase in a multi-channel environment**

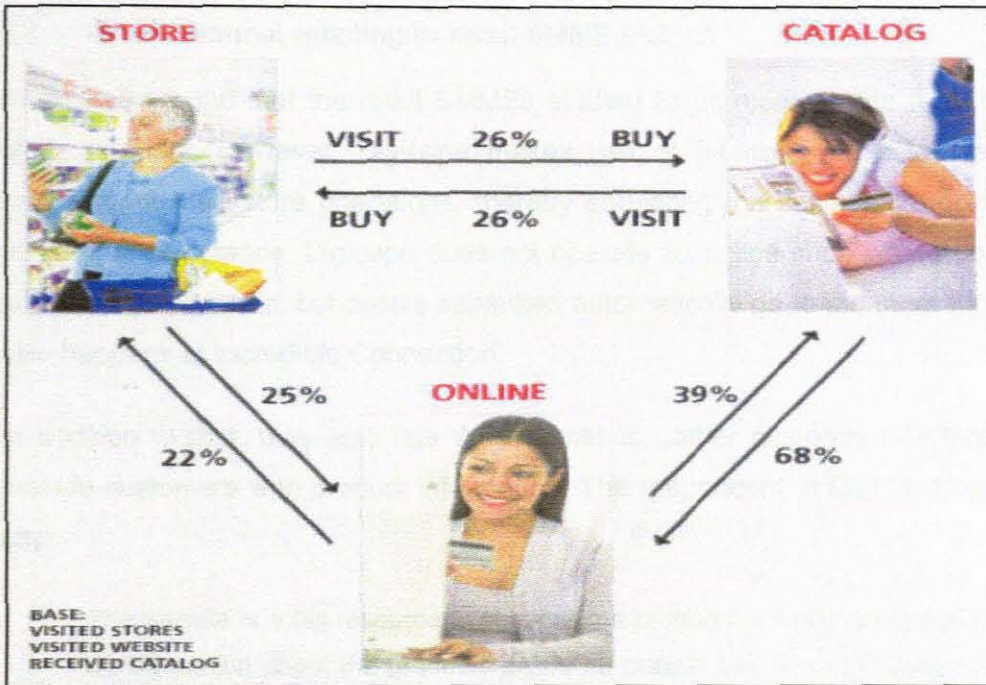
The discussion of the findings in Chapter Four touched on the use of promotional channels by the large retail outlets to complement the activities conducted on their main channels. The use of these promotional channels (such as newspapers, pamphlets, newsletters), serves to convey prices and other valuable information concerning products and services to customers. Owing to their ability to convey useful information to customers, they often become the first step into the sales transaction process. As one respondent mentioned:

We've done student newspaper adverts, we've done general newspaper adverts, we've done community newspaper adverts, [and] we've been to book fairs.

Additionally, it is evident from the analysis in Chapter Four that multi-channel retailers use some of their channels mainly to lure customers to come and buy from the store or purchase from other channels. This leads to different channels working hand in hand in fulfilling a single sales transaction. In this sense, while all the multi-channel outlets studied use the Internet, they do not make direct sales there; orders placed on the Internet are sent to the store where they are processed and completed by means of delivery to the customer (or the customer personally picks the product up at the store). This illustrates the different steps in the purchase process in an integrated multi-channel system, and the different channels that might be used. As one respondent indicated:

What we do is, when you go on the Internet to request a product, the request would be sent to your nearest store ... and one of the staff member or [me] would phone [you] the customer and do a follow-up.

The steps in the purchase process coupled with the fact that the customers studied use multiple channels allude to the J.C. Williams Group's (2001) conclusion on customers' cross-channel usage shown in Figure 5.2 overleaf.



**Figure 5.2: Percentage of customer cross-channel purchasing**

Source: J.C. Williams Group (2001)

Moreover, this channel collaboration and inter-dependency paves the way for channel integration which is essential for a successful multi-channel operation. It also alludes to what Friedman (2002:233) calls the sales cycle, in which some channels generate sales leads, others close the deals and yet other channels provide after-sales services.. On the side of the multi-channel customer, the ability to cross channels freely is important. As retailers market across channels, customers also buy across channels by seeking and comparing product information from one channel, buying at a second channel, and having after sales service at a third channel. This way a product bought online can be returned in the store, creating difficulties for retailer and customer if there are inadequate processes for handling returned products when multiple channels have been used (Schoenbachler & Gordon, 2002:46).

As the cyclical steps in the purchase process are evidenced by the large retailers, it is not different with Digicape which operates via multiple channels. Besides, the analysis in Chapter Four also indicates that almost all the customers studied use multiple channels within the different product categories. This is because a visit at one channel often becomes just one step into the purchase process.

The next section further examines the understanding of the phenomenon in SMMEs.



## **5.5 Multi-channel retailing in retail SMME outlets**

It has been found that the retail SMMEs studied focus more on the retail store for all their retail activities. However, Digicape makes use of e-tailing and sales representatives to complement their store operations, thereby emulating the same pattern found in the large retailers. For instance, Digicape does not operate an online shop where customers can buy with their credit cards, but orders submitted automatically go to the store for processing. This also happens at Incredible Connection.

In addition to that, they also use the Internet to gather customer information, just as they provide customers with product information. The respondent at Digicape has the following to say:

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

In this case, information collected about their customers allows them to know their customers, and where they are. This customer knowledge therefore makes it possible for them to target these customers with more specific information online, and this can also pave the way for other channels like direct mail and m-tailing to be used.

Also, as mentioned earlier (in the analysis of the large retail outlets) the issue of measuring the performance of channels is crucial to Digicape. Thanks to their sophisticated accounting and computer systems, they are able to assess the contribution of each channel to sales. The respondent was confident in pointing out that:

We've got good systems, computer systems that let us know exactly what's going on. Where we are making money, where we are losing money and where we can improve.

This therefore indicates that gaining the benefits of MCR requires the sales contribution of individual channels to be measured against the costs of operating those channels regardless of the size of the retail outlet using them.

Quite apart from that, an analysis of the customer survey which was conducted on the channel choice of customers buying the very products sold by the four retail SMMEs, also evidenced the retail store as the preferred channel. However, while the majority of the retail SMMEs focus solely on their fixed stores, the customers out there do not stick to this particular channel only when buying the products that are sold by these outlets. As a result, this diverts their multi-channel customers to their large retail counterparts who operate via multiple channels. This also means that Radder's (1996:80) statement that a large number of



small retailers focus on the traditional retail concept of ordering products into the store, marking-up and waiting for customers to come and buy, is still being practised today.

Even though all the retail SMMEs studied have websites where their information is displayed, some do not move a step beyond this point as far as e-tailing is concerned. As discussed in Chapter Four, this can be attributed to “the fear of the unknown” (Turnbull & McNicholas, 2002:9) by some SMMEs. Yet, Jutla, Bodorik and Dhaliwal (2002:140), as indicated in the literature review, believe that these small outlets are by nature more entrepreneurial and therefore more keen to try out new ways of doing business than large corporations. In the same vein, this attribute of retail SMMEs also leads to their being more flexible and adaptable with regard to changing business strategies.

Further examination of the research data indicates that the acceptance and usage of any channel is dependent on how well the particular channel has been promoted and marketed. Thus, as all the retail outlets studied conduct more of their retailing activities through the traditional retail store, so do all the customers in the survey conducted buy through the retail store. However, as indicated in Chapter Four, the usage levels of the rest of the channels in this study are not the same in buying different products. This is based on the fact that some channels, like the Internet, catalogue, call centre and TV commercials, are used by customers to find information about the products before the actual purchase is made at a different channel. Moreover, this relates to some retailers’ use of the Internet, cell phone and postal mail to send promotional information to potential customers in a bid to lure them to the store or some other channels to buy their products and services.

To this extent, it is necessary to look at the benefits of MCR from the retailer perspective specifically. This relates to the discussion of benefits and opportunities in Chapter Four, but is more retailer-focused. Of course the benefits of MCR to the customer will also be examined but at a later stage.

## **5.6 Benefits of multi-channel retailing to retailers**

The benefits of MCR to retailers are clear. From the discussion above, the following benefits may be achieved by multi-channel retailers:

- The constant communication with customers via different channels leads to repeat purchases and customer loyalty.
- MCR widens the customer base of the retailer and therefore increases market share.
- The channel inter-dependency creates synergy and support among the different channels which is paramount to the success of MCR.

- MCR increases sales and profitability according to the report of the companies studied.
- It allows retailers to satisfy their customers across channels, thus increasing their exposure and growth.

Despite these benefits, some retailers, especially retail SMMEs, still stick to the traditional store only. Barriers that have been attributed in the previous chapter include the fear of the unknown with regard to new channels, lack of financial capacity, and ethical issues regarding the use of certain channels; these are impediments to the adoption of MCR by retail SMMEs. However, given the numerous channels that are available, retailers large or small can make the best channel mixes that will free them from the challenges and accord them the above benefits. This will certainly depend on the sector of the industry in which they operate.

Furthermore, the channels available include those that are technologically oriented and those that are not. This therefore offers the opportunity for retailers who cannot afford sophisticated systems to try other channels like the flea market, sales representatives, catalogue and so on. A classic example is the case of Juta Bookshop, where a respondent believes it is difficult to instigate impulse buying "...by virtue of the fact that ... you are not going to just on an impulse buy a marketing book because it costs R 300".

Additionally, the discussions in Chapter Four show that customers are exploring different channels. In view of this, a respondent suggests that retailers need to be abreast of new technology as "customers are also going with the technology of the day." This impetus of multiple channel usage by customers indicates that there are some benefits in MCR for them. These benefits are therefore examined under the next heading.

