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Merging Store and Internet Retailing
The Move Towards Omnichannel and its Implications

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IDI Conference 2016

Torino (Italy), 3-4 June 2016

Agenda

- Internet retailing: where are we? An overview
- The journey: from e-commerce to omnichannel
- Omnichannel: implications for the future

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B2C e-commerce: an overview

Global population in 2014	7,360 m	
People who purchased goods and/or services online at least once	1,200 m	16%
2014: in total, they spent 2015: forecast	€ 1,442 bn € 1,760 bn	
Average spending per e-shopper 2014	€ 1,100	
Estimated share of online goods in total retail of goods	4.2%	

Source: Ecommerce Europe

B2C e-commerce by region 2014

Asia Pacific	€ 581 bn	40.3%
Europe	€ 424 bn	29.4%
North America	€ 394 bn	27.3%
Rest of the world	€ 43 bn	3.0%
Total	€ 1,442 bn	100.0%

Source: Ecommerce Europe

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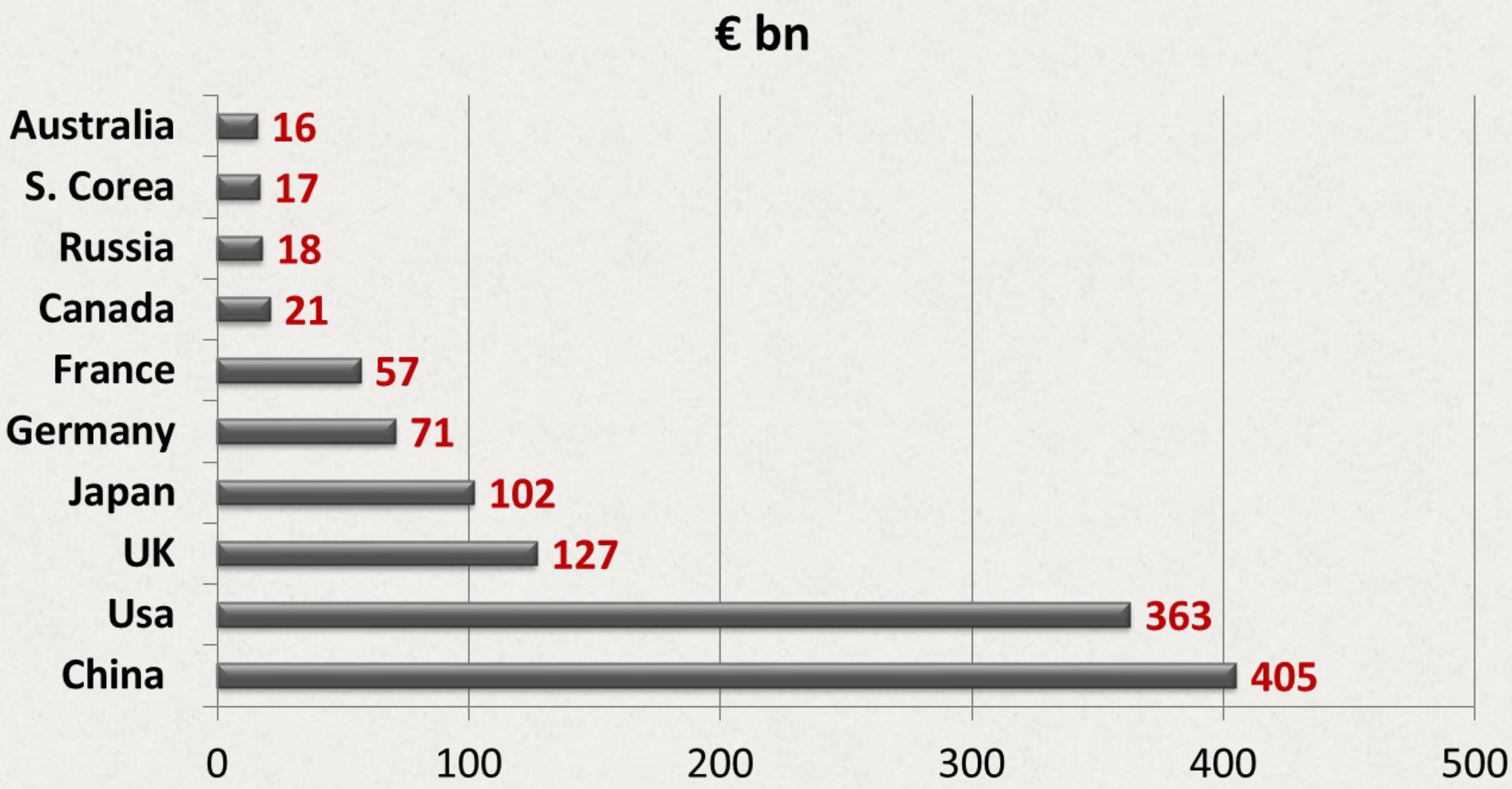
Top 10 e-commerce countries 2014



