

3.17: Comparison of Store, Catalog, and Internet Channels

Learning Objectives

- Compare and contrast the benefits of store, catalog, and internet channels

The most pronounced difference between store and non-store retail channels is the cost structure. Retail stores have comparatively higher costs than their non-store counter-parts because their costs include rent, utilities, inventory, and staffing. By comparison, non-store retail outlets have eliminated rent and utilities and greatly reduced carried inventory and staffing.

It's for this reason that non-store retailing is used by established brick & mortar retailers to expand channels with a “brick & click” model and by entrepreneurial firms developing a pure play distribution channel, which is exclusively through e-commerce. It shouldn't be assumed that non-store channels are without costs of their own. There are many specific to catalogs and e-commerce, which we'll discuss below. However, they pale in comparison to the costs of brick & mortar retail.

Catalogs, when effective, are high-involvement marketing materials. Consumers leaf through the pages reviewing wide product assortments. As such, they have long been used as a marketing device to drive phone and in-store sales. But as online retail has continued to grow, catalog sales have eroded. No longer are catalogs the most effective or convenient methods for developing at-home sales; their place as a marketing tool has been under scrutiny.

Yet, some industry experts note that catalogs are changing—a reflection of their evolving role in the retail landscape and with the assumption that lower delivered mail volume means they'll get more attention. Interestingly, in a survey on its website, Land's End found that 75% of customers making a purchase had reviewed the catalog first.^[1] This might imply that catalogs have a complementary role with e-commerce. Perhaps, in being reimagined, they will become resources to merchandise products through visual narratives and encourage consumer engagement.

Of course, catalogs carry their own unique costs, which shouldn't be overlooked. Chief among these are creation, photography, copy, layout, and design. Further, there are printing and mailing costs to be considered. These are not insignificant, to be sure. Yet, retailers like Costco, Nordstrom, William-Sonoma, and others combine to send over 10 billion catalogs annually in the U.S.



E-commerce refers to buying or selling products and services online or over the internet on retailers' Web sites or mobile apps, or through marketplaces such as on Amazon or Alibaba. Given our own experience with e-commerce, it might be tempting to oversimplify the channel. But, it's important to understand the interactions and activities at-play, as these reflect some of the implicit costs.

For example, digital marketing, including both Search Engine Optimization (SEO) and Search Engine Marketing (SEM) is used to connect sellers with potential buyers (Some social media platforms can also be used for the same ends). SEO requires web development, optimization, and maintenance to ensure the online visibility of a firm's website in natural or organic search. SEM is

a form of paid advertising that increases the visibility of a firm's website in search engine results, such as through Google or Bing. Firms bid on keywords to ensure that when searches using those keywords are made, their website appears among the search results.

Individual shopping interactions may be supported by live chat or chatbots on websites. Regardless, transactions require online transaction processing, including electronic funds transfer and inventory management. Further, the collected data on the transaction and shopper may be warehoused in a database for future customer relationship management (CRM) initiatives. These support tools require investment and maintenance, which are costs that should not be overlooked.

Practice Questions

<https://assessments.lumenlearning.co...sessments/9156>

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1. http://www.nytimes.com/2015/01/26/business/media/catalogs-after-years-of-decline-are-revamped-for-changing-times.html?_r=0 ↩

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