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Text of paper is overleaf.

Drivers and Technology-Related Obstacles in Moving to Multichannel Retailing

Julie Lewis, Paul Whysall, and Carley Foster

ABSTRACT: Today, multichannel retailing is a key strategic issue for most retailers. Yet, while there are many drivers associated with retailers going multichannel so too are there technology-related obstacles, however, few prior empirical studies explore these themes. In light of this, by using a multi-case approach to understand the key drivers and technology-related obstacles associated with retailers moving to multichannel retailing our study makes two key contributions. First, we extend prior theory by providing novel empirical insights into the main drivers underpinning retailers using a multichannel strategy. We find that meeting customer needs and increasing sales were the primary drivers behind retailers using the strategy, although there is diversity in the way retailers respond to these motives. Second, we provide empirical support for a proposed theoretical framework which summarises the key technology-related obstacles retailers encounter when going multichannel, by stage of implementation. The framework reveals that retailers face technology-related obstacles when implementing a multichannel strategy due to the need to switch/acquire resources and achieve channel integration. Furthermore, the framework highlights that these resource and channel integration issues are often interrelated with each other and with other staff engagement and cultural issues, vary by retailer and stage of implementation, and pose greater obstacles to retailers using new and multiple channels than the extant literature suggests.

KEY WORDS AND PHRASES: Multichannel retailing, case studies, retail strategy, channel format, channel conflict

Multichannel retailing is where retailers use two or more integrated channels to sell products and services to the customer [30]. Using multiple channels is not a new strategy. However, over the last decade a multichannel retail strategy has attracted greater attention from academics and practitioners alike, and is being adopted by a greater number of retailers [47, 67]. Increased interest in and use of the strategy has been driven by the

emergence of the Internet as a channel to sell products and services to the customer [48]. Initial claims the Internet would replace physical stores have proved unfounded and instead a more viable model has emerged, which is the use of the Internet as part of a multichannel retail strategy [35]. A further motive behind retailers using multichannel operations is changing shopper behaviour. More and more customers want to shop via a combination of channels and as a result the multichannel shopper is becoming the mainstream, rather than the minority, customer. The growth in the multichannel shopper can be attributed to the benefits received by customers [61]. For instance, customers can choose which channels they use for different stages of the buyer behaviour process and so might research a product online but choose to purchase it in-store [18, 56].

While the arrival of the Internet and shifting consumer behaviour has motivated bricks-and-mortar retailers to go multichannel via adding an Internet channel [62, 64], Internet and catalogue based retailers have similarly added channels such as mobile phones [3, 14, 37] and physical stores. For example, Amazon has rolled out order-collection lockers, located in retail shopping centres in the UK and in 7-Eleven stores in the US, to complement its existing Internet, mobile and tablet shopping channels [10]. Moreover, Ebay has used pop-up stores based on instant purchasing using QR codes to support its Internet channel [34]. Yet, while multichannel retailing is a key strategic issue for most retailers [57], there is a lack of empirical multichannel retailing research which explores the main influences behind retailers using the strategy, especially in the context of Internet and catalogue based retailers [33]. Besides, although the multichannel retailing literature suggests numerous benefits are associated with multichannel retailing, it also implies retailers face major technology-related issues when implementing the strategy [25, 67]. In spite of this, the

multichannel retailing literature provides little empirical insight into these technology-related obstacles.

The principal contribution of this paper is that it explores the key technology-related obstacles retailers encounter when moving to multichannel retailing. A further contribution of the paper is that it examines the main drivers underpinning retailers using new and multiple channels. To explore these multichannel retailing themes we review and synthesise relevant aspects of the multichannel retailing literature and the wider retail, channels, marketing, strategic management and information systems (IS) literature. The logic for drawing upon the more general literature is the limited multichannel retailing literature which offers insights into the drivers and obstacles linked to multichannel retail strategic implementation. A key theoretical contribution of the paper then is that it explores two themes (i.e. drivers and obstacles) empirically under-researched in the growing multichannel retailing literature. Due to the early empirical stage of the multichannel retailing literature a multiple case study method is employed using three cases, which are at different stages in going multichannel.