## **5.7 Benefits of multi-channel retailing to customers**

It is interesting to note that as much as MCR benefits the retailer, it benefits the customer as well. This is why Schoenbachler and Gordon (2002:50) advise retailers to employ MCR to meet the multi-channel expectations of their customers. The analysis of the research data reveals that customers can benefit from MCR in the following ways:

- MCR provides customers with a myriad of channels, thus satisfying their need for choice.
- The multiple channels make it convenient for customers to shop anywhere and any time, therefore saving them time and money.
- It also makes it possible for customers to view products and compare prices via one channel, do the actual purchase at a second channel and return the product if necessary at a third channel.

- Multi-channel customers also enjoy better and personalised services from multi-channel retailers.

Despite the numerous challenges, the above benefits are useful to both retailers and their customers. Besides that, the phenomenon also offers growth opportunities for retailers, which is discussed next.

## **5.8 Growth opportunities in multi-channel retailing**

The growth opportunities for multi-channel retailers have been found to be significant. It is clear from the analysis that new retail channels come into being due to technological advancement. For example, two of the respondents mentioned Blue Tooth and video calling as potential channels that could be explored by South African retailers. This therefore presents retailers with opportunities for expansion. A third respondent, who is very positive about the future of MCR, says: "The future can only be rosy." Interestingly, a respondent of one of the large retail outlets studied believes that retail SMMEs can also benefit from MCR as he stresses:

In terms of SMMEs being able to get to customers, there [are] a lot opportunities there ...  
No one body has looked at it this way but these facilities are available.

This position of the respondent indicates that there is little knowledge of MCR, especially among retail SMMEs, although it is seen to present opportunities for their success and growth.

Also, MCR accords retailers the opportunity to increase their operations into markets that would otherwise not be suitable for them. This applies to both large and small retail outlets as size is no limitation when comes to MCR. For instance, Read (1998:37) states that "on the World Wide Web no one knows that you are a dog". In a similar instance, both Juta Bookshop and Digicape are using sales representatives to cater for their corporate markets. This is a market that requires volume supplies and special attention to detail, and could therefore not be adequately served over the counter. One respondent explains that:

... we can get big corporations coming into the shop and people who have the potential to do much bigger plan than once-off sale, and they need more attention than the guys in the store can generally give, because we're very busy in the store, normally we hand them over to our corporate people (sales reps) who can give them the attention they really need.

As well as market expansion, MCR allows for diversification of product range and channels. A respondent, who is very conscious of the need for growth and the opportunity to grow,

says "It [is] very important to diversify a bit more ... make sure we don't put all our eggs in one basket." It therefore makes sense that, as retail outlets take advantage of MCR to expand into different markets using new channels, they have the opportunity to also introduce new products and services suitable for those markets.

Notwithstanding the opportunities for retailers to enhance their multi-channel operations, this research has found that the channels used by retailers are not always the customers' preferred channels. As such, it is interesting to examine the relationship between the retailers' choice of channels and that of the customers.

## **5.9 The retailer and the customer**

From the analysis in Chapter Four, it is clear that all the multi-channel retailers studied use over-the-counter and e-tailing with other channels, to suit their purpose. For instance, Juta Bookshop has sales representatives, direct mail and m-tailing in addition to the over-the-counter and e-tailing channels. The rest of the non multi-channel retail outlets studied (the retail SMMEs) use over-the-counter only, of course.

A comparison of channel preferences of the retail SMMEs and of their customers reveals variations. All acknowledge the universal interest in over-the-counter retailing, but the interest in other channels of the retailers and their customers is different.

Elite Supermarket, as a grocery retailer, conducts all its retailing activities over-the-counter, but it has been found that grocery customers use other channels in buying groceries. As shown in Figure 4.4, which illustrates the channel usage of grocery customers, grocery customers use more over-the-counter, hawkers, as well as vending machines. Conversely, the same customers make less use of flea markets, sales representatives, catalogues, call centres, the Internet, cell phones and postal mail for the same purpose. TV commercials are used on an equal basis. This indicates that these customers are multi-channel users, and it behoves Elite to pay some attention to the possibility that they can capture some of the grocery sales not taking place over-the-counter in the store.

Although Elite is said to be doing well in its single channel operation, it could do better by complementing the store with other channels that would accord it the synergy of MCR. The management of Elite recognises the benefits and opportunities of MCR, but is also quite aware of the challenges that accompany it. This poses limitations to the use of some of the channels by some types of retailers, and more so if they are retail SMMEs. For example, the respondent at Elite Supermarket expressed the following concerns: "Fresh products cannot stand outside for 12 hours a day. I don't think so. That is going to be very much a limitation."

This means that some channels do not move the products as fast and safely as others, and this is a limitation to the use of the flea market when it comes to fresh produce.

Digicape is quite different from Elite, as a computer retailer operating through three channels: over-the-counter, e-tailing and sales representatives. Despite its multi-channel usage, there are still some differences between the customers' preferred channels and those of the retailer. The customers surveyed in the category of computer products all buy such products from the store; a majority also buy through catalogue and TV Commercials, and half of them buy from the flea market. On the other hand, the channels least used by these same customers include: hawkers, sales representatives, postal mail, the Internet, call centre, cell phone, and vending machine, which none of the sampled customers use.

The case of Digicape and its customers is a classic example of the relationships between the multi-channel retailer and the multi-channel customer. It shows that the retailer's channel mix is not always the preferred channel mix of the customers. Yet, multi-channel retailers do not necessarily target all customers with the same channels. For example, Digicape has sales representatives who deal specifically with their corporate customers because they need more attention than ordinary customers. However, in this study, the customers sampled were not necessarily the direct customers of Digicape, but drawn from the general public. Therefore, the results show how the customers of computer products in general might react to the channels used by Digicape, Incredible Connection, and all other computer retailers. It is also clear from the findings as to what channels these customers use and what channels they don't use in their buying of computer products. Figure 4.5 indicates that most customers buy their computer products over-the-counter, via catalogues and TV commercials.

The next outlet is Shoe Headquarters, which operates over-the-counter only, but it has been found that shoe customers don't stick to the store only. The channels most preferred by shoe customers are over-the-counter, TV commercials, and flea market. While the respondent at Shoe Headquarters is convinced that 99.99% of the sales comes from the fixed store, he also believes as said before that "there is always a benefit" in MCR. For example, "We would sell more shoes and stuff like that." The fact that customers are exploring new channels, coupled with the single channel retailer's recognition of the benefits of MCR, makes this study important. This is because it presents retailers with evidence of channels that are being used by their particular customers as well as those that are least considered by them, thus making it easier to manage the channel mix selection.

Similar to Shoe Headquarters is Gordons Hardware, another single channel retail SMMEs which also focuses solely on over-the-counter sales in the store. It has been found that the sampled hardware customers mostly buy through the store, catalogue, and TV commercials. Other channels are also used to some extent, but not the Internet, which no respondents use

in buying hardware products. This provides the retailer in question with a clear indication as to which combination of channels could work best in a multi-channel situation.

Even though MCR presents numerous benefits to both retailers and their customers, this study has found that it is not without challenges. Both the large and small retail outlets studied here see some challenges in MCR, making it important to examine the challenges more carefully.

### **5.10 Challenges in multi-channel retailing to retailers**

The analysis in Chapter Four revealed challenges posed by MCR to retailers, both large and small, and those already working with MCR as well as those not yet started.

It is clear from the research that in order to utilise multiple channels to their full potential, retail outlets would need to have full-time marketing managers and marketing departments. This is because managing the activities across the different channels takes retail managers off their normal duties which include all other aspects of the retailing. A respondent makes it clear that:

... It moves away from the premise of the retail manager and becomes a marketing department's job, because the more time I put into doing that, the less time I have to actually keeping my business running.

This could therefore make it difficult for retail outlets to successfully run multi-channel operations; especially retail SMMEs which cannot afford marketing managers and marketing departments. The research also reveals the following important challenges that face multi-channel retailers:

- High cost of operating via multiple channels
- Ethical issues concerning the invasion of customer's privacy
- Satisfying customers' multi-channel needs and expectations
- Demanding structures and logistical support
- Electronic order processing problems
- Rampant fraudulent activities in the retail market place.

## **5.11 Summary**

This chapter has reflected on the analysis of the findings in the previous chapter, and addressed the research questions. In this regard, the MCR operation in the two large retail outlets studied was looked at with a bird's eye view. The discussion reveals that there is not much difference between the two large retailers with regard to MCR, except that they have different channel mixes.

According to the large retailers, customer information is essential for the successful running of any MCR operation. Hence, they collect customer information through some channels such as the Internet and over-the-counter, as well as through promotional activities. This information is then used to facilitate the operations on other channels. It is also clear from the large retailers' perspective that channel cost and profit measurability are as important as equal service levels across all channels in an MCR environment.

As a crucial element of MCR, multi-channel and integration strategy was discussed. The multi-channel retail outlets studied have no formalised strategies in place for conducting their retailing activities via multiple channels. However, what is key to their survival has been their ability to harmonise their different channels to achieve channel inter-dependency in a non-strategic way. This therefore results in different channels working hand in hand to boost sales. The discussion also considered the steps within the purchase process which leads to a degree of "channel hopping" from one channel to the next, and consequently tests the channel inter-dependency that has been achieved by the retailer. The steps make it convenient for customers to use different channels freely by starting the process with product information at one channel and ending with the actual purchase at another.

