



Retail &
Omnichannel
Marketing

EBM880B05.2022-2023.1

FREE EDITION*

SUMMARY OF EVERYTHING FROM WEEK 1

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Grades Testimony:

COURSE CODE	TITLE	SCORE	DATE	RESULT
EBS001A10	Business Research Methods for Pre-MSc	8	21-12-2021	8
EBS002A05	Mathematics for Pre- MSc	9	10-11-2021	9
EBS003A05	Organization Theory & Design for Pre-MSc	7	05-11-2021	7
EBB098A05	Contemporary Theories on Business and Management	6	11-05-2022	6
EBB649C05	Strategic Management B&M	8	15-06-2022	8
EBB617B05	Human Resource Management B&M	8	08-04-2022	8
EBB104A05	Behavioural Decision Making	7	03-11-2021	7
EBB085A05	Marketing Research for E&BE	8	04-04-2022	8
EBS008B10	Research Paper for Pre-MSc Marketing	7	05-07-2022	7
EBM043A05	Business Ethics	8	14-11-2022	8
EBB105B05	Digital Marketing Analytics	8	21-01-2022	8
EBM213A05	Data Engineering for MADS	7	01-11-2022	7
EBM214A05	Statistical Learning in Marketing	8	02-11-2022	8
EBM215A05	Companies, Brands, and Consumers	8	05-11-2022	8
EBM216A05	Data Science Methods for MADS	9	20-01-2023	9

Table of Contents

Week 1.....	8
Lecture 1: Introduction & The Tale of Retail	8
What is retail?.....	8
The Tale of Retail	8
1. Agrarian economy.....	8
2. Industrial revolution	8
3. Service revolution	9
4. Information and Network Revolution	9
From retail format to Eco-system	10
From trust in the firm to trust in the use	10
Lecture 2: The Customer Journey	10
5 Entities of Retailing (traditionally).....	10
What do we want from our shoppers?	11
Retailing, then and now	11
Battle for the shopper: <i>Shopper Marketing</i>	11
Customer Experience & Journey	12
Mapping the Customer Journey – 6 insights	12
Customer Journey Perspectives: Retailer vs. Shopper	13
Omni-channel Customer Journey.....	13
Types of Channels – Offline vs. Online	14
Touch Point Elements	15
Store Environment.....	15
Journey-based Segments	16
Omni-channel Management	16
Long tail vs. Short tail.....	17
Impact of Digital Transformation	17
Reading 1: Loyalty Formation for Different Customer Journey Segments	18
Reading 2: Online and offline retailing.....	21

Reading 3: The impact of digital transformation on the retailing value chain	23
Reading 4: Towards the identification of customer experience touch point elements.....	26
Assignment 1 Case: Makeup Shake-up – L’Oréal	29
L’Oréal Company Background.....	29
Key Trends Influencing Path-to-Purchase	29
Channels in U.S. Beauty Market: Primary & Secondary + Key Figures	30
5 Beauty Shopper Personas + Other Data	31
Week 2.....	34
Lecture 3: Shopping Motivations & Shopper Segmentation.....	34
Recap: Customer Journey	34
Showrooming	34
Webrooming.....	34
Reasons for Consumer Shifting to Online Shopping.....	35
Consumer Buying Process: Shopper.....	35
Shopper Motivations: Why do we buy?	36
Hedonic vs. Utilitarian Consumption (Motivation).....	36
Shopper Segmentation: Motivation-based Clusters.....	37
Shopper Segmentation: Journey-based Clusters.....	38
In-store Shopping: Impulse vs. Unplanned Buying.....	39
In-store decision making.....	41
Precursors to Unplanned Purchasing	42
Shop Marketing Model:	43
Lecture 4: Samir Selimi Guest Lecture.....	43
Single- vs. Multi- vs. Cross- vs. Omni-Channel.....	43
Everything Digital?	43
Omni-channel in Practice: Outside-In	44
Reading 5: Hedonic shopping motivations	47
Reading 6: Shopper-Facing Retail Technology.....	50

Reading 7: The Interplay Among Category Characteristics, Customer Characteristics, and Customer Activities on In-Store Decision Making.....	54
Week 4.....	58
Lecture 5: The Basics of Generating Sales in Retail	58
Brand/supplier’s perspective	58
Retailer’s perspective	58
Market perspective.....	60
Category Management	61
Assortment	63
Lecture 6: Guest lecture.....	66
Omitted	66
Reading 8 – Assortment: Consumers’ Perceptions of the Assortment Offered in a Grocery Category: The Impact of Item Reduction	67
Abstract / Key Takeaway (in-short).....	67
Reading 9 – Assortment: How does assortment affect grocery store choice?	69
Abstract / Key Takeaway (in-short).....	69
Key Takeaways (in-depth).....	69
Reading (not for exam) – Useful for Assignment 2 on assortment: How Many Versions of a Product Do Consumers Really Want?	71
Key Findings:.....	71
Reading (not for exam) – Useful for Assignment 2 on assortment: Which products should you stock?	72
Key Findings:.....	72
Assignment 2: Kruidvat Case Summary	73
Key Findings:.....	73
Week 5.....	77
Lecture 7: Pricing & Promotions	77
Factors that affect Price.....	77
Tactics to deal with price increases.....	77
Store image & Price perception	77

Price tracking & Price tactics.....	78
Price elasticity.....	78
3 Sources of short-term Sales increase: Brand switching, category incidence, purchase quantity.....	79
Wrap up.....	79
Reading 10 – Promotion: Is 75% of the Sales Promotion Bump Due to Brand Switching? No, only 33% Is	80
Abstract / Key Takeaway (in-short).....	80
Key Takeaways (in-depth).....	80
Reading 11 – Price: New Empirical Generalizations on the Determinants of Price Elasticity.....	81
Abstract / Key Takeaway (in-short).....	81
Key Takeaways (in-depth).....	81
Reading 12 – The Good-Better-Best Approach to Pricing.....	85
Week 7.....	89
Lecture 8: Sustainability in Retailing	89
New customers, new journeys, and a new P in Marketing.....	89

Week 1

Lecture 1: Introduction & The Tale of Retail

What is retail?

Retail is the sale of different goods and services to customers with the intention to make a profit.

- Always interacting with the customer (difference with B2B)
- Always interested in profit first
- What makes retailing sustainable? Is it just money – no

The Tale of Retail

1. Agrarian economy

The Agrarian economy, the time when mechanization happened.

- **Retail Developments**
 - Potatoes, gran and straw cardboard initiated in area of Groningen
 - First retail chain – De Gruyter
 - First warehouse/dept. store – Winkel van Sinkel
 - First confection (sweets) store – C&A

2. Industrial revolution

Beginnings of mass-production.

- **Retail Developments**
 - Availability of affordable, high-quality goods
 - Upscale dept. store – Hirsch
 - Vroom & Dreesmann
 - Verkade (biscuits) introduces franchising
 - They called it star stores
 - Very progressive and innovative with customer loyalty programs (distributed pictures to collect in order to complete an album and unlock the story)
 - HEMA

- Introduced *unity-prizing*, everything in the store costed 0.25 or 0.50 cents
- Confectionary chains initiated the birth of mass-producing clothing

3. Service revolution

Spurred the growth of *self-service concepts*, travelling industry, entertainment, out of home dining

- **Self-service concepts and data marketing**
 - *V&D Customer media*: the first to introduce the magazine as a marketing tool and customer loyalty generator.
 - *FEBO automatiek*: emergence of vending machines
 - *AH adopts the US approach*: introduced barcodes, baskets
 - *Dirk van den Broek*: incorporated a travel agency through offering a voucher to people who spent X amount, which give discounted travel to Italy.
 - *Kruidvat*: in 1975 there was a breakthrough in the pharmacy industry
 - *Bakker Bart*: introduced ready-made sandwiches (take-home dining)
 - *Praxis*: one of the first do-it-yourself stores

4. Information and Network Revolution

Digitization and connectedness define this revolution.