The paper begins with a review of the literature and is followed by consideration of the methodological approach adopted in this study. Then findings, along with the theoretical contributions and managerial implications of this paper, are discussed. Finally, consideration is given to limitations and directions for future research, and, general conclusions.

Key drivers behind retailers moving to multichannel retailing

We use the term multichannel retailing to refer to where retailers use a combination of two or more integrated channels to sell products and services to customers. While a limited

number of retailers have historically used multiple channels to sell products and services to customers, this number has increased since the late 1990s [46].

The Internet

Prior theoretical work suggests one reason a greater number of retailers have moved to multichannel retailing is the Internet. While initial speculation was that the Internet would lead to the demise of traditional bricks-and-mortar stores, in reality it has led to many bricks-and-mortar (and catalogue) retailers adding an Internet channel as part of a multichannel retail strategy [24, 50]. The Internet, it could be argued, has been a key driver behind retailers adopting a multichannel retail strategy.

Changing shopper behaviour

The multichannel shopper is now the norm, rather than the exception [46]. Shopping via multiple channels enables customers to take advantage of the benefits, and minimise the drawbacks, related to different channels [22]. Advantages and disadvantages linked to individual channels can vary by factors such as the amount of time an individual has to complete a purchase and the type of product brought [40, 56]. Broadly speaking though a customer benefit associated with shopping via the Internet is that customers can access a wider selection of products. Customers can also access vast amounts of information to reduce search costs and find the best price for a product [42]. This has, however, led to customers expecting store-based retailers to match, or even better, the prices of Internet pure play retailers even though many store-based retailers have a higher cost base than Internet-only retailers. Store-based retailers can then face challenges devising a pricing strategy which is in-line with customer expectations while maintaining profitability [63].

A customer advantage of in-store shopping is that customers can purchase a product and receive it instantly. Customers can also see, hear, touch and taste products, important in the purchase of experiential products such as jewellery and clothing [3]. Customers can also have face-to-face contact with staff, although this can be a disadvantage as some customers prefer not to have direct interactions with retail employees [16]. Nonetheless, customers often view in-store shopping as an enjoyable form of entertainment which allows them to mix with other people [40]. Still, the extent to which socialisation is a customer benefit can be questioned since socialisation is also increasingly related to Internet shopping; for example, Pookulangara et al. (40) in their empirical study find that (especially younger) customers are meeting people as they shop online via social media.

Although there is limited literature which explores the customer benefits linked to shopping via mobile phones, existing research suggests benefits include that customers can shop in an exciting and stimulating atmosphere, can keep up with new products and innovations, and are able to more easily search for discounted products [37). Few prior studies have examined the customer advantages associated with catalogue shopping [33], though this is not surprising given the comparatively low number of retailers who have historically used catalogues as a channel to sell products and services to customers. Still, there is some literature in this area. Mathwick *et al*. [32] claim that customers enjoy catalogue shopping more than online shopping. Moreover, McGoldrick and Collins [33] contend that catalogue and online channels in a multichannel context are mutually supportive; for example, a customer might research a product in a catalogue and then purchase it online. Indeed, while several academics argue that in a multichannel setting customers evaluate channel benefits in silo [6], others argue customers evaluate channel benefits in totality and thus, in that

sense, it can be argued that all channels are mutually supportive. For instance, customers transfer advantages related to a retailer's store, including a strong brand image, to a retailer's Internet channel [28].

Business benefits associated with multichannel retailing

The multichannel retailing literature suggests retailers have also added new and used multiple channels to take advantage of the plethora of business benefits linked to the strategy. Going multichannel means that retailers can appeal to the 'valuable' multichannel shopper, who have a higher purchase frequency and spend more than single channel shoppers [25]. Using multiple channels also enables retailers to appeal to new customers and increase sales. Even so, in reality many retailers have concerns that adding new channels will not generate new sales, but rather will cannibalise sales from existing channels [1]. Nonetheless, adding new channels, in particular where an Internet channel is added, can facilitate retailers in accessing greater amounts of customer data which they can then use to better segment the market, identify target markets and meet customer needs [67]. Research suggests though that many consumers have privacy and security concerns regarding their personal data, which may lead to consumers being less willing to provide personal data and thus reduce the amount and reliability of data retailers can actually access [2].