The analysis indicates that, while most of the retail SMMEs focus solely on over-the-counter, their customers do not buy from the store only. Rather, they buy using other channels as well, which leads to a potential loss of sales. The benefits of MCR to both retailers and customers have also been identified in the findings: growth opportunities, introduction of new channels, growing into new markets, and diversification of product ranges are the most significant that are found here.

It is found that customers use more channels than the surveyed retail SMMEs are offering, and that there are variations according to their product categories. Finally, the challenges that hinder the adoption and beneficial operation of retailers' multiple channels have been brought to light.

To this extent, the complex phenomenon of MCR has been dealt with and is now better understood. This and the rest of the objectives of the study are revisited in the concluding chapter.

## CHAPTER SIX: CONCLUSION

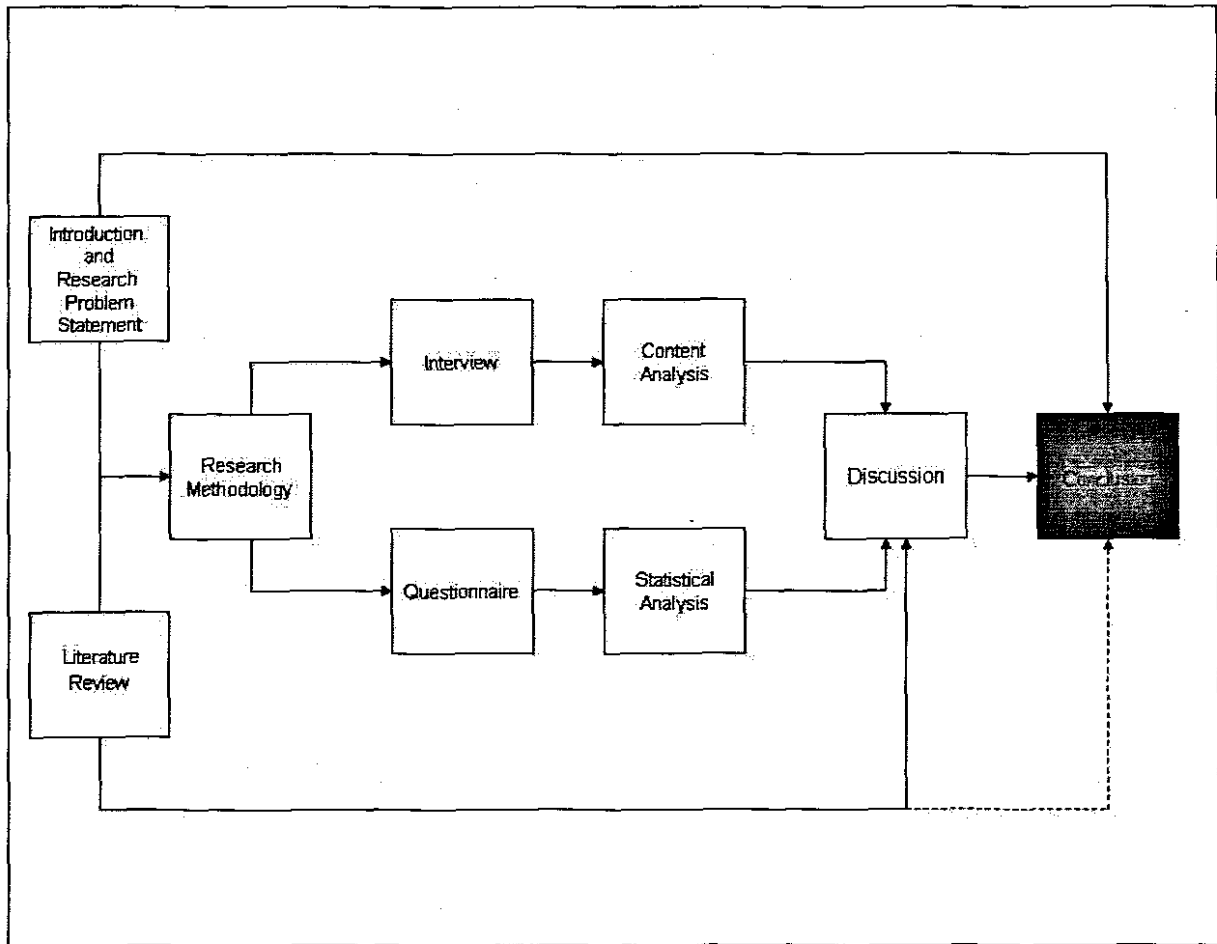


Figure 6.1: Model of the research process

### 6.1 Introduction

The study set out to establish which aspects of MCR might be useful to retail SMMEs. To make this possible, two sets of data were collected: qualitative data from managers of both large and small retail outlets concerning their understanding of MCR, and quantitative data from customers to give an idea of their multi-channel orientation.

The qualitative data was analysed for content, while the quantitative data was analysed statistically. Following these analyses, a discussion was undertaken to compare and contrast the two sets of results and analysis which included all other aspects of MCR that needed to be discussed so that the research problem could be solved. This chapter now draws conclusions based on the findings, analysis and discussion that precede it. It also proposes future research areas that can further elucidate this important aspect of retailing from



different angles, since this is only the first phase of what is intended to be a longer-term period of research.

In the paragraphs that follow, the objectives of this study are restated, and each is discussed in the light of the findings and analysis. Indications for future research are provided.

## **6.2 Conclusion**

In line with the research problem, this study set out to achieve the following objectives:

- Understand the domain of MCR
- Develop strategies for MCR-based growth in retail SMMEs
- Disseminate the results to academics and practitioners.

This research embarked on an extensive literature review in order to explore the theoretical milieu of MCR. In the light of this, the literature review provided an overview of retailing, an overview of MCR, a discussion about what a retail channel is, the variety of available channels, the multi-channel customer, multi-channel strategy, multi-channel integration, the challenges and opportunities, and other research done in MCR. This extensive literature review was needed in order to create a foundation for this MCR research, since the phenomenon is fairly new and unexplored. The approach of the study was to examine the attitude and experiences of large and multi-channel retailers to gain a detailed practical understating of MCR, and then to assess the outcome as the basis of a growth strategy for retail SMMEs.

The investigation of the large retailers provided evidence of numerous operational issues that exemplify much of what was found in the literature. A reflection on the examination of the large and multi-channel retail outlets reveals the following:

- The retailers pay particular importance to their fixed stores as they rely largely on over-the-counter sales.
- The most significant difference in their multi-channel operations is in their choice of channels, because they fall under different sectors of the retail industry and therefore require different channel mixes for their different target markets.
- A significant similarity, however, is the existence of channel inter-dependency in their multi-channel operations. This comes as result of the cyclical process of buying in the multi-channel environment, where the sales transaction starts at one channel and ends at another.
- The use of other promotional channels to convey promotional information on products and services by the retailers makes their MCR operations effective.

- It has also been found that customer information collection and database management are key to the effective running of MCR.
- Another important issue is the cost-benefit measurability of the different channels. The ability to select the most suitable and cost-effective channels for any particular kind of retail outlet is crucial.
- The ability to provide uniform service levels and experiences across the different channels is also an important feature of the multi-channel success of these retailers.
- Staff training is seen by the multi-channel retailers as vital in order to ensure this equal service delivery at the various channels.
- The study found that these retailers try to know and understand their customers, which is considered important for strategy development.

The operational issues outlined here, together with the challenges and opportunities that abound around MCR, provide a broad understanding of this complex phenomenon. This paves the way for meaningful learning and MCR strategy development to take place for both large and small retailers. Besides, this study has found that the same MCR strategies can be applied in both large and small retail outlets, especially if they are in the same sector of the industry. For example, the multi-channel operation of Incredible Connection and that of Digicape are very much akin. This also shows that retail SMMEs can run multi-channel operations and reap the benefits in the same way as their large counterparts.

With regard to developing MCR strategies for retail SMMEs, an understanding of the strategic issues that embody MCR is needed, and yet it was found that the large retail outlets have no formalised strategies. There is no concrete model for MCR strategy in any of the large retailers studied that can serve as the basis for developing multi-channel based growth strategies for retail SMMEs. Another potential stumbling block to MCR strategy development within retail SMMEs is that they belong to different sectors and are therefore not necessarily the same when it comes to the detail of MCR. They have different target markets, different channels and face different challenges unique to their sectors of the industry. These differences therefore make it difficult, at this stage, to explain how retail SMMEs can most usefully and reliably undertake strategy formulation and implementation that accommodate this new and complex phenomenon of MCR.

On the other hand, the study reveals that even the single channel retail SMMEs believe that MCR has the potential to increase sales and profit. They are also aware of the challenges involved in MCR. This study provides retail SMMEs with new insights into all aspects of MCR, and can therefore be a guide to thinking about and developing retail SMMEs' multi-channel operations. Retail SMMEs need to consider the operational measures taken by their large counterparts. With a strategic vision and a determination to advance strategic thinking

about MCR, they might even excel and exceed the achievement and benefits that seemed to be evident in the rather cautious approach taken by others.

All the retailers examined (both large and small) depend largely on over-the-counter sales, and their customers also buy that way. This results in retailers placing more emphasis on store operations, even in a multi-channel environment. Consequently, this leads to the acceptance and the degree of usage of any channel being dependent on how popular and well marketed the channel is, which is heavily influenced by the attitudes of the retailer. It is interesting, however, to note that retail SMME customers do not stick to the store only, but are willing to explore other channels and exploit them. This presents retail SMMEs with real opportunities to satisfy these customers' multi-channel needs, by adopting and operating MCR.