- Entertainment (movies, music, gaming) and traveling taken over by online
- Pinduoduo: combining social media and ecommerce together
 - Better prices and less waste thanks to seeing directly what customers are most interested in.
- Benefit of online + offline (O&O): higher revenue
- **Retail developments**
 - Online & Offline (O&O) integration
 - Seamless experience
 - Information provision
 - Order automation
 - Autonomous delivery

- Customization, Hyper Personalization
- AI powered product design
- Spatial internet

From retail format to Eco-system

Combining many aspects of shopping and social into one eco-system.

- WeChat: combines many digital functions of social media in one function

From trust in the firm to trust in the use

Nowadays shoppers are influenced by other shoppers or people in general, more than the firm's marketing efforts.

- Influencer Marketing
- Review Marketing
- Co-creation

Lecture 2: The Customer Journey

5 Entities of Retailing (traditionally)

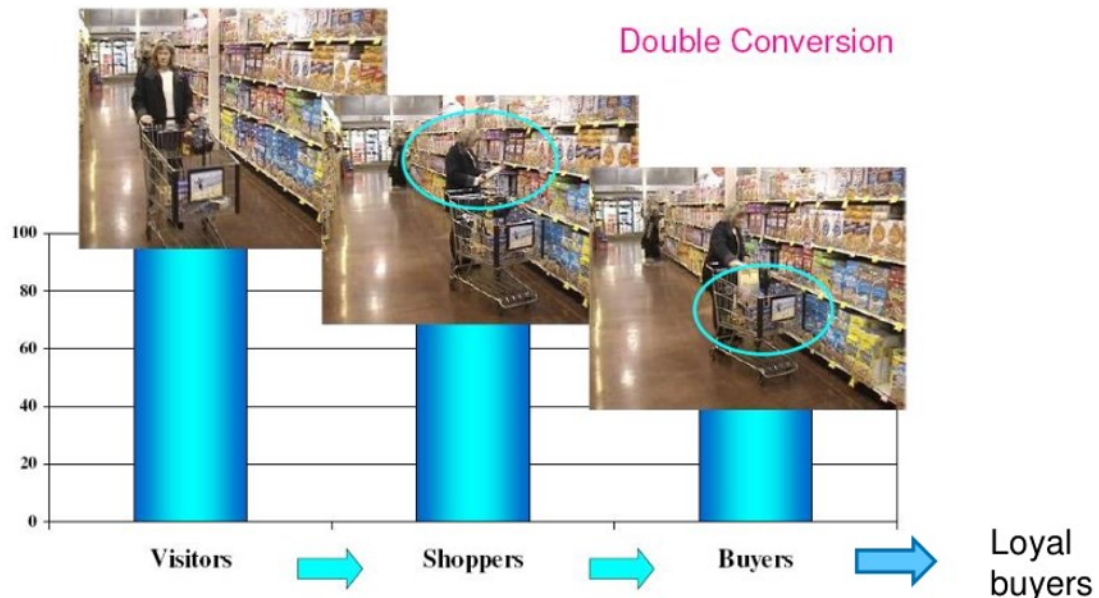
- Retailer -> Store
- Supplier -> Product
- Customer/Shopper



What do we want from our shoppers?

Getting traffic to a section is only half the battle.

- Good merchandising will yield high *DoubleConversion™*:
 - Stop the traffic (shopper)
 - Converting the shopper to a buyer



Retailing, then and now

- > Farmers, markets, small stores
- > Department stores
- > Self-service supermarkets
- > Electronics, (self-)scanning
- > Online retailing
- > Omnichannel retailing
- > Smart retailing
- > Platforms
- > ...
- > => Battle for the shopper!

Battle for the shopper: *Shopper Marketing*

Shopper Marketing is the combination of optimizing the customer journey, knowing your shopper and knowing how they shop. You optimize everything about the experience.

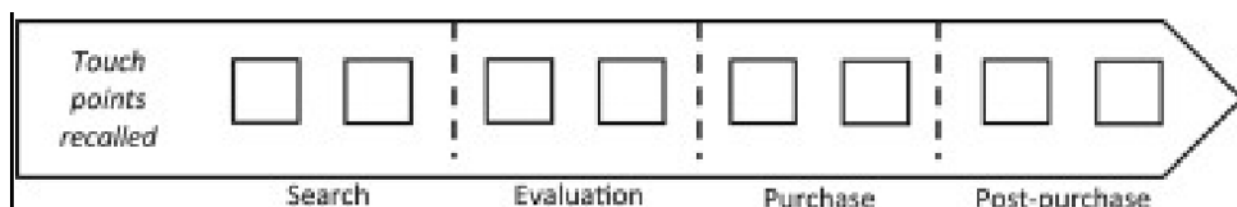
- Retailers are brands themselves and are becoming more powerful

- Market share of private labels is increasing
- Market share of online channels is increasing / digitalization of retail
- It is important to not only think about what you're delivering, but also *how*.

Customer Experience & Journey

What does the shopper want from us?

- **Customer Experience:** Customer experience is recognized as the internal and subjective response customers have to any interaction with a company.
 - Consumption has experiential aspects
 - Constructed through interpretations of all encounters across channels and time
 - Can be controllable and uncontrollable
 - **Total experience:**
 - Path-to-purchase + Pre- + During- + Post-purchase
- **Customer Journey:** Journey of customer to achieve a certain shopping task. An overview of *all the relevant customer steps and touch points* in time with your company.



- **Touch points** represent what actually happens/is visible from the *customer's perspective*.
 - Also defined as = any direct or indirect contact with a brand or firm (incl. retailers) – Baxendale et al. (2015)
- **Moments of truth** are the points in time that are crucial/decisive for retaining a customer.

Mapping the Customer Journey – 6 insights

(1) The shopper journey & experience phases

(2) Touchpoints and interactions/interconnection retail mix elements & channels

(3) Emotion or satisfaction of the shopper

(4) Points of pleasure/delight – possibilities

(5) Points of pain

(6) Types of shoppers

Customer Journey Perspectives: Retailer vs. Shopper

Perspective retailer

1. Product/ assortment
2. Price
3. Place/ location
4. Promotion
5. People
6. Process
7. Physical evidence

Perspective customer

1. Core benefit
2. Cost to the client
3. Convenience
4. Communication
5. Contact
6. Conditions
7. Comfort

Leads to the *customer experience*.

Omni-channel Customer Journey

The combination of all controllable touchpoints.