Utilising a combination of channels can, however, help retailers to improve customer service levels [5]. For example, adding new channels increases the number of contact points a retailer has with customers, giving retailers more ways to communicate and interact with customers and hence, (potentially) improved CRM strategies. Fitzsimmons and Fitzsimmons [15] claim that increasing customer contact points also improves the cost efficiency of an

organisation's frontline operations. On the other hand, Cassab and MacLachlan [5] claim that a downside associated with increasing the number of contact points organisations have with customers is that it can add complexity to CRM.

Nevertheless, using multiple channels offers retailers many operational benefits, including reduced operating costs and improved efficiencies due to, for example, synergies between channels which can help to reduce e-fulfilment costs [1, 40]. A case in point is that 'click and collect' (where a customer orders a product online or via other channels including the Internet and collects it in-store) reduces e-fulfilment costs since the customer does the 'hard work' by collecting the product themselves [67]. 'Click and collect' also removes the need for delivery couriers.

Technology-related obstacles associated with moving to multichannel retailing

While theoretically there are many drivers and benefits connected to multichannel retailing, there are numerous technology-related obstacles [67], and the literature suggests these obstacles stem from the need for retailers to acquire/switch resources and achieve channel integration to successfully use new and multiple channels [26, 59].

The need to acquire and change resources

One reason retailers need to add new and switch existing resources is to ensure that the necessary IT infrastructure is in place to support a multichannel offer [38]. Bricks-and-mortar retailers, for example, need to design and manage a website. Increasing the number of channels a retailer uses to sell products and services increases the number of customer contact points. While this is an advantage associated with multichannel retailing, for instance, it leads to potentially improved CRM strategies, it calls for retailers to build IT

systems which integrate data across all channels and permit such data to be analysed holistically. Without these systems getting a complete view of the customer and providing consistent service levels across channels is extremely difficult [28].

Adding new and using a combination of channels also entails retailers switching resources due to the need to re-design legacy logistics infrastructure [7, 60]. The multichannel retailing literature has a tendency to imply that retailers can use their existing logistics infrastructure to support new and multiple channels [43]. Yet, in practice the addition of new channels involves retailers redesigning existing logistics systems. One reason for this is that traditional bricks-and-mortar retail distribution centres (DCs) are designed to move products in cartons from inbound to outbound lorries with minimal handling, and these cartons often remain in the DC for less than a day. In contrast, catalogue and/or Internet DCs are designed to receive products in cartons which are then broken down into individual items ready to be picked, repacked and delivered to individual customers. Consequently, bricks-and-mortar retailers adding an Internet channel need to adapt their DCs to accommodate the dispatch of single items from a DC direct to the customer. Conversely, Internet only retailers adding a store channel need to re-design their DCs to deliver products in cartons from the DC to stores, for stores to then break down cartons into individual units to sell to the customer [67].

Achieving channel integration

A key characteristic of multichannel retailing is channel integration and those retailers who enable customers to shop seamlessly across multiple channels are considered to be more capable of meeting customer needs [36]. According to Tate *et al.* [53], channel integration is the extent to which channels share common organisational resources, including

departments such as marketing, finance and logistics. Channel integration leads to channel synergy [51], which Pentina and Hasty [38, p. 361] define as "…using…channels in a manner that increases the effectiveness of each separate channel in providing a seamless shopping experience for the customer". Channel synergy requires organisations to communicate and leverage the brand consistently across all channels [38, 53]. Achieving channel integration and channel synergies, however, necessitates retailers further switching resources. Retailers have to adapt existing logistics and IT infrastructure to apply the marketing mix consistently across multiple channels and to facilitate customers buying a product from one channel and collecting it, or returning it, in another [19]. In practice, this requires retailers using 'click and collect' [67]. Yet, despite the rise in retailers using 'click and collect' as part of a multichannel retail strategy, few studies explore this theme.