Source: Ecommerce Europe

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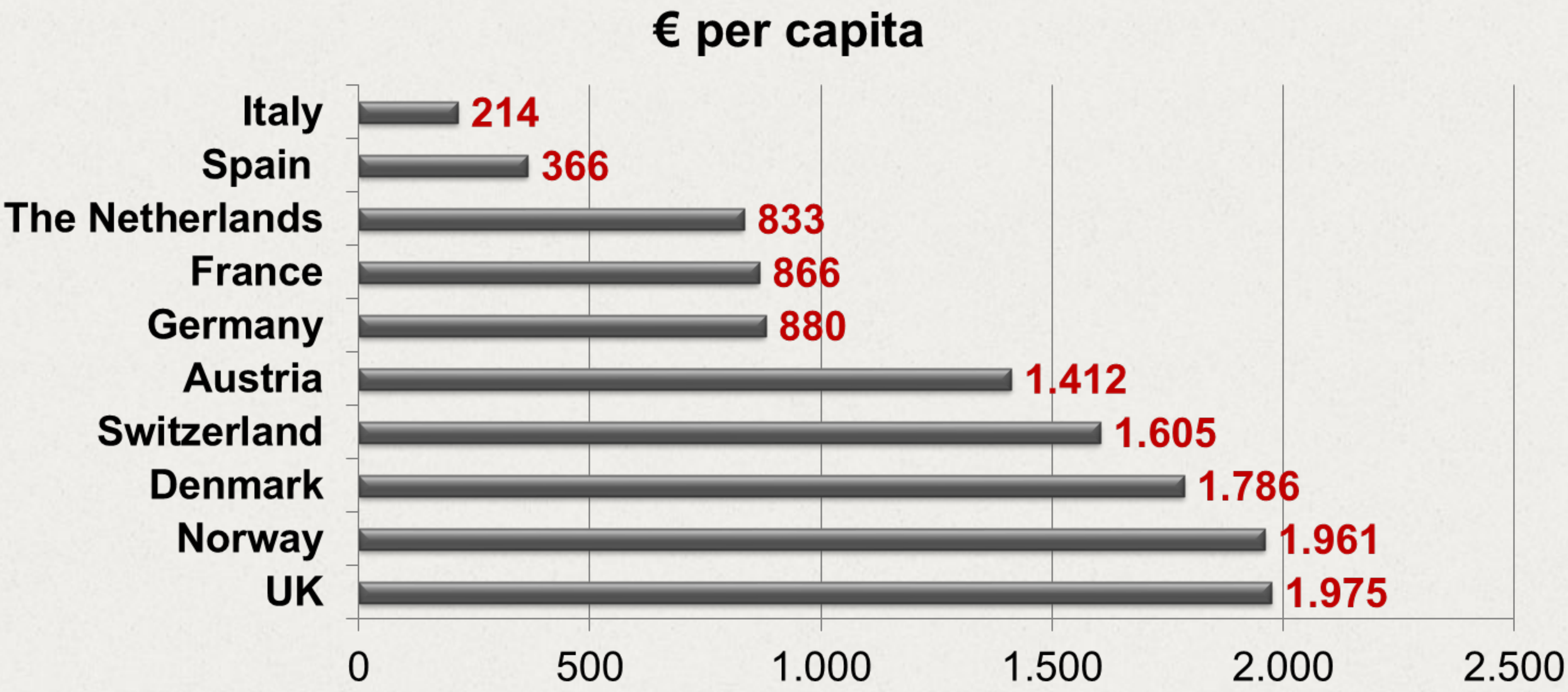
E-commerce in Europe: per capita expenditure 2014