Types of Channels – Offline vs. Online

Offline

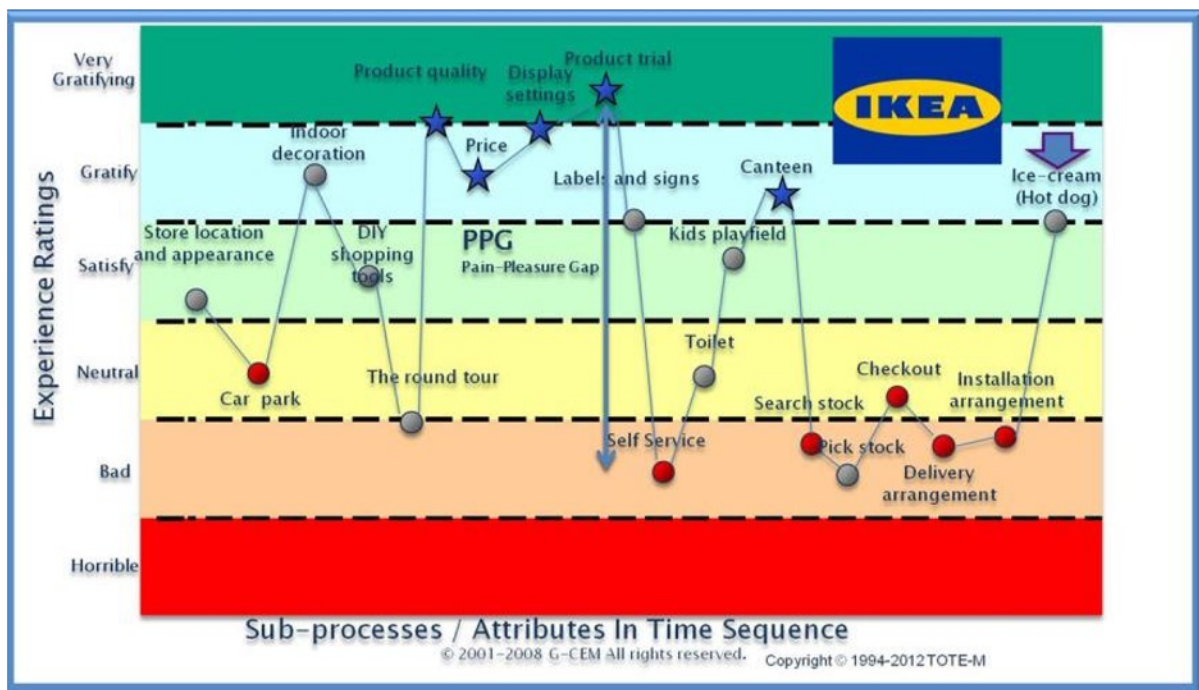
- > Brick & Mortar stores
 - Personnel
 - Technology



Online

- > Device
 - Fixed
 - Desktop / Laptop
 - Semi: voice assistant
 - Mobile
 - Tablet / Phone / Smart watch
- > Form
 - Website / apps / platforms

• Customer Journey - Ikea example



- **Pain-pleasure gap:** the big drop illustrated between product trial and self-service in the graphic above.
- **Recency effect:** what consumers experience last, in the graphic it's illustrated with IKEA's café (ice-cream, Swedish meatballs, etc.)

Touch Point Elements

(Stein & Ramaseshan, 2016)

Touch point elements	Definition
Atmospheric	The physical characteristics and surrounding customers observe when interacting with any part of the retailer.
Technological	A customer's direct interaction with any form of technology during an encounter with a retailer.
Communicative	One-way communication from the retailer to the customer, including both promotional and informative messages.
Process	The actions or steps customers need to take in order to achieve a particular outcome with a retailer.
Employee–customer interaction	The direct and indirect interactions customers have with employees when interacting with any part of the retailer.
Customer–customer interaction	The direct & indirect interactions customers have with other customers when interacting with any part of the retailer.
Product interaction	The direct or indirect interactions customers have with the core tangible or intangible product offered by the retailer.

- Findings relating to CJ Phases (Stein & Ramaseshan, 2016):

Table 4

Touch point element accounts across the customer journey.

Touch point elements	Customer Journey				Total
	Search	Evaluation	Purchase	Post-purchase	
Atmospheric	13	8	27	7	55
Technological	15	6	17	9	47
Communicative	14	5	15	10	44
Process	7	4	18	3	32
Employee–customer interaction	9	7	23	6	45
Customer–customer interaction	8	4	14	3	29
Product interaction	11	13	26	8	58
Total	77	47	140	44	310

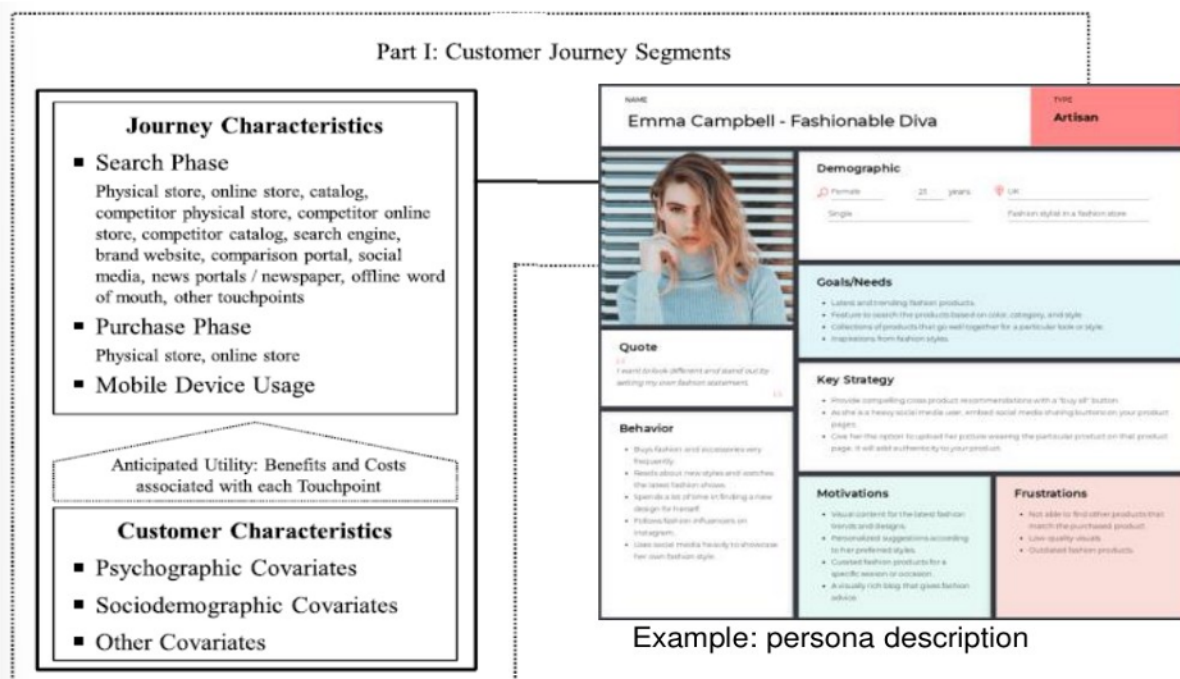
Store Environment

Environment, offline or online, is the container in which the journey takes place.