Challenges acquiring/switching resources and achieving channel integration

Re-designing legacy IT and logistics infrastructure is problematic in itself for retailers. However, retailers also encounter major challenges getting the capital investment necessary to ensure the IT and logistics infrastructure can support multichannel operations [1, 60]. For example, new channels tend to account for a low proportion of a retailer's total sales. Given then that organisations usually measure the performance of channels according to the sales an individual channel generates, on paper, new channels do not appear to merit the major financial investment needed [27]. Measuring the performance of channels according to the sales it accounts for also fails to acknowledge 'channel influenced' sales and as such, does not give a true reflection of the performance of individual channels. Evaluating channel performance is made more problematic since it requires innovative methods of evaluating

ROI, customer lifetime value, total number of customers and total marketing expenses to ascertain the true performance of channels [55].

Summary

This section has attempted to pull together the disparate literature relating to multichannel retailing. It has highlighted some of the drivers behind retailers going multichannel, it has also hinted at some of the technology-related obstacles, stemming from the need to acquire/switch resources and achieve channel integration, associated with the strategy. Despite this, few multichannel retailing studies have explored these multichannel retailing drivers and obstacles as part of a single study. In light of this, the research questions of the paper are:

- What are the key drivers behind retailers moving to multichannel retailing?
- What technology-related obstacles have retailers encountered when adding new and using multiple channels?

Research method

The study adopted a qualitative multiple case study research strategy as this facilitated an exploration of the phenomenon in an area which has received little theoretical development and allowed the subject of the study to be studied in a real-life context [9, 65]. Purposive sampling was used to select three UK based retailers with contrasting multichannel retailing strategies. Whilst it is not an aim of case study or qualitative research to offer scientific generalisations [17], using three contrasting case retailers provided an opportunity to present more persuasive, insightful results than those derived from a sector-based view [21]. Furthermore, the literature identifies a need for empirical studies which empirically explore

multichannel retailing in different retail contexts [3]. Consequently, the three case retailers differed according to their size, ownership, working environment/culture, structure, product range and sector. They were also at different stages of multichannel development and differed according to whether they were primarily a bricks and mortar or internet/catalogue based retailer. All three retailers operated in 'atypical sectors' which have not been the focus of previous multichannel retail research. Table 1 provides a brief overview of the case retailers.

Insert Table 1 around here

Materials from each retailer were gathered through semi-structured interviews and respondents were selected using a combination of purposive and snowball sampling. A total of 34 semi-structured interviews lasting 60-90 minutes across the three retailers were conducted (Case 1 (15 interviews), Case 2 (10 interviews), Case 3 (9 interviews)). Interviews were held with those who had responsibility for, or were directly involved in, multichannel retailing, at different levels (directors, senior managers, store managers and store staff), and within different functions (marketing, HR, operations and stores). It is acknowledged that given the size of the retailers only a relatively small number of people were interviewed. However, it became evident that in actual fact only a small number of people were in roles that exposed them to multichannel retailing. Themes derived from the literature review and explored in the interviews included respondents' awareness and understanding of multichannel retailing and the internal difficulties encountered when implementing the strategy. All interviews were recorded and transcribed.

Important themes from the interview materials were identified using Template Analysis [8].Through the development of a 'template' (i.e. a list of hierarchical codes) the researcher

can make sense of large amounts of rich textual data through structured, rigorous analytical methods [58]. A coding 'template' which highlighted both broad and narrow themes was developed and applied to each interview. This template included *a priori* codes derived from the literature review and those developed inductively from the data. To aid this process, materials were managed, stored, organised and coded using the computer assisted software NVivo. The key themes to emerge from this analysis are discussed in the next section.