Although all the retail SMME outlets focus on the traditional retail store for their sales, there is a significant difference between them from an MCR perspective. This difference lies between their customers' choice of channels in buying their products. While all the customers buy over-the-counter through the store, the alternative channels they use vary from one product category to another. The difference in these product categories therefore represents the differences in the retail SMMEs. Moreover, this difference stems from the fact that each of the SMME outlets belongs to a different sector of the industry, hence the difference in their product categories and their customers' channel choices.

Further, it is clear from the study of the large retail outlets that retailers with different target markets would have different channel mixes. However, with the example of Digicape operating via multiple channels, it has been found that even these different channel mixes are not always the customers' preferred channel mixes. This is because the channels of Digicape are some of the least used channels by customers who are buying computer products.

Considering the findings, analysis and discussions above, this study provides a useful foundation of understanding with which retail SMMEs can more thoughtfully and effectively adopt MCR to enhance their profitability and growth. Since the competitive nature of today's retail marketplace is what leads to retailers combining different retail channels in order to satisfy their customers while gaining competitive advantage, an effective MCR practice can also help retail SMMEs secure competitive advantages.

### **6.3 Future research**

This study has been a learning process, since MCR is a fairly new phenomenon and this is just the first phase of what is hoped to be a longer programme of research. This, coupled with the complexities of SMMEs, has made it an even more difficult area of study.

It is therefore necessary for further research to be done on MCR to mitigate the limitations of this study. The following proposed research areas should be considered in the future:

- A full-scale comparison of multi-channel retailers across numerous sectors that could result in strategy development.
- Assessment of the success and problem areas of multi-channel retail SMME outlets, focusing on one sector of the industry that could provide a framework for better practice.
- An assessment of the benefits and opportunities against the challenges in multi-channel retailing in a specific sector of the retail industry.
- A comparative study that examines traditional channels and electronic (technologically inclined) channels, and the retailer and the customers in a specific sector of the retail industry.
- The impact of MCR on customers' willingness to buy and on the loyalty of customers.

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## APPENDICES

### Appendix A: Cover letter

15 June 2006

**To Whom It May Concern:**  
**Multi-Channel Retailing Research At CPUT**

Do you sometimes wonder where information and communications technology is taking us? We are all surrounded by it, many of us have been excited about it, and yet some of us are wondering whether the excitement was justified.

In fact, given some years of experience, it is now time to take stock of early experience and learn the lessons of success and failure. Nowhere is this more true than in the general area of retailing and the relationship between retailers and their customers. As part of a wider programme of research activity into e-Commerce, at CPUT we are looking at the specific question of *multiple channels for retailing*, recognising that there are many ways today to contact and work with customers. The future is not only about over-the-counter trading, it is about the Internet, the World Wide Web, and the ubiquitous cell phone. This research is being led by Edward Naa. Edward is a promising young member of our research team and I am writing to ask for your assistance in helping him gather information about your experiences with multi-channel-retailing.

The Cape Peninsula University of Technology, formed by the merger of Cape Technikon and Peninsula Technikon, is committed to undertaking research that is relevant, practical and useful. As we move to University status we are investing heavily in research capability and I hope you will enjoy helping us as we take up this challenge. Edward will of course treat all that you tell him as confidential, and there will be an opportunity to share the results of the work when it is complete.

If you have any questions at all about his work, or if you would like to hear more about our rapidly developing portfolio of research work, do feel free to contact me directly.

Thank you for your consideration of this request. There is a great future for businesses that take the right decisions and make the right moves; we look forward to sharing our new understanding of these things as our work moves forward.

Thank you,



Head, Research and Development Projects  
e-Innovation Academy

## **Appendix B: Interviews**

**Please note that this information is confidential and can only be used for academic purposes. The author takes no responsibility for the misuse of any information contained in the attached interviews.**

## INTERVIEWS

### Juta Bookshop

#### Retail Manager

**Tell me about the different channels that you use in selling to your customers.**

We have two very distinct customers, obviously we're an academic bookshop, we sell primarily to the academic market that is around. So for us, we would be looking to sell definitely to Unisa, which is a 100m away, we would then look to sell at whatever academic institutions that are in the area. So the closest would be UWC, Peninsula Technikon or CPUT or what ever it's called now, Tygerburg medical campus, maybe Stellenbosch Graduate School of Business. That's right sort of where we could actually get to it.

So, what we'll say is our major sales coming from, obviously Unisa. Probably 90% of extended market is there. So, the focus then would be to say conveniently enough because we're quite close to Unisa, the students have to come there to register, so we target them literally there. So if you go there you'll see lots of branding, lots of adverts, if you go into Unisa you'll see our branding everywhere. And we keep on hammering the message home, we're like a 100m away, you only have to cross the road. Our nearest competitor is in the Sanlam Centre top floor, you have to find parking then you still have to get to the top floor. It's just a little more difficult for them to do it.

Ways that we've tried before, we've done student newspaper ads, we've done general newspaper adverts, we've done community newspaper adverts, we've been to book fairs. Internet, we've never tried, it's kind of I think it's called spam, we've never tried that. Internet marketing, used in marketing whatever you want to call it, we have a website, we get some business off it but we don't really use it as a marketing channel. There is nothing that we put on there to try and increase sales, pretty much people find us and they do business with us, so it's kind of you get this word of mouth thing.

Last year we did a flyer drop campaign where we targeted certain suburbs, we made sure that the flyers were in every post box. We went to certain post offices and made sure that there were flyers in every PO Box. As to whether that was successful or not, it was semi-successful, but generally it's not the best idea. I get lots of flyers in my post box every day and I read very few of them you know. Unless it's something you really need then that particular second, you will go oh ja, I need my book let me go off and get it, there is no real reason for that.



I think what we're doing at the moment in our semester business this year; we are running a competition where if you spent R200 or more you could enter into a competition and we had daily draws on mp3 players. We did a laptop as grand prize and all those kind of stuff, so it was quite nice, and with all that information we formed a database. Because up until now we really never had, ... we kind of have a gut feel based very much on the books that we receive from the institution, we've got it on our shelf, it sells and then we think we have that amount of customers based on the fact that in this subject I sold 30 books then I must have 30 customers studying this subject right?

However, I don't know whether they all came from Unisa, they could have come from Boston or one the prime colleges or it could have been a book that is used at UWC and Unisa. So I had no way of saying I made that sale here or I made this sale there. So what we did with the competition forms is, we recorded where the students were studying, what course they were studying and then we tied that to the invoice number of the transaction and put that on to a data base.

So now, I have information in terms of when I'm buying my products next time, I have information as to who buys from us, I have information for doing further marketing. Because, now I have e-mails and I have cell phone numbers for everyone who bought for more than R200 from us I have their information. So now I can start marketing, I've recently uploaded that database to SMS marketing software, and next month we'll start SMSing these guys, four thousand SMSes one go.

So, that is the start of it, we'll see how the responses are. This is the first time we've done it, I know if I get, and I get it on e-mail, I get spam. I hate it. And you it's the same, if it comes on your cell phone, you'll say ah I'm waiting for my girlfriend's message and it like hey go to a bookshop. First thing you're going to do is press the delete button. So it may work or it may not, but what we're doing is tying another competition in on that saying come into the store and we'll give you ten thousand rand towards your tuition.

So we're trying to do something there, I think it's still Wild West, it hasn't got a lot of marketing strategy behind it. It's sort of try and see kind of if it works, it works then we can build on it, if it doesn't well, we're not going to lose much you know, spend a couple of Gs on it and that's it.

### **Any strategies to complement and integrate the different channels?**

Yaah! That's a bloody good question, I don't think we do, we really don't. It's kind of ... this is the idea that hits us at the moment but I don't ... you know the kind of thing that you talk strategy, you base your strategy on a very long-term marketing strategy, you have ever done

any marketing strategy. A marketing strategy should be rolled out as a proper strategy over a couple of years, you actually say yes from this point we should have this response based on that response we'll do the next thing.

Well quite frankly, to be honest, I don't think this strategy exists. I think it's very much I won't say meagre but sort of we're at that stage where we never really took marketing very seriously. We really don't. Marketing has never been a big thing for us because the fact of the matter is we're a destination bookshop ok? You can go and buy a can of peas from any shop, but you can only buy books from a certain very few shops.

In fact if talking academic books the list even gets shorter because there is us, there is Van Schaik, there is Adams and there is a Van Schaik in town, and that's pretty much it. Let's say UWC has a little book aquarium, CPUT Pentech has a little book aquarium and all the colleges have book aquariums. If that book aquarium doesn't have what you need, your next stop is let me try Juta or Van Schaik. So we know that without getting any marketing whatsoever, those guys are going to try us. OK? What I try to do is to try and spread the barn a little bit, and get the customers to try us once and want to come back again. So that is as far as the strategy goes at the moment, but I cannot say that we have a huge game plan regarding how we are going to roll that out in years from now. I'm not a marketing guru by any means, I don't think anyone that works for our company actually is.

I think it's a very convenient way of getting to someone. And also you know this is the first time we've actually reached out to the customers that have been with us. We've never said to them. "Thank you for coming, here is something that we are trying to do to get back to you." We've never done that; we've never ever done that. The fact of the matter is we've never really had the need to do it. We're doing OK business-wise, we're very very busy in our peak times and we're very very quiet in our off-peak times. That's the fact of the matter. We are a very seasonal business.

**Do you recognise this as a strategic retail tool that can improve sales?**

Ja, you know again I can't make to what strategy is I definitely know that it can do ... You know someone says to me or gives me a reminder you bought from us before; would you like to come and do it again? And I didn't have a bad experience with them then I would do that again, you know, and I think most people would be like that. If you came and you had the worst experience and I came and said would you like to buy from us again? Well you're not going to. So it can work both ways, but obviously we are working on the premise that we offer a better good service than bad service. So we are hoping that the majority of the people we reach out to would actually say ja, it's a long time I bought a book, I can come here and buy again.