- **Responses to Store Environment** (Mehrabian & Russell, 1974)
 - *Physically* to stay or get out
 - Desire to *explore* or not
 - Desire to *communicate* with others or to ignore

- Enhancement or hindrance of *performance* and *satisfaction*
- **Responses to Store Environment** (Donovan & Rossiter, 1982)
 - Store patronage
 - In-store search/exploration
 - Interaction with staff
 - Repeat-shopping, reinforcement time, money expenditures

Journey-based Segments



Example: persona description

<https://uexpressia.com/blog/multiple-personas-on-one-customer-journey-map>

Herhausen et al., 2019, Journal of Retailing

Omni-channel Management

- > Seamless omnichannel retail environment
- > More than just selling channels
- > Technology evolution/ digital transformation
- > New digital channels (mobile)
- > Borders channels disappear
- > Borders retailer-manufacturer disappear
- > "customers will prefer to interact with the players that best provide the benefits sought in a given buying situation"

=> **challenges!**

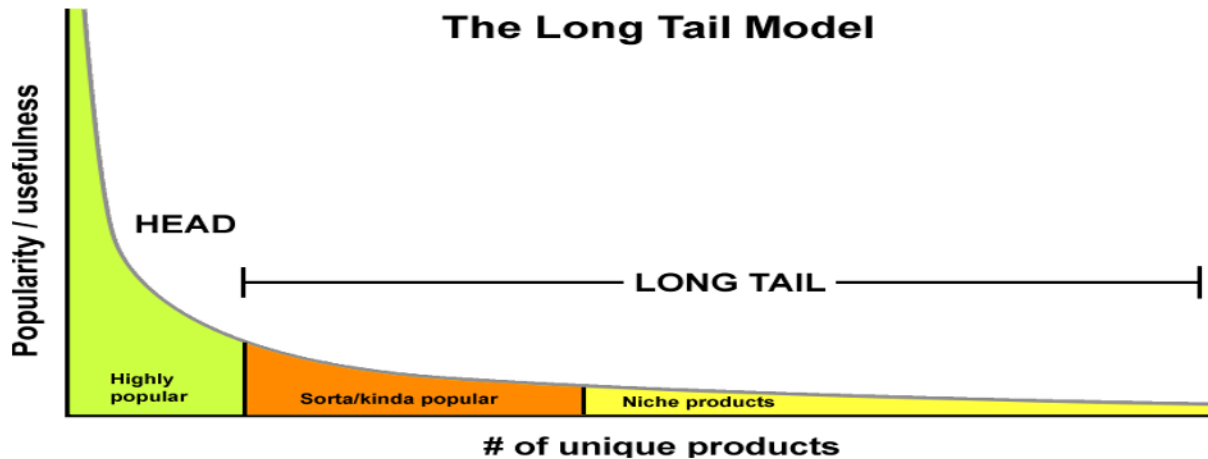
a.o. Reinartz et al. 2019

- Challenges:
 - Seamless: role & use of technology? (Discussed in Lecture 4)

- Showrooming/webrooming *best player*. (Discussed in Lecture 3)
- Which assortment where? Long vs. Short tail
- Role of mobile channels/platforms

Long tail vs. Short tail

Short tail products are the highly popular ones, which are bought the most, they usually represent a large portion of the sales. The *long tail* ones are not that popular, niche products. Both play an important role.



Impact of Digital Transformation

- Traditional linear structure, *Manufacturer -> Retailer -> Consumer*, has changed
- Branded-product platforms shifts authority to new players
- Multilayered competition: manage your position in the evolving eco-systems
- Every retailer can create value through different sources, with novel opportunities to create value due to digital transformation
- Depending on how important shoppers find these new sources of value creation, shoppers choose their favorite channel
 - **Examples of sources of value creation:**

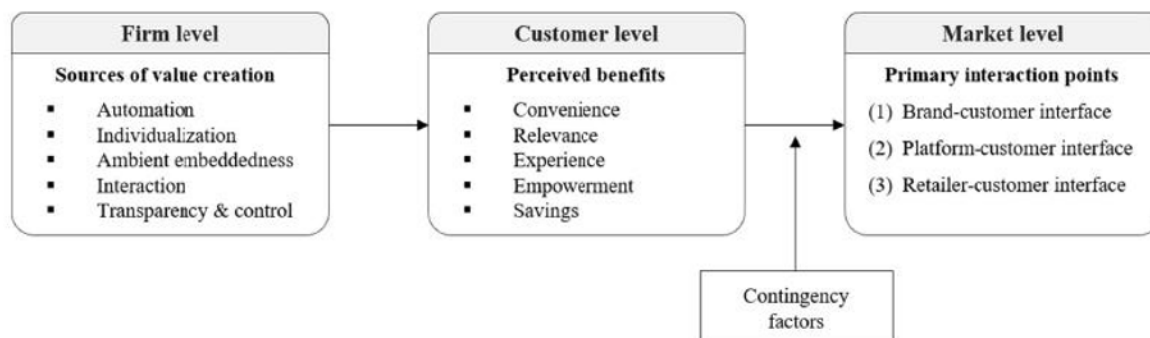


Fig. 1. Conceptual framework.

Contingency factors: "The magnitude and relative importance of these perceived benefits are further subject to **different purchase situations and product attributes.**"

Reading 1: Loyalty Formation for Different Customer Journey Segments

Herhausen, D., Kleinlercher, K., Verhoef, P. C., Emrich, O., & Rudolph, T. (2019). Loyalty formation for different customer journey segments. *Journal of Retailing*, 95(3), 9-29.

Abstract

The proliferation of new touchpoints empowers today's customers to design their own journey from search to purchase. To address this new complexity, we segment customers by their use of specific touchpoints in the customer journey, investigate the association of several covariates with segment membership, consider the rise of mobile devices as potential "game changers" of existing segments, and explore how the relationships among product satisfaction, journey satisfaction, customer inspiration, and customer loyalty differ across segments. Based on anticipated utility theory and using latent class analyses on large-scale data from two samples of 2,443 and 2,649 journeys, we identify five time-consistent segments—store-focused shoppers, pragmatic online shoppers, extensive online shoppers, multiple touchpoint shoppers, and online-to-offline shoppers—that differ considerably in their touchpoint and mobile device usage, their segment-specific covariates, and their search and purchase patterns. The five segments remain unchanged in the two data sets even though the usage of mobile devices has increased substantially. Furthermore, we find that the relationships between various loyalty antecedents and customer loyalty differ between the segments. The insights from this paper help retailers develop segment-specific customer journey strategies.

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Keywords: Customer journey; Customer satisfaction; Customer inspiration; Touchpoints; Omnichannel management; Customer segmentation

Customer Journey segments are homogenous groups of customer with a similar touchpoint usage during the customer journey.

Definitions from article:

- **Customer journey** is the customer's search and purchase usage of all online and offline touchpoints from various sources, including retailer-owned, competitor-owned, and additional touchpoints.
- One of the major goals of **customer experience management** is to design journeys that induce short-term sales and long-term *customer loyalty*. (Homburg, Jozic, and Kuehnl, 2017)
- **Customer loyalty** is a customer's intention to engage again in a journey of touchpoints provided by a given retailer and to transit from post-purchase to repurchase at this retailer. (Homburg et al., 2017; Court et al., 2009)
- **Customer loyalty** is formed through **customer experience** encompassing three components:
 - **Product satisfaction:** the evaluation of the purchased product as an outcome of the journey.
 - **Journey satisfaction:** customers' processing of stimuli encountered during the journey, leading to global affective evaluation of it.
 - *Associated with consistent experience across touchpoints*
 - **Customer inspiration:** customer's cognitive transformation of stimuli encountered during the journey, leading to new cognitive insights.
 - *Based on sensations of novelty*

- **Insights on Mobile Devices:**
 - Mobile usage is becoming more important in today's customer journeys (Verhoef et al. 2017).
 - Moving from a mobile device to a desktop increases conversion (de Haan et al., 2018; Xu et al., 2016).
 - Both studies suggest mobile devices are mainly used for search and that they are important *journey starters*.
- **Segments found in this study:**

18

D. Herhausen et al. / Journal of Retailing 95 (3, 2019) 9–29

Table 4
Summary of segmentation results.