Key drivers of multichannel retailing

Changing shopper behaviour

A primary motive behind all three case study retailers moving to multichannel retailing was to meet customer needs. Each of the retailers felt that customers wanted to be able to shop via multiple channels and therefore, they had no choice but to go multichannel if they were to fulfil customer needs. For cases 1 and 3, using a multichannel retail strategy entailed adding an Internet channel. However, for case 2 it involved adding a store channel as customers wanted to be able shop via physical stores in addition to the retailer's Internet, catalogue and customer contact centre channels. This was because there were times when customers needed to be able to buy a product and receive it instantly at the time of purchase. For example, a Senior Manager recalls, "we had a website and it gave us a forum to talk more to our customers and what they said was we'd really like places to go to buy…customers were consistently saying I don't want to wait in [for the product] until the next day".

Cases 1, 2 and 3 all felt that meeting the needs of multichannel shoppers was important since these individuals spent more money and had a higher lifetime value than single

channel shoppers. For instance, a Senior Manager at case 1 commented that, "from a cash point of view, a multichannel shopper is more valuable than one who shops in a single channel so I think there is a financial benefit to helping customers to shop where and when they want". Similarly, a Manager at case 2 observed, "we know that multichannel shoppers are worth more than single channel shoppers because their lifetime value is a lot higher."

Increasing sales

Another key driver behind cases 1, 2 and 3 adding new and using multiple channels was to grow sales. However, the precise way in which multichannel retailing was used to grow sales differed by retailer. For example, the primary objective of adding an Internet channel for case 1 was to increase store sales and thus, increasing Internet sales was a secondary objective. One Director acknowledged, "this is the point with multichannel retailing, if it was just about [the retailer's website] it would always be about selling stuff on [the retailer's website]…but it's not the big reason for doing it because ultimately that (i.e. the retailer's website) would always only ever be a small minority of the total percentage of [the retailer's] sales. The dominant channels will always be the stores…and so our [i.e. the Internet channel's] job is to fuel demand into stores."

In contrast, case 3 was adding an Internet channel to grow sales by enlarging its market to serve customers outside the Yorkshire area in the UK. This was because case 3's existing stores were at saturation in terms of sales, and due to the number of stores the retailer had in Yorkshire then any new stores would have to be located outside the Yorkshire area (i.e. to generate new and not cannibalise sales). Yet, this would involve opening additional craft bakeries due to the retailer's products being baked in the bakery and delivered daily to its café/retail outlets; an operation not feasible to café/retail outlets outside a 60 minute drive

time of the craft bakery. Therefore, the use of the Internet channel, as part of a multichannel strategy, enabled the retailer to target new customer segments and increase sales without opening additional stores and bakeries. As one Manager quoted "for me it's about opportunity because we are a Yorkshire-based business. So I'm not aware there will be a future plan for us to open [any stores] outside Yorkshire. So what the Internet gives us is a massive opportunity to reach a wider, broader base of consumers really."

In comparison to the other case study retailers, case 2 took a holistic, rather than single, view of channels. The retailer was adding a store channel to generate store-based sales, but was also opening physical stores to help increase sales via its Internet, catalogue and customer contact centre channels. Moreover, the retailer used all channels to generate individual and cross channel sales. A Senior Manager explained that "we've got plenty of qualitative research that says the Internet is the most powerful tool at driving people into stores, but at the same time we're not daft enough to acknowledge that everything is having multichannel impacts."

Other drivers linked to multichannel retailing

Further secondary reasons were linked to cases 1, 2 and 3 adopting a multichannel retail strategy. For case 1, adding an Internet channel provided the retailer with a marketing channel. In fact, one Director remarked that, "we see it (i.e. the website) as a huge marketing channel going forward. I can see a day when we don't have to spend any money on TV advertising. It's all done through engaging customers, getting customers involved through using the website and tools such as email advertising, so it can enable us to be very efficient from a marketing point of view as well." Case 2 were opening physical stores to complement their incumbent channels to be the 'first retailer' to go multichannel in the DIY

market and thus, gain a competitive advantage over competitors. A further impetus underpinning case 3's decision to use an Internet channel was that the retailer's fixed costs could be shared amongst its store and Internet channel.