So again, it's probably what you're saying is short term strategy. If it works then you can actually say this is the building block, we rolled out SMSes and that worked; how about if we do e-mails. Or I would plug these guys with e-mails onto a newsletter and actually target every time we get new products rather than just saying seasonal business, so in other words when in my quiet month, like this month is very quiet.

### **Do you see any benefits of and opportunities for multi-channel retailing?**

I suppose you know the kind of thing is what is the impact that you're wanting to get from your target market, you know your customer out there. We were thinking, the thinking behind this is Unisa offers semester courses, everything is in two semesters. So quite a lot of people will be quite careful with their money instead of just buying everything in the first semester for the whole year, they will say I'm going to spend 500 now and then I'm going to spend my 300 later. I want to get them to spend their 300 with us rather than go off the road. That's pretty much as much as the opportunity goes.

**That means you can be sure of continuous sales coming in, if you can get them to spend in the first semester and in second semester as well.**

You know, it's just a way of like contacting them, because up until now, they come in, buy the book, they go out the door and that was the last; well if they came back again we wouldn't know about it. There was no sort of repeat business pattern or whatever. The only way we could tell was if someone has an account with us we could actually say, oh this person comes in every six months and buys. But that's a very small handful, majority of the sales we have are people putting out their credit cards or paying cash or using their edu-loan account or whatever.

### **What opportunities do you see in multi-channel retailing?**

The problem is none of us. We are retail managers, we are not marketing gurus. We are not trying to be marketing gurus, none of us will get up and say I know marketing strategy, I know marketing theory. I don't know it, none of the people who work with me knows it. No one that I work with at my level comes from a marketing background at all, I'll be honest. So we are trying this; it's not costing us too much money. So we're not saying go and go and do a television advert because a television advert we don't think will bring us any more sales than doing something what we call below the line you know. And this is quite specific, so I can then, using the SMS thing, I can target my customers here in this area. So all I want is just say filter these people.

If they have given me their addresses I can say filter these people in Parow or filter those people in southern suburbs, and I can actually get information and can target it that way. But

it requires a database. It requires knowing who your customer is. If you don't know who your customer is, where they are and how to reach them, then you might as well forget doing it. You can have the best campaign in the world but if you can't get to them it's a waste.

We've tried oh another marketing channel we did try; we tried an advert on one of those boards on the road on the N2 by the airport. We actually rented that for almost a year in the hope that might actually cause people to come I don't think it did but there is no way of measuring whether it did work or it didn't. This is measurable. It's even more measurable if you can get a guy to say on my cell phone you said you would give me 10% if I bring my SMSing. Then I can actually say ja dude welcome.

So what we would do with this one is we'll expand our customer base exponentially, every year we'll keep this database up, we'll actually go and show the graphs. Then the other thing is because we know what year they are studying in, we can actually say what the lifestyle of each customer is. ... so there's a little bit of strategy going on; I suppose it's sort of coming to us rather than there is a definite solid plan. It's sort of as we see it so we investigate and say oh we didn't know that we can actually do this. So we're doing it kind of ad hoc at the moment you know, but obviously strategy I think will form from that data. But I think the crucial thing now is to get the data and to then start working with the data; small step first and then maybe we can do bigger campaigns later.

#### **Any other sales improvement plans?**

The next step is we're rolling out a new website, along with the new website we're going to contact all the people who have shopped from us before on the previous website; I've got records of every one. So we'll contact them and tell them about our new website in the hope that they want to buy something new. Because some of them might have bought from us years ago, because I've got the full records dating back ... That's one way of doing it and then I was thinking, there are two other things that I'm thinking in terms of using the electronic channel for. I'm thinking ja, the newsletter type of story where we actually contact on [a] regular basis, and this is new in our shop.

And include reviews and probably put a special discount on it then simultaneously we speak to our suppliers and get them to put a special deal on the product and then we can pass it on to the customers. In retail, that's called the lost leader. I think you might have encountered that. So that we give feedback on something in the hope that they'll buy other things. With us it's a little more difficult ... by virtue of the fact that you know, you not going to just on an impulse buy a marketing book because it costs R 300.

We're a destination shop and the things that people buy from us, all the stuff, are gross purchase. You can only pass your exams if buy the bloody book, you know. So to try and put a positive spin on that, there is another way to actually have to think about it, you know, what I like about this while I'm talking to you my head is going think, think, think, that's good. Because we don't think marketing very often I have to be honest. The only thing we do, we think about how to make sales but we don't actually look to marketing to make those sales.

### **How do you see the future of multi-channel retailing in South Africa?**

Well the future can only be rosy, but the future is very much dependent on, you know, every person that you target there is a cost. So you have to maybe, need the marketing budgets to reassign. I don't know whether they'll grow, but they'll actually be putting into various channels where you have the most success and taken away from areas where you don't. So I don't know that the marketing will increase, it might be that you move from one channel to another.

So if I'm not having a success with my newspaper placement ad which I told you about where it was not successful at all and I spent a lot of money on it and do the same with 2 000 SMSes and get a lot of response guess where I'm going to spend my money next time. And the same will go for anyone else out there. The only thing I guess though is the irritation factor. If I'm a customer and someone keeps bloody SMSing me with crap that I don't want to know about then I'm actually going to develop a negative towards that supplier rather than a positive attitude.

It's like spam, I mean every single day I get spam from God knows where, I don't know how they found me but they got me, they're probably using computer programs to actually send this rubbish out. I'm irritated by it and I delete it and in fact most companies have put in anti-spam programs to stop that stuff. So if it's not solicited and here maybe is the trick to get solicited response, in other words where you actually say to the customer would you mind if I send you information and the customer says ja cool.

If the customer isn't giving you any option and you just keep blank spamming them they're actually going develop a negative attitude. So you've actually got to take your customer's feelings into consideration, you're got to respect their wishes. You know the customer is always right so it goes to marketing as well. OK, if you've got a bill board up and guy is driving by you're not offending him by doing that ok? He can choose to look away.

But if you send it to his cell phone, it's an invasion, you know, I'm actually very cognisant of that and that's the one worry I have about doing this SMS thing. Because I do not know if we didn't ask any one's permission to do what we're doing now, we're a bit rude. But with this

information what we could do is send out an SMS saying please how would you feel, send a reply if you're OK receiving information and or come into our store and sign onto our message or try our website even better. When you put in your information or buy something, how would you feel about getting information every month?

I have bought stuff from Kalahari and Amazon, and all of them I've said yes in the hope that one day if they have a real mass special on Kalahari, sometimes up to 50 % discount off a book, ja cool, get a credit card, get a book. It does work; in the long run it works. With the 15 e-mails that I delete, the one where I buy is still worth the spent.

So that's... again we're very very baby step and probably when it comes to the point where we're actually saying this is a success or this is working, then what we probably have to do is assign someone or even outsource that actually gets all the things going all the time. Because the more time I put into doing that, the less time I have to actually keeping my business running. That's where the marketing person or department comes into there. But again like I said we're very much of a wild west here, we're sort of doing our own thing, I brought up the whole SMS thing and I'm doing it. But it could well be that, it blows up in our faces.

#### **Any challenges you have encountered so far in selling via different channels?**

Well challenges firstly perception, because we don't know this, this is the first time we're doing this SMS thing. It may not be a very good thing to do. I don't know you probably, if you have spam SMS coming to you on your cell phone how do you feel when you? You'll say oh that's nice, I've got the information, delete.

Not really, like you said before, you can target retail management students only with a discount on retail books.

You see with that, it moves away from the premise of the retail manager and then it becomes a marketing department's job. You know, at the moment I can send my SMS and I'm fine ok? And I can probably, this is where it should have gone from a mild kind of interest or a small little project to become a fulltime exercise where you're doing it all the time.

Where you actually now suddenly ... and we've actually got relationship software here which we never used, It's a thing called Maximiser. It's a very very high-level professional software and I've never come up with a database to actually use the thing. But what it can do is exactly that. It commands and says right these customers' fields of interest are Anthropology, Retail Management, what what what. With them and then you just say right anthropology book "pin...g". It's there, we actually own the bloody software but we have never used it.

But it comes down to same ... again you can spend a lot of money on Windows and computer management, you can spend a lot of money on buying hardware and software and billboards and balloons what not what not people spend money on. But unless you've got a plan to what you're going to do with all those stuff, so this comes back to the strategy and maybe we use strategy ... Strategy I see as a long-term plan which is sustainable and which can adapt as a market changes. A plan is just this is my SMS plan at the moment, and my plan might work or my plan might not work but if I say oh wow this little plan that I have is working why don't we start saying what else can we do with the SMS channel. Then the strategy starts coming from that.

But I really really don't. Maybe it's a good example for you when you are studying this stuff to actually say well compare it to someone like Pick 'n Pay or someone who does a lot of marketing, MTN. These guys where they would market everywhere, their marketing budget is enormous. It's in the millions. You know, we've got about four shops; each shop has got a marketing budget of about R 100 000 per annum. A R 100 000, you know it's ... one decent campaign if advertised in the newspaper you can smash that. Say advertise in *Sunday Times* one page R100 000 thank you and what is my effect on it.