Segment	Main characteristics	Covariates	Related segments
Store-focused segment	Customers in the store-focused segment use only two touchpoints for searching (2.22 and 2.01), have the lowest share of online touchpoints in the search phase (17% and 15%), and always purchase in the physical store. Only 1% of store-focused customers use mobile devices.	Store-focused shoppers have less online experience and spend less than customers from other segments.	Store-focused consumers (De Keyser et al. 2015; Konus et al. 2008)
Pragmatic online segment	Customers in the pragmatic online segment use only two touchpoints for searching (2.36 and 2.29), have a high share of online touchpoints in the search phase (79% and 80%), and almost always purchase in the online store (99% and 99%). Mobile device usage increased from 5% to 16%.	Pragmatic online shoppers are older, more often female, have a shorter journey duration, more online and less offline experience, and spend more than store-focused customers.	New segment
Extensive online segment	Customers in the extensive online segment use four touchpoints for searching (4.38 and 3.92), have the highest share of online touchpoints in the search phase (87% and 93%), and almost always purchase in the online store (100% and 99%). Mobile device usage increased from 9% to 24%.	Extensive online shoppers are more price consciousness and more often male, have a higher education, more online and less offline experience, and a shorter customer duration, and spend more than store-focused customers.	New segment
Multiple touchpoint segment	Customers in the multiple touchpoint segment use the most touchpoints for searching (6.87 and 6.81), have an average share of online touchpoints in the search phase (61% and 67%), and increasingly purchase in the online store (45% and 78%). Mobile device usage increased drastically from 5% to 58%.	Multiple touchpoint shoppers are more involved, younger, and from a larger household, have a longer journey duration and more online experience, and spend more than store-focused customers.	Multichannel enthusiasts (Konus et al. 2008)
Online-to-offline segment	Customers in the online-to-offline segment use four touchpoints for searching (4.07 and 4.57), and have an average share of online touchpoints in the search phase (60% and 60%). The physical store of the focal retailer is always used for purchase. Mobile device usage increased from 1% to 12%.	Online-to-offline shoppers are more involved and more often male, have a longer journey duration and more online experience, and spend more than store-focused customers.	Research shoppers (De Keyser et al. 2015; Verhoef et al. 2007)

• Journey Patterns in the segments:

Table 5
Typical journey patterns in the segments.

Journey pattern	n	Percentage of customers with the journey pattern				
		Store-focused segment	Pragmatic online segment	Extensive online segment	Multiple touchpoint segment	Online-to-offline segment
Physical Store → Physical Store	283	95%	–	–	–	5%
Online Store → Online Store	202	–	94%	1%	4%	–
Additional Touchpoint → Online Store	65	–	83%	15%	–	–
Additional Touchpoint → Competitor Touchpoint → Physical Store	51	27%	–	–	–	73%
Competitor Touchpoint → Physical Store	46	76%	–	–	–	24%
Additional Touchpoint → Competitor Touchpoint → Online Store	42	–	10%	86%	5%	–
Additional Touchpoint → Physical Store	41	39%	–	–	–	61%
Online Store → Competitor Touchpoint → Online Store	40	–	43%	58%	–	–
Online Store → Physical Store	38	26%	–	–	3%	71%
Physical Store → Competitor Touchpoint → Physical Store	33	97%	–	–	–	3%
Additional Touchpoint → Online Store → Competitor Touchpoint → Online Store	25	–	4%	88%	8%	–
Physical Store → Competitor Touchpoint → Additional Touchpoint → Physical Store	25	64%	–	–	–	36%
Additional Touchpoint → Competitor Touchpoint → Online Store → Physical Store	22	5%	–	5%	–	91%
Catalog → Online Store	21	–	95%	–	5%	–
Physical Store → Online Store	21	38%	57%	–	5%	–
Catalog → Physical Store	20	100%	–	–	–	–
Complex journeys with more than six touchpoints	363	1%	1%	6%	57%	35%

• Predicted importance of the 3 components of Customer Loyalty:

Table 6
Predicted importance of product satisfaction, journey satisfaction, and customer inspiration.

	Loyalty effect of...		
	Product satisfaction	Journey satisfaction	Customer inspiration
Segments			
Store-focused segment	Stronger effect	Weaker effect	Positive effect
Pragmatic online segment	Stronger effect	Weaker effect	No effect
Extensive online segment		Similar effect	No effect
Multiple touchpoint segment	Weaker effect	Stronger effect	Positive effect
Online-to-offline segment		Similar effect	Positive effect
Journey characteristics			
Higher number of touchpoints	Weaker effect	Stronger effect	Stronger effect

• Managerial implication to serving CJ segments:

Table 8
Managerial implications to serve customer journey segments.

Segment	Size	Moments of truth	Loyalty antecedents	Strategic recommendations
Store-focused segment	2013: 22% 2016: 24%	1 Physical store (4.07) 2 Competitor physical store (1.81) 3 Word of mouth (1.72)	<ul style="list-style-type: none"> Product Satisfaction (++) Journey Satisfaction (+) Customer Inspiration (+) 	Still large segment but less valuable due to lower spending that can only be served with the physical store. Aim to keep these customers within own physical store. Provide an attractive assortment with the right mix of products and prices. Only the within-store experience is important, and providing some form of inspiration can provide more value for the retailer.
Pragmatic online segment	2013: 23% 2016: 22%	1 Online store (5.46) 2 Other touchpoints (2.35) 3 Catalog (1.77)	<ul style="list-style-type: none"> Product Satisfaction (++) Journey Satisfaction (+) 	Segment that can only be served online. Provide an attractive online assortment with the right mix of products and prices.
Extensive online segment	2013: 21% 2016: 13%	1 Online store (5.82) 2 Competitor online store (4.32) 3 Search Engine (3.94)	<ul style="list-style-type: none"> Product Satisfaction (++) 	Provide an efficient journey that enables these customers to buy their required products quickly. Decreasing but valuable segment that can only be served online (incl. mobile). Provide extensive online search opportunities and information about products. Aim to keep this customer within own online store. Invest in search engine advertising. Provide an attractive online assortment with the right mix of products and prices.
Multiple touchpoint segment	2013: 13% 2016: 14%	1 Online store (5.71) 2 Physical store (4.07) 3 Search engine (3.85)	<ul style="list-style-type: none"> Journey Satisfaction (++) Customer Inspiration (+) 	Include mobile as an important device. Valuable segment that should be served through multiple touchpoints in the search phase, and purchasing opportunities should be provided offline as well as online and mobile. Invest in search engine advertising. Provide a seamless journey and inspiration during the journey.
Online-to-offline segment	2013: 20% 2016: 26%	1 Physical store (5.66) 2 Search engine (3.29) 3 Competitor online store (3.25)	<ul style="list-style-type: none"> Product Satisfaction (++) Journey Satisfaction (+) Customer Inspiration (+) 	Include mobile as a dominant device. Growing segment that should be served online in the search phase and offline in the purchase stage. Provide an attractive online assortment with the right mix of products and prices across channels. Provide a seamless journey within your own touchpoints and provide inspiration.

Reading 2: Online and offline retailing

Ratchford, B., Soysal, G., Zentner, A., & Gauri, D. K. (2022). Online and offline retailing: What we know and directions for future research. *Journal of Retailing*, 98(1), 152-177.