Technology-related obstacles associated with going multichannel

Significant technology-related obstacles were encountered by cases 1, 2 and 3 when going multichannel. These obstacles broadly stemmed from the retailers' need to acquire/switch resources and achieve channel integration to successfully move to multichannel retailing.

Issues due to the need to acquire/switch resources

During the early stages of adding new and using multiple channels, all of the retailers faced significant challenges due to the need to re-design existing IT and logistics infrastructure. Case 1 had to re-platform its website to support a multichannel offer. The retailer also had to re-design its existing logistics infrastructure because these systems had been designed for the store channel; to move merchandise from inbound to outbound trucks with minimal handling, using information about pallet size to determine which carriers to use, size of lorries, number of deliveries in and out of the depot to stores, and, storage of products in the depots. In contrast, an Internet channel required a logistics infrastructure which received merchandise in pallets, broke it down into cartons for individual items to be picked from cartons, repacked items into packaging suitable to be delivered to the customer, then shipped items to individual customers. As a Senior Manager explained information provided by the store-based logistics system was therefore irrelevant to the Internet channel, such as pallet size. But, information not provided by the store logistics channel *was* important to the Internet channel, including dimensions and weights of products since this data determined

how products were packaged and delivered to the customer. “So if you think about the process when you set up a line [the main retail business] don’t care about the weight and dimensions of products really. They know it will fit on the shelf because the planogram says it will. [For the Internet channel] fundamentally weights and dimensions are really important to us because it dictates what carrier takes it, what size of box, lots of things.”

Similarly, case 2 had to re-design its legacy logistics systems. This was because the retailer’s existing logistics infrastructure had been designed to support its direct channels (i.e. Internet, catalogue and customer service channels) and so, as a Senior Manager commented, these systems had been “designed primarily to service small box size dispatches – so everything for the direct web and catalogue channels.” In contrast, the store channel needed logistics infrastructure which moved merchandise from inbound to outbound trucks with minimal handling, and, used information about pallet size to determine which carriers to use, size of lorries, number of deliveries in and out of the depots to stores and storage of product in the depots. Yet, this was not provided by the existing logistics system since it was irrelevant to direct channels.

Case 3 also had to adapt existing logistics and IT infrastructure to add an Internet channel and go multichannel. For example, the retailer did not have a computerised integrated stock control and ordering system, which caused stock issues especially at peak trading periods. Yet, designing a computerised and integrated stock control system was extremely problematic because the retailer’s products were perishable, short life, baked on different days and subject to significant seasonal sales variations. Subsequently, bespoke and complex logistics and IT systems were needed, as a Manager observed: “You’ve got the added complication that the lemon and lime cake only gets made on a Wednesday, so you

know it's all that kind of complexity that the likes of [another UK multichannel retailer] don't have to worry about because they haven't got short shelf life issues on products. So for us it's very complicated."

In fact, all of the retailers experienced problems re-designing legacy IT and logistics infrastructure due to the complex, novel and bespoke nature of the work required. Moreover, retailers faced major difficulties getting the significant financial investment required to ensure the IT and logistics infrastructure was in place to support a multichannel offer. One reason for this was that sales of new channels were low during early stages of implementation and did not appear to merit the major investment being asked for. Individuals at Board-level across all of the retailers also had low engagement with the strategy and therefore had low motivation towards making the necessary financial investment. Cases 1 and 3 further experienced problems adapting legacy logistics and IT infrastructure due to a lack of staff with knowledge and expertise in this area.

Achieving channel integration

During the mid-implementation stages, the focus of all of the retailers changed from implementing a multichannel retail strategy to adopting an *integrated* multichannel offer, which called for retailers to make further alterations to legacy IT and logistics infrastructure. Case 1 had to merge its main retail and Internet channel platforms into one platform to enable the brand and marketing mix to be leveraged consistently across multiple channels. Carrying out this work had been initially delayed due to the significant financial resources required and lack of Board level commitment to make this investment.