I'll give an example; we did a launch on a book, it was a new one that was coming out and *Die Burger* and the Afrikaans review report or something. It was a big Afrikaans dictionary coming out brand new, and the newspapers came to us and said, you're a bookshop, this new dictionary is being launched, there is going to be a two-page spread in the Sunday supplement, would you like to participate? We said ja wow cool, it's going to be 15 000 people reading it wow cool, and spent our money. How many sales did we get? Guess how many sales we got?

Another channel we've tried before when we were bigger with 22 stores nationwide two years ago. Quite a number of those stores were very close to campuses but never on a campus. Where then we tried to use video screens you know that kind of video advertising you see in like cafeterias. We tried using that to try and get people to come off campus to where we were to buy from us. Again that was immeasurable you know, if you said, if you see this advert ... I saw the advert that's nice. Our staff weren't feeding that back to us, there is no way of measuring it.

The best way of doing something like this is to get a response. In other words send something out and have someone come back with something; bring this flyer in for 10% discount, return an SMS to this number and get a discount or something. So those are the best ways of actually measuring your success. Everything else is put it out there and hope that you know it's like advertising on dust bins, or light boxes, at bus stop or street lamps or any of those kind of stuff. Ja, you're getting the message out there but you have no way of

saying if I spent R 50 000 on dust bins, or bus stops I have no way of saying this is a successful campaign or not.

So in terms of strategy, you cannot say we wanted that, all you can say is did my competitors do the same thing? Maybe they did, maybe they didn't and are winning the day or are we not winning the day, are our sales increasing or are our sales not increasing? But our sales could be increasing for a whole lot of reasons. Maybe if we just price my stuff strategically then I could win the day just doing that.

But people tend to shop around, as I said we're in a very small market so none of the guys involved in this market are spending cash money marketing hugely. None of them, you won't see Van Schaik's advert on every bus stop, you won't see Adams advertising I think Adams, they do a little bit of flyer drops and they market quite heavily on the flyers at the station and the taxi ranks in town because that's where they are, so it's close to them. For us it would be a major slip and I don't whether it'll work at all.

#### **Administrative manager**

#### **What are the different channels that you use in selling to your customers?**

We've got a web page that customers can buy obviously from the Web. So if you do have Internet access you can obviously go and buy by Web. Obviously we do advertise outside so we do have walking customers coming into the store. We have sales reps going out to customers, telling them about the company and communicating, that's it. There is obviously communication over the phone, customers phone Juta, there is communication by e-mail. So ja the four main communications are web, sales reps that's personal communication, telephone communication and obviously the store.

#### **What strategies do you use to complement and integrate the different channels?**

What we've is we've got one person working on the Web, and that's predominantly the manager, so already there we've got the manager so you should be able to get the best service. From our staff in the front we do training and everything so that they give the best service coming there. We obviously do train our staff on the phones also so that we get the best service. So all of this I would say we give the necessary training to our staff so that communication is carried on to the customer in the best possible way. So that ja, customers get the best experience and world class experience when they do come, phone in, going on the Web, coming in, reps going see, they get that experience.

Obviously you need to be up to date with the technology, which you need to read a lot, you need to watch the TV you need to be up there. And then obviously sit and plan your strategy



around that. If you are looking at statistics wise, and that's the thing you need to do, you got to see statistically I'm I selling more on the Web than what I'm doing here, then I you've got to update. Statistically, are my reps bringing more than my Website, which one it is I've got to update. So statistically you need to sit down and say I looked at my figures take my figures and say the figures and now look at statistics. Statistically this, statistically that, statistically that, alright, from there you can say OK, now this is the way I need to go.

### **Any other sales improvement plans?**

What we do is, we set up meetings with managers and we discuss our plan. We are already planning now for the second semester. We've got a competition running and we go this and the other ... So already plans are taking place, we also have staff in place, you've got to suggest staff in place, you've got to train your staff, you as the manager need to be jacked up ready for the competition. We've got our phone lines set up; we've got our web page going. All these plans we set prior to, the second semester is starting on the 17<sup>th</sup> of July, now we're already setting our procedures and policies in place to make it a success.

### **Have you benefited from the multiple channels or do you see any benefits at all?**

Ja there is always a benefit, because you know the technology you need to keep up the technology. You can't stay in the old regime and open a shop and just say you must come to the shop, you know, you need to go with the technology. So if there comes something new totally different to these four that we're saying you need to [go into it], so that profitability can show and customers are, customers are also going with the technology of the day.

### **Opportunities?**

Look in any organisation communication is important; profitability comes second to that. So here you'll have growth if you have all these, you know. I mean you look at the store, if you go to a 7/11 you know, a 7/11 you just walk in and take whatever you want and go out, alright? And then you look at a store maybe I'm making a very bad example but if you... and then you go to a store where there is communication, where you can purchase online like the Pick 'n Pays of the world and the Woollies, you can see the difference. So communication in essence is very important. If you don't, you won't be able to you look at a guy selling cars from the shop, you can only sell one in the first three months. But there are guys that have web pages, you can go on and see what they have they, obviously sell more cars, so ja.

### **It there a future for multi-channel retailing in South Africa?**

I think it's more convenient to most people especially people who would like to use their credit card over the Internet, I think it's more convenient, I think it's more safe. I think, I would say it would be ignorant of me to still stay in the hectic world that we're living in. So you cannot say I'm not going to go forward any more and 2010 is coming, technology is going to improve drastically. So we need to go forward in support of 2010. We need to go with but this becomes time management, you know other countries are doing it successfully and that's why they are developed countries and First World countries and we're still sitting in Third World countries, we've got to move forward.

### **Any challenges regarding the multi-channel usage?**

There are different challenges, challenges that you need to sell over the phone, you don't see the customer face to face, and you don't know who the customer is from there, so it's a challenge that you need to give the best service. And the customers don't know who he is speaking to because it's a voice. So there is a challenge and if you don't return customers' calls they get frustrated. Customers over the counter, is a challenge because here you're face-to-face with the customer so if you say something wrong the customer sees it in your face. The same thing with challenge on the web page, a customer that pages on the web is obviously a customer that is financially sound and if he wants it, he wants it, and if she wants it, she wants it. So the difference I would say conflict setting would be with different customers and it depending on the service that you give it won't be a success.

### **Are the channels successful?**

Not all, but at the moment we're running a profitable business, we're doing what we can in our power in terms of our communication with our customers. So ja, I won't say every thing is up and doing but we're doing well.

### **Sales manager**

### **Through what channels do you sell to your customers?**

Basically with this warehouse, we've go two different selling ways. You come into the store, walk in through the door ... then on my side I'm with sales. I've got sales consultants they go out, they go see clients and make appointments, and we cover the whole of the Western Cape. We target corporate, we target schools, we target universities, medical, academic, everything. So, like you see two different types of selling within Juta Bookshop. Also, we make use of SMS to our clients on our specials, we make use of Internet, we make use of

flyers, we hand out letters, [it], that's basically we don't do telesales; I don't believe in telesales with my people.

The only reason, when they do a telesales is when somebody phones in and they get the call, then they have to do a bit of selling over the phone convincing this person you know to place an order. That's the only thing we sell for we don't sit with a telephone the whole day and phone 300 people. So that's the main ways and then also we go to institutions and we do book exhibitions. We take books and people buy there or they can just look at the books and then come in later. So there's different ways for the sales department to be in the sales; we're not walking trade like the shop, the shop is on its own.

### **How do you manage or complement the different channels?**

Look, the service level on the website can always be a 100% because that's your electronic medium that you can manipulate to your advantage. A person in the shop, that's a different story, you can always try and give good service but people would not always necessarily think that you're giving good service. But our website that's ... because the clients only see what is on the screen.

It's different because, sometimes there is only one way of doing a thing and it's difficult if you're already, when you get your current client base. You know that, that company operates that way like say let's take an example say Eskom. We know that Eskom has got a procurement department, we know that they operate a certain way, that they have to get a budget. So it's difficult to just change the way of operating and the way we approach our client if they already know that this is how we ... if you suddenly change you might lose a client, ja, you'll confuse them. So, with new clients there is always the possibility to explore because you don't really know how they are going to do their thing. So you've got to be adaptable. That's what I will say, so with every client it's a different approach.

### **Any benefits from multi-channel retailing?**

Ja obviously we get benefits from it because we ... when we have a special competition we send SMSes to our customers that we have got current telephone numbers you know when they buy in the store they fill in a little thing. So we actually, there is a benefit in it for us and they come back again you know. So yes definitely, but for myself I also believe in the old traditional way of somebody going and seeing somebody face-to-face. You know, it is always a much better way in any case. You still get people that value a face-to-face meeting more than an e-mail.

### **Do you see multi-channel retailing as a strategic tool for retailers?**

Absolutely, I see it as a helping tool. To what my sales department is doing and how we are working it's helping us. It is not necessarily the only thing that we're going to do because on its own it's not going to help us but in conjunction with personal service and visits then obviously you'll get a better result.

### **What growth opportunities do you see in the line of multi-channel retailing?**

We only concentrate on South Africa at the moment but there is no reason why we can't do outside sales in Africa, we've got a website so, and every body has got Internet somewhere, you know. So in that regard the electronic media to me is the best for moving outside the borders of South Africa. Obviously I'm not going to send my people up to Zimbabwe or Malawi or somewhere, somewhere you know, but we can send a courier service to deliver. So in that regard the website is a fantastic thing.

You always have to try and improve, always, for this, next year we're going to try and concentrate on specific markets. You don't have an overall thing, you just go out and... you target specific markets. So we're like targeting the medical market, the academies or universities. That's what we do every year, we have a different strategy and we're also upping our marketing campaign. Also Juta Bookshop never had a real marketing campaign. We're also doing that now, you know, marketing ourselves. So we are improving every year depending on the budget and the experience.