Abstract

The fast-paced growth of e-commerce is rapidly changing consumers' shopping habits and shaping the future of the retail industry. While online retailing has allowed companies to overcome geographic barriers to selling and helped them achieve operational efficiencies, offline retailers have struggled to compete with online retailers, and many retailers have chosen to operate both online and offline. This paper presents a review of the literature on the interaction between e-commerce and offline retailing, highlighting empirical findings and generalizable insights, and discussing their managerial implications. Our review includes studies published in more than 50 different academic journals spanning various disciplines from the inception of the internet to present. We organize our paper around three main research questions. First, what is the relationship between online and offline retail channels including competition and complementarity between online and offline sellers as well as online and offline channels of an omnichannel retailer? Under this question we also try to understand the impact of e-commerce on market structure and what factors impact the intensity of competition /complementarity. Second, what is the impact of e-commerce on consumer behavior? We specifically investigate how e-commerce has impacted consumer search, its implications for price dispersion, and user generated content. Third, how has e-commerce impacted retailers' key managerial decisions? The key research questions under this heading include: (i) What is the impact of big data on retailing? (ii) What is the impact of digitization on retailer outcomes? (iii) What is the impact of e-commerce on sales concentration? (iv) What is the impact of e-commerce and platforms on pricing? And (v) How should retailers manage product returns across online and offline channels? Under each section, we also develop detailed recommendations for future research which we hope will inspire continued interest in this domain.

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Keywords: Retailing; Online; Offline; e-commerce.

Findings from literature review done by Ratchford et al. (2022):

• Relationship between Online and Offline Retail Channels

Goldmanis et al. (2010);
Forman, Ghose, and
Goldfarb (2009);
Avery et al. (2012);
Herhausen et al. (2015), Wang and
Goldfarb (2017)

- Lower search costs and distribution costs can give online stores a cost advantage over offline.
- Competition between online and offline retailers is less intense when one channel has a clear advantage over the other.
- Competition will be less intense for products that have important sensory attributes, for perishable products, for niche products, when consumers seek instant gratification, for customers whose tastes are less likely to be met by offline offerings, or in markets where offline options are limited.
- Service integration between online and offline channels is beneficial.
- Many customers prefer to shop at an offline store if one is available.
- Because offline stores offer different services than online, there are potential synergies between the formats; opening offline showrooms or stores may positively impact online sales of a multichannel retailer.
- Because of these synergies, omnichannel retailing has become the norm.

• The Impact of E-Commerce on Consumer Behavior

Lal and Savary (1999);
Honka (2014);
Bronnenberg et al. (2016);
Rosario et al. (2016);
Kim et al. (2017); Baye and
Morgan (2004), Chung, et.
al. (2020)

- Search costs are generally lower online than offline, but consumers still do not search extensively online, and price dispersion online is similar to offline.
- Consumers prefer offline search for items requiring personal inspection.
- Normative models of search do not describe actual online search very well.
- The volume and valence of reviews are related to sales.
- Retailers need to attend to online reviews and may benefit from responding to negative reviews.

• The Impact of Big Data on Retailing

Wedel and Kannan (2016);
Bradlow et al. (2017), Lemon and
Verhoef (2016), Netzer (2012),
Tirunillai and Tellis (2014);
Ringel and Skiera (2016);
Gordon et al. (2019);
Yang et al. (2021);

- The internet enabled tracking customer behavior and targeting through multiple stages of the purchase process. Attribution models, segmentation based on shopping costs or patterns across the channels are examples to uses of big data in CRM.
- Perceptual maps developed using online communications, reviews, and purchase histories can be used in product or marketing mix decisions.
- Ability to run field experiments online has led to an extensive literature on methodological improvements, and measuring advertising and pricing effects.

• The Impact of Digitization on Retail Outcomes

Zentner (2006); Gentzkow (2007);
Danaher et al. (2010); Datta et al.
(2017)

- Offering music, videos, movies, books, newspapers, and other goods in a digital format has had a major impact on offline retailing of these items (e.g., the products have changed from physical to digital, the channel has changed to digital delivery).
- Digitization also had other implications that affected the retail landscape: it fostered piracy, affected the organization of industries, and made it more difficult for information good suppliers to get compensated for their efforts.

• The Impact of E-Commerce on Sales Concentration

Brynjolfsson et al. (2003);
Bar-Isaac et al. (2012),
Zentner et al. (2013);
Ratchford et al. (2021)

- The theory indicating that online sellers have a relative advantage in selling less popular items (the long tail) is more nuanced than originally thought.
- Concentration effects can arise from purchases of greater variety online or from purchases of different products online and offline.
- Identifying the source of the concentration effects is crucial for the interpretation of the empirical estimates and managerial recommendations.

• The Impact of E-Commerce & Platforms on Pricing

Dinerstein et al. (2018);
Einav et al. (2015);
Shehu et al. (2020);
Shankar et al. (2016)

- The order in which alternatives are listed on a website affects transaction prices.
- Prices obtained from auctions tend to be below prices obtained from posted prices for an equivalent item.
- Free shipping leads to higher sales but also may encourage more returns.

• Management of Product Returns across Online and Offline Channels

Janakiraman et al. (2016);
Petersen and Kumar (2009);
Anderson, Hansen, and
Simester (2009)

- Lenient return policies impact purchases more than returns.
 - Returns up to a threshold are positively related to customers' future value to the firm.
 - Opening showrooms or physical stores may reduce return rates for online purchases.
-

Reading 3: The impact of digital transformation on the retailing value chain

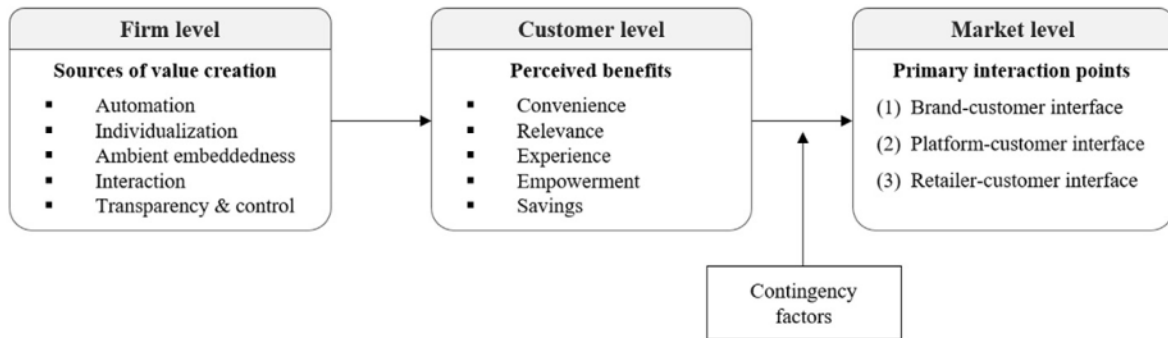
Reinartz, W., Wiegand, N., & Imschloss, M. (2019). The impact of digital transformation on the retailing value chain. *International Journal of Research in Marketing*, 36(3), 350-366.

A B S T R A C T

Consumers have traditionally made purchase decisions at the store shelf, giving institutional brick-and-mortar retailers great power to learn about and influence behaviors and preferences. With the rise of e-commerce, mobile shopping, and most recently smart technologies, new competitors threaten this long-standing supremacy. Adopting a value-creation perspective, we analyze how digitization started the erosion of institutional retailing as the primary interface to the customer. We develop a framework that identifies five new sources of value creation and propose how these advance and transform competition for this interface. Depending on the importance of the new sources of value creation (in different purchase situations), stationary retailing may prevail as an important interaction point in a multichannel decision journey. However, increasing diffusion of branded-product platforms including connected devices and online retail platforms is shifting this authority to new players. For the parties involved in this multilayered competition, acknowledging the changes and actively managing their position in the evolving eco-systems is crucial.

