

3.14: Key Differences Between Single Channel, Multi-Channel, and Omni-Channel Retailing

Learning Objectives

- Explain the main difference between multi-channel and omnichannel retailing

Think again about your own shopping behavior. Perhaps you're frequently in-store to see the products in-person. Maybe you shop on-line, visiting the store or brand's websites? Are you connected with retailers or brands on Facebook? Do you follow them on Twitter to learn about new items, special releases or sales? Have you checked on Instagram to find them? Do you participate in fan boards or blogs to track updates or read reviews?

It's possible that many, if not all, of these activities are reflected in your shopping behavior. Many of these behaviors are very common, as shopper behavior has undergone radical change, supported by greater access to technology and heightened expectations around service and responsiveness.

Why then, with so many channels available, would a brand or retailer choose to engage in anything other than the multi-channel? Simply, there are certain advantages and disadvantages to each channel strategy. That is, not all firms have the need or are capable of managing the expense of maintaining multiple channels well, especially knowing consumers' requirements for accessibility, consistency and service.

Single channel refers to a producer or retailer's effort to reach customers through only one distribution option, regardless of whether it's online, catalogue, mail-order, face-to-face selling or traditional retail. This approach reduces marketing investments and organizational complexity. However, the risk with this approach is missed selling opportunities as customers shop alternative channels. This is particularly risky, given how connected and empowered consumers are in the digital age. Weber Grills and Jacuzzi Hot Tubs are both examples of manufacturers that sell through established dealer distribution networks.

Multi-channel refers to a producer or retailer's effort to combine and blend different distribution channels to accommodate where and how consumers make purchases, ensuring that producers and retailers will be present when the purchase decision is made. The objective is to make it easy for a consumer to buy in whatever way is most appropriate for them. Multi-channel marketing allows the firm to reach its prospective or current customers at the point of purchase in a channel of their liking. Most firms with which you interact are engaged in multi-channel marketing, if not omni-channel marketing.

A multi-channel marketing strategy needs to be supported by good organizational discipline and infrastructure. At the most basic level, firms with a multi-channel strategy must ensure that the details and prices of goods are consistent across channels. To be most effective, they should also be mindful of the contribution each channel delivers to the company's revenue and profit. To do this, they would need to track marketing spend in each channel and review metrics like customer response, conversion rate and loyalty to get an accurate picture of return on investment.

As you can clearly see, moving from a single to multi-channel strategy requires increases in structural support, including systems, analytics, and capital, to ensure consistency in service. This intensifies further with an omni-channel strategy, given that it is an expansion of the multi-channel concept.

The emergence of digital technology, social media and mobile devices have led to significant changes in the retail environment, as firms leverage connectedness in an attempt to be present in all channels of interaction. The omni-channel concept not only recognizes the range of channels available to consumers to transact, but also considers the varied interactions in the shopping process that consumers have before, during, and after purchase. The omni-channel isn't merely concerned with transactions, it also incorporates the needs, communications, and interactions between customer, brand, and retailer. Thus, it's important that websites, e-mail campaigns, social media messaging, and physical stores all show consistent messages, offers, and products.

Further, given consumer expectations around accessibility, these channels must also be customer-centric in their service orientation. This requires having appropriate content and responsiveness for an array of possible consumer interactions. It requires that firms maintain multiple platforms through which consumers engage. For example, think of how expectations have changed around online presence. At one time having a company website with location addresses, phone numbers, operating hours and product descriptions was sufficient.

By comparison, consumers now expect company websites to have value-added content, like product information, ratings & reviews, recommendations, and troubleshooting tips. They expect high-resolution photography and video. And some consumers prefer to engage over a wide variety of other media like social networks, not just .com.

Consumers are able to supplement the information they get about products in advertising and in-store with information they search for themselves. They use technology to search independent sites for user reviews and product ratings, as well as for promotional offers. In this environment, manufacturers and retailers must have a service orientation to ensure that consumers can get what they want when they want it. This requires a tremendous amount of content, which needs to be sourced or created and curated.

In that same way, most consumers expect manufacturers and retailers to have e-commerce capabilities. This doesn't just reflect a need to be able to complete transactions, but requires having a system robust enough to maintain current inventory information, collect and securely store payment information, record order details for accurate fulfillment, and initiate shipping.

It's clear that the opportunity to be present in all channels of customer interaction carries incredibly high costs. System requirements increase, especially around business intelligence and customer relationship management. The breadth and depth of content expands, meaning that there's a need for creative production and curation. There are related demands for analysis and customer service to ensure the customer experience. And, of course, there's a need for security to ensure that consumer information is protected.

Technology has enabled consumers to search and shop across channels very easily. In response, manufacturers and retailers have developed their presence in alternative channels to capitalize upon all outlets. Yet, there are limits to how easily firms can pursue a multi- or omni-channel strategy. Not all firms have the need or resources to maintain multiple channels well. But, for those that can, managing multiple channels of interaction means that they must be present and engage consumers well at all points in the shopping process.

? Practice Questions

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