Source: Ecommerce Europe

E-commerce: too much hype?

- After 20 years (Amazon and eBay went online in 1995) the market share of e-commerce is less than many expected
- About 50% of total expenditure is still on services
- Bricks & mortar retailers reacted: enhancement of in-store experience

What happened and what is going to happen?

The journey

3 Stages

1. E-commerce
2. Multichannel retailing
3. Omnichannel

Stage 1: e-commerce

- **Pure clicks** as the alternative to bricks & mortar retailers
- Amazon's bet, first on books and then on everything: you only need one retailer. The cheapest
- **Online platforms** as the alternative to agents and auctioneers (eBay, Alibaba)
- **Infomediaries**: to help consumers search for the best product at the lowest price
- Some manufacturers went online to free themselves from retailers

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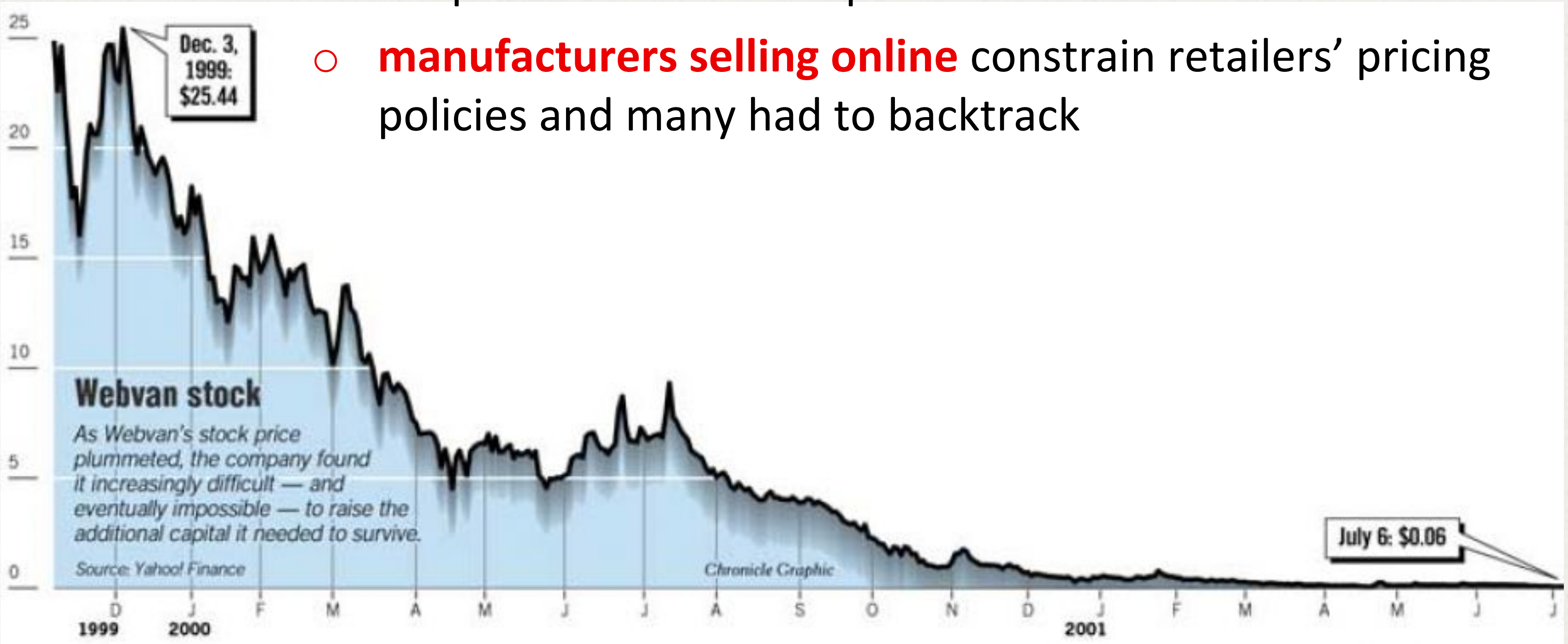
E-commerce: implications