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- **Traditional stationary retail**, or in other words physical stores/brick-and-mortar stores, represent the largest set of players within the domain of institutional retailing.
- **Growth factors for Internet-based retailing:**
 - More and better information availability about a product
 - Larger assortment
 - Greater transparency across vendors from the consumer's perspec.
 - Potentially lower prices because of lower fixed-cost operations
- **Online retailers/platforms** are not only places to buy products but can also be search engines for products – Amazon (McGee, 2017).
 - They use the platform to *browse categories, compare prices, and find specific products to purchase*, which provides platforms with substantial power to *influence consumer decision making*.
 - Furthermore, *product rankings, reviews, and recommendations* have a strong effect on *purchase decisions* (Babic Rosario et al., 2016; Senecal & Nantel, 2004)
- **5 (New) Value Sources from Digital Transformation:**
 - Automation, Individualization, Ambient Embeddedness, Interaction, and Transparency & Control.



- The 5 Value Sources **foster perceived benefits on the Customer-level:**
 - Convenience, Relevance, Experience, Empowerment and Monetary & Ecological Savings.
- These developments are twofold.
 - (1) They enable the advent of branded product platforms using IoT-based retailing => the emergence of completely new customer interfaces.
 - (2) The relative success of the 3 interfaces (Brand-customer, Platform-customer, Retailer-customer) will depend on their ability to create the perceived benefits mentioned earlier, based on what the customer seeks in a given buying situation.
- **Sources of Value Creation & Customer Benefits:**

Table 1
Sources of value creation and customer benefits.

Consumer decision process	Source of value creation					Representative processes and activities	Examples	Main perceived customer benefits				
	Automation	Individualization	Ambient embeddedness	Interaction	Transparency & control			Convenience	Relevance	Experience	Empowerment	Savings
Pre-purchase	x					<ul style="list-style-type: none"> ▪ Automated communication ▪ Automated consumer processes 	<ul style="list-style-type: none"> ▪ Reminders, in-stock notifications, and price alerts ▪ Amazon's subscribe & save service, other subscription providers (Hello Fresh, Petbrobia) 	+++				+
	(x)	x				<ul style="list-style-type: none"> ▪ Individualized communication & recommendations ▪ Individualized product search 	<ul style="list-style-type: none"> ▪ Recommender systems (Netflix, Spotify) ▪ Individualized advertising (e.g., on Facebook) ▪ Online product filtering (e.g., Zalando) 	++	+++		+++	
	(x)		x			<ul style="list-style-type: none"> ▪ Embedded communication (right time, right device, right channel) 	<ul style="list-style-type: none"> ▪ Geo-targeting; Location-based push messages (Whole Foods partnering with Thinknear) 	++	++			
			(x)	x		<ul style="list-style-type: none"> ▪ Technology-enriched pre-purchase interactions 	<ul style="list-style-type: none"> ▪ Virtual style assistant (Amazon Echo Look) ▪ Instant messaging style assistant (Zalon by Zalando) 	+		+++	++	
				x		<ul style="list-style-type: none"> ▪ Technology-enriched pre-purchase interactions also enabling purchase 	<ul style="list-style-type: none"> ▪ Virtual & augmented reality for trying out products (IKEA Place app, Lowe's) ▪ Virtual fitting (Adidas using fits.me) ▪ Share product considerations on social media (Karl Lagerfeld photo booth in fitting room) ▪ Interactive digital window shopping (Adidas NEO) 			++	+++	
					x	<ul style="list-style-type: none"> ▪ Easy access to comprehensive product information 	<ul style="list-style-type: none"> ▪ Combination of information sources (product description, reviews, comparisons, etc.) 				+++	++
					x	<ul style="list-style-type: none"> ▪ Technology-enabled product discovery & recognition (also enabling purchase) 	<ul style="list-style-type: none"> ▪ Music recognition (Shazam) ▪ Fashion recognition (ASAP54; Neiman Marcus app feature Snap, Find, Shop) 	+	++		+++	
Purchase	x						<ul style="list-style-type: none"> ▪ Dash replenishment service 	+++				

(continued on next page)



Consumer decision process	Source of value creation					Representative processes and activities	Examples	Main perceived customer benefits				
	Automation	Individualization	Ambient embeddedness	Interaction	Transparency & control			Convenience	Relevance	Experience	Empowerment	Savings
	(x)	x		(x)		<ul style="list-style-type: none"> Automated (re-) ordering Personalized POS/Website 	<ul style="list-style-type: none"> Smart connected products (Miele washing machine, LG Smart Fridge) Automated customer identification and communications (Walmart facial recognition, cookie-based identification) 	+	++	+++		
			x	(x)		<ul style="list-style-type: none"> Embedded transaction (anywhere, anytime, any channel) 	<ul style="list-style-type: none"> One-click buying (Amazon Dash button) Voice-based shopping assistants (Amazon Alexa, Google Assistant) Instant buying (Purchase through Facebook 1000followers) In-app/in-game purchasing (WeChat, Xbox One) 	+++				
				x		<ul style="list-style-type: none"> Innovative store formats: Guideshops, pop-up and concept stores, showrooms 	<ul style="list-style-type: none"> Company-owned experience stores (Apple's physical stores) Concepts focused on (individualized) service and experiences (Sephora Studios, Nordstrom Local, Bonobos) 			+++		
Post-purchase x						<ul style="list-style-type: none"> Predictive maintenance Automated use (decisions) 	<ul style="list-style-type: none"> Smart home appliances that automatically adjust functionalities (e.g., Henkel's smart mosquito repellent dispenser or Ecobee's smart thermostat) 	+++				++
	(x)	x			(x)	<ul style="list-style-type: none"> Individualized use recommendations Individual use optimization 	<ul style="list-style-type: none"> Smart products that provide feedback (L'Oréal's smart brush, Colgate's E1 smart toothbrush, Babolat's smart racket, Thermos's smart hydration bottle) 		+++		+++	
			x			<ul style="list-style-type: none"> Integrate different products to holistic eco-system Seamless service access (anywhere, anytime, any channel) 	<ul style="list-style-type: none"> Add alliances to create eco-system around products (Adidas acquired the fitness app Runtastic which likely will sync with smart clothing from Adidas) Integrated eco-system (Amazon Fresh, Video, Kindle, Echo, Dash, etc.) 	++		+++		
				x		<ul style="list-style-type: none"> Share use and product experiences 	<ul style="list-style-type: none"> Peer-to-peer review sites (TripAdvisor.com) 				+++	
				(x)	x	<ul style="list-style-type: none"> Learn from machine decisions and use recommendations Track continuously Check and handle from remote Review and rate products 	<ul style="list-style-type: none"> Smart home appliances that offer users control via smartphone (Nest's smart thermostat for heating, Philips's Hue for home lighting, Amazon's Cloud Cam for home security) 			+++	+++	+++

Notes: x = primary source of value creation; (x) = secondary source of value creation. Effects of new sources of value creation on consumer benefits: + = moderate; ++ = strong; +++ = very strong.

- Rising importance of the brand-customer interface
 - With the rise of social media and smartphone usage, brands started to engage in direct interaction with end consumers through their own mobile applications (Bellman, Potter, Treleven-Hassard, Robinson, & Varan, 2011; Kim, Wang, & Malthouse, 2015).
 - Such **apps** have been shown to *increase customer engagement and drive online and offline sales* (Dinner, van Heerde, & Neslin, 2015)
 - **Branded product platforms** become relevant especially as an *interface for habitual, repeat purchases of products*, for which customers value quick fulfilment and no friction (i.e., low-involvement decisions).
 - In addition, brands are now able to connect with customers via their own interactive **apps** providing *portable, convenient, and interactive engagement opportunities, allowing customers to interact with the brand on a habitual basis* (Kim et al., 2015)

Reading 4: Towards the identification of customer experience touch point elements

Stein, A., & Ramaseshan, B. (2016). Towards the identification of customer experience touch point elements. *Journal of Retailing and Consumer Services*, 30, 8-19.