### **How do you see the future of multi-channel retailing in South Africa?**

I think it's (multi-channel retailing) going to grow huge, it's already huge. If you take websites like Kalahari, like Cape Two, it's huge. I mean myself if I want a DVD, I don't go to the shop and buy a DVD, I order it through the Internet Kalahari, it's easy; it's safe to pay, they deliver it at my door, no problems. So multi-channel buying is going to... it's already a huge industry. It can only grow more and I think up in Africa.

### **Would you say that your selling via multiple channels has been a success?**

Well, if you consider that, for the first time in many years Juta Bookshop has actually changed their financial budget for the year and it's due to the changing of our whole strategy from where we had no sales manager, no sales consultant in Juta Bookshop, till where we are now with a lot of sales people. There were never sales people in Juta Bookshop never. It's only in the last year that there were sales people and we have shown that the change towards that has made the difference. It's working, we actually, we want to employ more

people in the sales because it's working. I believe in our electronic way, it's a good thing but I do also believe in face-to-face with the client.

### **Any challenges?**

I don't think [so], we haven't really; we've only started on our website the last few months so I can't really say it's paying off or not paying off. It's too early to say. We've had good reaction with our SMSes the way we run our competitions you know you can win a lap top on SMSing, with this SMSing people come in they come and buy because of the SMS thing. In that regard I think it worked very well. Look they... if you're a sales consultant you're working in the old traditional way basically, getting your people maybe a bit of cold calling, making appointments, go and see the client, taking the orders. It's a personal service thing. So, they don't really change the way they work; the only challenge is to get the client to make an order you know.

## **Incredible Connection**

### **Retail manager**

#### **What are the different channels that you use in selling to your customers?**

The different kind of channels we use currently to sell; we look at the Internet-e-mail based, broadsheet in the newspapers, catalogue goes out, the store itself, then we've got two different stores in that which are Incredible Connection and Photo Connection, both using the same channels.

#### **What strategies do you use to complement the different channels?**

What we do is, when you go on the Internet to request a product, the request would be sent to your nearest store ... request at Sea Point, your closest store would be our branch the CBD and one of our staff members or myself would phone the customer and do a direct follow-up. So customer service standards stay the same, it continues from the Internet to the store. So, we'll phone the customer and as well use e-mail in order to get hold of the customer.

On the store level we always keep up to date with more interior, we then look at more... better customer service environment. With regard to Internet ... have your website up to date, new links, everything with a fresh look. It's important to get the customer to feel comfortable when they're coming to your store because [when] stay with the same, the customer becomes used to your old living and it becomes boring...

#### **What benefits and opportunities do you see in multi-channel retailing?**

...Definitely, because customers can always have a means to the store. They like to do their own research; they like to know what they're looking for when they come to the store. So they'll go to the Internet do the research and then request via the Net or contact us via the phone before they physically come into the store.

[So] yes because you're reaching more people by doing that. So you are improving your growth and your bottom line at the end of the day. But it's just a matter of getting people... With regard to growth, if you look at the Internet ...keep on going on the Internet because it's such a dynamic industry. If you on to the Internet in terms of growth, the more people use our website the bigger the request come and the bigger the staff need becomes. So that in itself has got dynamic growth with the current requests just growing and growing on a regular

base. And then as always, come to the store because your first avenue would be using the Internet when your second avenue would be going into the store...

... There [are] new ways as technology improves to get hold of people [and] we are working on exploring new avenues. A new thing that's kind of interesting is your Bluetooth Technology which currently is not a huge channel that people are using. But with Bluetooth Technology improving at the rate that it is, currently your regular distances from ...to a 100m so it has increased from what it use to be. So people are using Bluetooth as marketing as well where, if you have Bluetooth on your phone you can get ads sent to your phone directly with no cost.

[Apart from] the one that I named which is the Bluetooth, I think SMS is taken up new avenues as well ... where you can send messages on your phone. So basically for its word of mouth which is probably the best channel because this is either a good or a bad one.

### **Have you encountered any challenges?**

Challenges in terms of your retailing [are] always there. Currently with the Internet rate being as high as it is compared to the rest of the world. That is a challenge because not everybody can afford to go on to the Internet which limits your exposure on that avenue. Being on a base, challenges can rise like the security strike which we just came out of. People [did] not want to come into town because of security risk. There [are] dynamic challenges that always pitch up and you need to be ready to deal with them.

### **Administrative manager**

#### **What channel do you use?**

Initially, in terms of multi-channel, we had a call centre based in this store. That's prior to us increasing our footprint. So that time we had one store in Cape Town at that time. So, obviously for that reason we required like call centres so sales were generated from incoming and obviously outgoing calls as well, and some of the cold calling and so you sort of go to corporate and get business done that way, and then obviously we had the physical store where the customer came into the store as well.

Then obviously as the company progressed we had the website [which] we just set up, the footprint increased so there wasn't such a demand for call centre as such. What then happened is we orchestrated the call centre which then worked in conjunction with the Internet...and the store focuses solely on dealing directly with customers. A certain section of our business went into corporate, so the cold calling created another business which dealt specifically with the corporate retailing and so on.

## **Strategies to complement and integrate the different channels**

Well in terms of Internet, Internet doesn't have overheads, it doesn't have many sales costs number one; it's not a personal interaction, it doesn't have a physical building and things like that... Your pricing can be competitive online but then you've got to wait for your product, you've got to pay for courier fees and things like that....

...You have to change with time... for example your corporate client base gets to a certain level, there're going to be different demands. Then you've got a choice to either continue as you were and maybe increase your footprint ...or get more staff or have a different branch which is solely dedicated to corporate, for example with banks you have postal banking or SMME banking... everyone has got different needs.

In terms of strategy obviously, you initially start with seeing who your existing client base is and then analysing that and from there seeing what their needs are. For future development you obviously have to review that depending on your business or your position that in the company. If you are a director or in marketing... you'll look at it on sort of annual or if something drastically changes then yes... but on the operational level that changes daily; I mean set up Shoprite next to me I've to act immediately. So it depends on the level which the strategy is implemented ja.

## **What benefits and opportunities do you see in multi-channel retailing?**

I think from now with Internet access increasing to customers there is huge growth potential ... and also if you can just complement your existing store as well. The one mistake which I think companies do is having a website which doesn't actually function though, and that's a detriment to the company. And it doesn't complement each other for one.

The fact that our footprint constantly increases is proof enough to say we are achieving the goals that have been set ...With the cell phone video calling also opens up opportunities as well. In terms of SMMEs being able to get to customers, there [are] a lot of opportunities there ... Nobody has looked at it this way but these facilities are available.

## **Any challenges?**

I think for one that's ... especially in South Africa there is so much influence on us, we've the American influence and the customer perceives certain rights [to be] action. It comes from [this] American thing, you know, and there is advantage and disadvantage to that. At the end of the day I think most retailers and customers alike don't quite understand what service is or what the expectation should be from certain things. Because there are limitations to what you can do, for example you can pay less for a product... What I'm saying, with all the influences,



South Africa needs to find a common ground where we achieve what the customer actually wants obviously at a profit.

## **Sales Manager**

### **What channels do you use?**

Mainly advertising, other than advertising it would be business cards and references. Incredible Connection also offers online opportunity for online shoppers.

### **How do you deal with the different channels?**

You can move your advertising into that direction, into making customers aware of how much it would benefit them. Look, at the end of the day it's going to be all about benefiting the customer, yet at the same time, you benefit as a store. So if you make it seem all about them, at the end of the day they are going to end up buying into whatever is it you're selling to them via multi-channel retailing.

### **Any benefits and opportunities?**

Well in this business it would be of much benefit if they have to come into the store. The reason is this, it's mainly commission; so in this specifically and in any commission business it's ...better for the customer to come into the store.

[However] multi-channelling is going...people are trying to find any means not to go out their homes [but] to buy over the Internet and I mean it saves you a lot of money. It saves a lot more money because if I can buy something from where I am and have it delivered here, it'll save more time than me having to out and still look for the product. So this multi-channel retailing would benefit anybody.

### **Have you faced any challenges in your multi-channel practice?**

...Some customers would phone in and say they saw on the Internet, they saw this product what is it about. ... If things are made clear via the multi-channel retailing, customers won't have to phone in. So in terms of challenges or problems, or maybe not problems but if things are made clear, lets say you have you have an interactive tutorial about the product on the Internet it would be much better.

It's going to make people lazy, eventually they're going sit at home not doing anything, buying their groceries online. At the same time it's going to be of benefit to a lot of people because it saves a lot of time [and] a lot of money.

## **Elite Supermarket**

### **Manager**

**From my observation, there are a number of guys selling fruit and vegetable products out there in front of Elite. Are they part of Elite?**

No, they are totally independent. Let me give you a bit of history; initially when the store was opened, the owner was approached by one gentleman who asked his permission to use the corner to sell his fruit products to feed his family. The store owner agreed, therefore you won't find the fruit and veg. section in our supermarket. We left that department out to assist this family by allowing him to sell the fruit and veg. entirely on his own, owing us nothing. He's just responsible to City Council for whatever happens outside there, cleaning and stuff like that is his responsibility.

**Now, tell me about the different channels that you use to sell to your customers.**

Our main channel of sale is the customer coming into the store to do the buying; we'll advertise on our website, we do have weekly specials but just for advertising purposes. But still all sales are done via the store.

**Any particular reason why you're not selling on the Internet?**

It's a bit of a problem with the owner not being too clued up [with] the modern technology; he is still a bit scared of it. So he goes for the known and trusted way which [he] learnt from his father who started the business...He is very sceptical about the Internet; he is concerned about fraud and security wise he prefers to see the customer, he is involved in it at all times, [and] he won't go via the Internet.