- It worked very well with services: travel retailers, online banks and insurances
- But goods need delivery: pure clicks discovered the hard and physical challenge of logistics (none more than Amazon)
- Online prices increase competition
  - **manufacturers selling online** constrain retailers' pricing policies and many had to backtrack



Stage 2: multichannel retailing

- **Clicks & mortar**: bricks & mortar retailers go online and some pure clicks open their own stores: **on and offline retailing as parallel options**

- Clicks & mortar is an answer to pure clicks but:
  - often leads to **inconsistencies**: different assortments and different prices on and offline
  - in many sectors (eg. groceries) picking and **delivery costs** are very high
  - once more logistics is the problem: organising the service for online customers is difficult: **in-store picking or specialized warehouses**?

Enters the smartphone: m-commerce

- The smartphone redefines the interface with the consumer and offers countless new opportunities
- But the first impact was a threat: on and off line comparisons become possible in the store
  - **showrooming** and **price matching**

Stage 3: omnichannel

- Consumers want it all and on and offline inconsistencies need to be resolved: a **seamless experience**
- **Click and collect** in store becomes a popular solution: cross selling to customers when they come to collect what they ordered online
- **"Showroom retailing"**: instead of choosing online and collect offline choose offline and collect online

1-ON-1 ATTENTION
A knowledgeable Guide will walk you through the entire Bonobos assortment.
FIND THE RIGHT FIT
Fit Matters. A Guide will help you find your perfect fit from all of our available options.
WALK OUT HANDS-FREE
A Guide will place your order and it will be shipped directly to your home or office.

IN THE AREA? WALK-INS ARE ALWAYS WELCOME. WEEKENDS TEND TO BE BUSY, SO WE SUGGEST BOOKING AHEAD IF YOU CAN.

Omnichannel: unresolved issues

1. Omnichannel, even with the click and collect option, moves part of sales outside stores: **less space is needed and this is the main issues for single brand retailers**

2. Omnichannel dos not solve the problem of **price transparency** and the resulting increased competition: **this is the main issues for large despecialized retailers selling big brands**

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Omnichannel: less space

- **Fewer stores?** Smaller networks to serve a given market? Do companies relying on single brand stores still need multi brand stores in small local markets?
- **Smaller stores?** Should part of the assortment, the "long tail", be moved on line?
- **Different stores?** Should big boxes open smaller stores in city centres for their click and collect customers?
- **From sales to experiences?** Should store be showrooms to communicate the brands behind them?

Omnichannel: price transparency

- **Showrooming as a fact of life** to be accepted offering price matching to the lowest pure click price? Is this sustainable?
- Price matching reduces margins, leads to reduced service in store and makes store visits less useful to customers: how to internalize the information provided to customers? **How to escape from free riding**?
- **Grant concessions?** Should big boxes rent part of their stores to big brands?

Towards closed ecosystems

Omnichannel is pushing to closed retail ecosystems:

- **Single brand ecosystems**: self sufficient and unexposed to Amazon's competition: **vertical integration**
- **Multi brand ecosystems** relaying on private labels for an increasing share of their sales and concessions to big brands to avoid direct price competition with internet retailers: **vertical integration**