ABSTRACT

In this paper, the authors identify the elements that encompass customer experience touch points. This research was based on a qualitative research approach, using a sequential incident technique to guide the data collection. An inductive thematic analysis of the semi-structure interview transcripts, collected from customer narratives of experiences with retailers, was employed to identify distinct elements of customer experience touch points. The findings uncovered seven distinct elements of customer experience touch points, which include; atmospheric, technological, communicative, process, employee–customer interaction, customer–customer interaction and product interaction elements. The findings highlight that multichannel retail touch points are made up of varying combinations of the identified elements. The study offers a comprehensive understanding of customer experience; one that will help retailers to orchestrate the customer experience at individual touch points.

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- **Consumer Experiential Desires:** Customers desire more than just the production, delivery and consumption of products and services; instead, they seek unique and memorable experiences that accompany the delivery of products and services (Pine and Gilmore, 1999).
- **Customer Experience** is widely recognized as the internal and subjective response customer have to any interaction with a company (Lemke et al., 2011; Meyer and Schwager, 2007; Pine and Gilmore, 1999; Verhoef et al., 2009; Zomerdijk and Voss, 2010).
 - *Customer Experience* is shaped not only by aspects which firms can control (e.g., store displays, advertising...), but also by factors that are outside of the firm's control (e.g., customer interactions) (Meyer and Schwager, 2007; Verhoef et al., 2009).
 - Rather than creating experiences, companies can *design and orchestrate prerequisites and stimuli that enable customer to have the desired experience* (Gupta and Vajic, 2000).
- **Touch points:** Customers have experiences every time they 'touch' any part of the product, service, brand or organization, across multiple channels and at various points in time (Pantano and Milena, 2015; Zomerdijk and Voss, 2010).
 - These touch points exist: **pre- and post-purchase.**
 - **Indirect interactions** may emerge during unplanned encounters with representatives of a company's products, service or brands (e.g., news report, conversation with a co-worker, reviews...)

- Touch points occur at **all stages of the customer journey** including the *search, evaluation, purchase and after-sale* phases of the experience (Verhoef et al., 2009)

- **Elements of Customer Experience touch points (findings of this study):**

Table 2
Themes and codes from the thematic analysis.

Theme	Code	Example
Atmospheric elements	Amenities	"My gym has these quiet rest areas with lounges and sofa, which is a great place to go to and chill after doing a long workout."
	Ambience	"It's always quite busy, which is good. The bar has a pretty good feel from the dim lights and pumping music."
	Store attractiveness	"It's always a great place to shop at, I always safe as well and it's reasonably tidy at all times during the year, especially the clothing area because a lot of people dump things all over the place."
	Store layout and design	"Zara [fashion apparel retailer] has this fantastic store design, the shop is really attractive so the moment you enter Zara it gives you a feeling of high-end fashion but is yet affordable."
	Store display	"The way they display the shoes is great. They show a wide range of products, styles and colors on the shelves in a really stunning area, and there's always a lot to choose from."
Technological elements	Technology-ease of use	"I bought it from the store because it's so easy to do. It's really user friendly, their payment methods are really secure I don't have to worry all the fraud and all of that."
	Technology -convenience	"I usually buy my books online because it is way more convenient than going to the book store and have to wait in lines and all of that."
	Self-service technology	"I used the self-service kiosk at the Virgin [airline] terminal to check-in my family's flights. It was easy to use and I could even select our seats on the touch screen."
Communicative elements	Promotional message	"I got an email from hardtofind.com.au [gift store] that said that they've got 10% off storewide until midnight."
	Informative message	"It had lots of information on the [hotel] website that I guess made us feel more comfortable about booking the hotel online."
	Advertisement	"I always see ads on TV for Myer [department store]. Last night I was watching TV and saw a Myer commercial that said that the midseason sale is on now."
Process elements	Waiting time	"We had to wait at least about fifteen minutes for someone to come and take an order and when they did they went away and then we had to wait for another half an hour to receive our coffee."
	Navigation	"It's quite easy to find things in the store, regardless of which location you go to, they all are set out the same. So it's always user friendly in relation to finding things where they're situated."
	Service process	"The returns process was just too complicated. I also think that the slow delivery or poorly estimated delivery time put me off as well, which made me think that it would take like another month for me to receive the correct size."
Employee–customer interaction elements	Helpful employee	"When I was coming back from New Zealand at Auckland airport, the airline employee who gave me the boarding pass was so helpful."
	Personalized service	"The chef actually coming out personally and asking how we enjoyed the meal and explained how he made some of the creations because it was vegan food, which is something that we weren't really used to."
	Friendly greeting	"I walked into Bunnings [hardware store] and they have quite a good meet and greet person who basically welcomes you to the store."
	Argumentative employee	"The staff member was arguing with me about returning a \$7 item. I felt extremely frustrated and it became quite insulting that I would lie over a few dollars where obviously the error was made by the store."
Customer–customer interaction elements	Customer reviews	"When I read so many positive comments about the store it definitely put me at ease, making me much more confident to shop with them."
	Word-of-mouth	"I heard some good things about it from my friends who said it is quite quirky, which I'm totally in to, so I thought I'd give it a try."
	Direct customer interactions	"I spoke to my friend about how the bikinis fit and what size she got so that made me more comfortable knowing what size to choose when I bought my bikinis online."
	Indirect customer interactions	"When I was waiting in the line to pay for my items at the checkout there were a lot of kids running and screaming around me, and it was so annoying."
Product interaction elements	Product quality	"The quality of the bikini was great it was what I expected. It came in a great pouch made of the material of the bikini, which was cool."
	Product assortment	"I always find Myer [department store] a great place to shop because they have a good variety of products whether electrical, clothing, shoes, handbags, or cosmetics."
	Direct product interactions	"The product itself in terms of food and coffee was really nice, I would definitely go back there for the food."
	Indirect product interactions	"I first saw the laptop that I wanted to buy in the JB Hifi [electronics store] catalog that was delivered in the mail to my house. I knew that the laptop was perfect for me straight after I saw it."



- **Definitions of touch point elements:**
 - **Atmospheric:** The *physical characteristics and surrounding customers observe when interacting* with any part of the retailer.
 - **Technological:** A customer's *direct interaction with any form of technology* during an encounter with a retailer.
 - **Communicative:** One-way communication from the retailer to the customer, including both *promotional and informative messages*.
 - **Process:** The actions or steps customers need to take in order to achieve a particular outcome with a retailer.
 - **Employee-customer interaction:** The direct and indirect *interactions customers have with employees* when interacting with any part of the retailer.
 - **Customer-customer interactions:** The direct and indirect *interactions customers have with other customers* when interacting with any part of the retailer.
 - **Product interaction:** The direct or *indirect interactions customers have with the core tangible or intangible product* offered by the retailer.
- **Managerial Implications:**
 - **Touch point mapping, customer journey maps** incorporate the view of the customer journey process, retail channels, and relevant elements at each touch point.
 - Touch point identification and assessment should be done from a customer perspective.
 - In other words: View from *Outside-In*