**Do you think selling via multiple channels is a good idea?**

From the admin side it may be an advantage and a bit of a headache as well, because you're going to need more staff, you're going to have to look at different avenues of ensuring that your sales are being done correctly; your revenues are received correctly, on time, and stuff like. Also, I think with the Internet sales you're going to now ... require more vehicles to do the deliveries. You know, it's an added overhead, and you're going to need staff to pack up the orders, deliver, and bring back cash or cheques, if you're not going to take online payment. You know, it's just an added cost involved and the Manager also is much happier when he sees everything done in front of him in the store.

**But do you think there could be some benefit if one were to go multi-channel?**

I haven't really thought about that much; there could be a benefit where we could possibly get some Internet sales if we go multi-channel especially for those customers who are not able to get to the store. We'll be able to sell to them on a regular basis; that would increase those sales on the regular basis. It could be of benefit at the end of the day.

I think there'll be an added advantage; as mentioned earlier you could sell to more people, and the more people you get the more sales you get.

**Growth opportunities?**

In that line of multi-channels, we're going to need to set up more structures in place. Actually, you've got to make sure that every home has a PC, every home has access to the Internet at home. In an environment like that then there'll be tremendous growth. But if those structures aren't in place it's going to be a bit difficult.

**How about open market like those guys are doing out there in front of your store?**

You can do that but you've to think about the products ... you'll not have the full range of products because you've to take into account your perishables; you're going to need a fridge or something. Fresh products cannot stand outside... for 12 hours a day. I don't think so. That is going to be very much of a limitation. Whereas if you walk through the store, you'll remember oh I need this... So when you set up your table you're going to be limited [by] the number of items that you sell, and the range will be limited as well. The super-market business is mainly a store-based operation. So you can't really go much further than that. The type of business that it is [makes] it store-based.

**Do you see any other challenges?**

Internet ... you've got to look at the logistics support. You've got to look at the cost effectiveness of it all. How many customers you get and how many people do the delivery...from that you need to base it on how many vehicles you need to do the delivery, [and] how many back-up staff you need. [Example] if you're running, say, five customers a month, and then you've to employ three people to do delivery, whether they deliver or not you pay them every day.

### **4.3.1 Digicape Apple Centre**

#### **Retail manager**

#### **Tell me about the channels you use?**

OK, well we do normal retail, we have a shop, people walking and we help them purchase stuff. We have an online store and we do business to business sales, so we have reps that go out and generate sales that way.

#### **How do you complement the different channels?**

We actually prefer people to come to the store, mainly because computer stuffs are the products where people can make the wrong choices. Surfing online and blindly placing orders forward, they can be mistakes. That's why we actually do... we don't have an online store where you can purchase online with your credit card. You can order online as the order gets e-mailed through to us we process the order and either deliver it or get it ready for collection. But then there'll always be a call back or the customer would come in to collect the stuff where we try and get the customer just to make sure that [he/she] makes the right purchase decision.

Now, the other thing is we can get big corporations coming into the shop and people who have [the] potential to do much bigger plan than once-off sale. And they need more attention than the guys in the store can generally give because we're very busy in the retail store, [normally] we hand them over to our corporate people who can give more [of] the attention that they really need. So there is a good balance between the two.

We've got very good systems, computer systems that let us know exactly what's going on. Where we're making money, where we're losing money, where we can improve. A good accounting system, something that can break it down for you very easily is very important.

#### **Any benefits and opportunities?**

We, you know...it's very easy; more exposure, more customers, more money. The website is a big resource to show all the products, it's also a big place to have a lot of information about the products online so people can educate themselves... some people prefer to do that. The exposure is very good ...people signing onto our website allows us to create a very good detailed database. So we can e-mail customers, say a photographers, we can e-mail them things more specific. We don't like to do SMS, it's a bit tacky. I don't think our customers would appreciate getting SMS.

You know there're ways you need to grow and specifically at the moment we're trying to grow our business to business clients. You know, there is always opportunity to get more customers that way, you know making a name for ourselves, making sure that the service is as good as it is, is obviously one of the most important things. There's nothing better than word of mouth, there is no better advertising or anything to that effect, you know, as long as we try and keep our service level high. We're quite confident that the business can grow but it's good to get out there and...specifically for us the market is huge, the PC market is massive. ...There is always huge room to grow.

### **Do you envisage multi-channel retailing growing in the future?**

For us it's probably very important to diversify a bit more, you know just make sure that we don't put all our eggs in one basket. You know, we sell Apple computers and ipods ...you know we need to make sure that we don't limit ourselves to that type of thing. ...if everyone took the care just to look at their business properly and plan accordingly, I think it'll benefit actually everybody's business.

### **Challenges?**

Look it was definitely hard at first with the website, it's just the way we had it set up. People place an order, we take a little bit too long to get it processed. And then, there was confusion, you know, if an order was placed the people would come in expecting the order to be ready for them and ...we didn't have that order, we didn't know what was going on. So there were a couple of problems. But ...you know, we recognised them and basically fixed them.

## **Shoe Headquarters**

### **Retail manager**

#### **What are the channels you use in selling to customers?**

We mainly sell to customers through the store, so customers come through the door to buy from us.

#### **How about the flea market where a lot of guys sell shoes similar to what you have here, don't you think you could try?**

Ja, but they come to the shop; it's a customer walks in by the door, looks at our products, takes a bulk order, pays for it and then goes out again. So that's the normal...that's one channel coming. That's the main channel that we've in the store, it's the customer coming in, ja.

#### **So, somebody can come and buy from you and also go out to sell?**

Exactly, ja, I would say 99.99 % of our sales [come from] only one channel, it's by the door. We do have a website but the sale from the website isn't that big.

#### **Any particular reasons why you're not make sales on the website?**

As I said at the moment we do have the Internet, multi-channelling is something we can look into but I don't that we...

#### **Do see any benefit if you should sell via a different channel?**

There is always a benefit. We would sell more shoes and stuff like that ...If there is growth in the company we can look at multi-channelling. It exists and can improve any business.

#### **What challenges do you see in multi-channel retailing?**

We are a company still growing, but I would say with all the fraud going on and stuff like that. You've got to be careful about how you do it. It can be done but I think you've got to be careful about how you do it; you've got to put the systems in place first.

## **Gordons Tool and Hardware**

### **Through what channels do you sell to your customers?**

The store, over the phone, we don't do telephones sales but customers phone us for enquiries and [also] to order.

### **Do you have a website?**

No, we do have a website, [but] nobody uses it, we don't use it, not yet. And we're doing some advertising in the media, a little in the newspapers, [but] not catalogue, and also in the Yellow Pages.

[When] customers phone, we fax them quotes, then they fax us an order and we deliver. We do a lot of deliveries because there is no parking here in town. So practically every day we do deliveries. Sometimes they come in to collect but also provide that service on a daily basis.

We've got various sales people doing different jobs, and everybody [has] to be good at doing all those things.

### **Do see any benefits in multi-channel retailing?**

Ja, I think there is benefit we don't actually initiate calls to prospective new customers, we don't do that now, we could but we don't do it. We could also go out to see prospective new customers, besides phoning new customers, but we don't do much of that at all. [However] that could also be a good thing to do, [although], not everything is suitable for us.

### **Growth opportunities?**

Well as I said there a few things that we could do that could potentially help the growth of the company: going out to see potential new customers, telesales dialling-up, calling potential new customers, not just waiting for our regular customers to phone us. That could benefit us too. Well, we have constant discussions [as] management; try to encourage the staff to do certain things within our resources...

**Appendix C: Questionnaire**



## Multi-channel retailing research at CPUT

The e-Innovation Academy at CPUT is conducting a survey on customers' buying modes, which is intended to help retailers understand their customers better with regard to their ways of buying products and services. You can contribute to this research by answering the questionnaire below. All your information will be treated as confidential.

**Q1.** Indicate which of the shopping modes or channels you already use, would continue to use or would stop using and the ones you don't use, would consider using or would never use, by ticking the appropriate boxes.

Ways of shopping (channels)	Do			Don't			Q1
	Q1a I already buy this way	Q1b I would continue to buy this way	Q1c I would stop buying this way	Q1d I don't buy this way	Q1e I would/might if it were offered	Q1f I would never buy this way	
Flea market							Q1.1
Retail store							Q1.2
Hawkers							Q1.3
Sales reps							Q1.4
Catalogue							Q1.5
Vending machine							Q1.6
Call centre/ telephone							Q1.7
Online/Internet							Q1.8
Cell phone/mobile							Q1.9
TV commercials							Q1.10
Post/mail							Q1.11

Q2 Please indicate whether you are

(Tick one Box)

Male

<input type="checkbox"/>
<input type="checkbox"/>

(1)

Female

(2)

Q3 Indicate your age group

(Tick one Box)

Under 21

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

(1)

21 – 30

(2)

31 – 40

(3)

41 – 50

(4)

51 – 60

(5)

Over 60

(6)

Q4 Please indicate your highest level of

educational achievement (Tick one box)

Matric

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

(1)

Diploma

(2)

Degree

(3)

Honours

(4)

Master's

(5)

PhD

(6)

Q5 Please indicate your annual income

(Tick one box)

R 5000 – R 20 000

<input type="checkbox"/>
<input type="checkbox"/>
<input type="checkbox"/>

(1)

R 21 000 – R 50 000

(2)

R 51 000 and over

(3)

**Thank you for taking part in this research process.**

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