Case 2 was in the process of implementing a new platform, designed to change its multichannel order process. The new platform would eventually replace 80% of the retailer's existing IT and logistics systems and enable the retailer to leverage the marketing mix consistently across all channels. A further advantage was that the system would generate automated personalised product recommendations which store staff could use to up-sell and cross-sell products to customers. A Senior Manager commented, "we're undergoing a big business change process to replace all our back-end systems which we've just done. So when somebody takes an order in a store they are actually using an Internet based front-end system which is linked to all of your product data. It means we will be able to collate all of your different orders, in all of the different channels, and using all of our historic data and algorithm-based Amazon-based recommendation engines we will be able to offer you personalised product recommendations at the till." However, the use of this new technology called for store staff to be retrained to utilise personalised product recommendations to up-sell and cross-sell products to the customer.

To implement an integrated multichannel offer cases 1 and 2 further had to modify legacy IT and logistics systems to enable the customer to buy a product in one channel and collect it, or return it, in another. This involved these retailers using 'click and collect', which was challenging, not least, because the initiative was new and there were few staff who had the knowledge and expertise needed to put the IT and logistics infrastructure in place to support 'click and collect'. Using this and other new technology then was often an iterative process where retailers frequently had to go back and rectify mistakes. For example, a Senior Manager at case 1 commented that "we've learnt a lot in the three year journey we've been on [i.e. to add an Internet channel and go multichannel] and we're still learning

a lot now. When we come across problems it's about finding solutions [and] we don't know what the answer necessarily is. You know 'click and collect' is something a few retailers have tried to do 3 or 4 times. [A UK clothing, food and homeware retailer] has tried it a couple of times (i.e. click and collect) and have got there, but they've had to withdraw it a couple of times too." A surprising theme was that retailers overcame the issues (i.e. due to a shortage of staff with expertise and a lack of guidance) related to 'click and collect' and the use of other technology through collaborating with other retailers. This is in stark contrast to the 'closed' way in which, especially bricks-and-mortar, retailers have historically operated.

Cases 1 and 2 encountered other problems associated with the use of 'click and collect'. Store staff at case 1 often did not have the skill-set and confidence to tell customers about the initiative and to place customer orders via the Internet in-store. Significant financial investment was also needed to ensure every store had broadband to enable store staff to quickly process customer orders via the retailer's website, yet this had been put on hold due to higher priority competing projects. Also, many stores did not have space to store customer orders until collected as the amount of warehouse space in stores had been reduced. The most significant problems related to 'click and collect' were encountered by case 3, who could not use the initiative due to a lack of IT and logistics infrastructure. Despite these issues, 'click and collect' did bring cases 1 and 2 several benefits. It helped these retailers to avoid the problems of using delivery couriers, and thus enabled them to provide more consistent customer service levels across multiple channels. In addition, at case 1 'click and collect' helped the retailer to engage sceptical and initially antagonistic store staff with the Internet channel since it facilitated the retailer giving stores the credit

for Internet sales made, or collected, in-store. As such, the Internet (through 'click and collect') helped stores to achieve their sales targets.

Other issues linked to multichannel retailing

During the later implementation stages retailers continued to face resource and channel integration obstacles. Yet, analysis of the case materials reveals that retailers also encountered cultural and staff engagement problems. For example, all of the retailers needed to change their internal culture to go multichannel. Cases 1 and 3 had to alter their organisational culture so that every member of staff viewed the retailer as a multichannel retailer, which required gaining the engagement of all staff with the strategy. While case 2 to some extent had the necessary culture to be a multichannel retailer, its internal culture needed to change to change to one of a customer service and sales orientation. The roll out of the retailer's new platform called for staff to adopt a customer service and sale mindedness to use automated product recommendations to up-sell and cross-sell products to customers.

Discussion

This section presents a discussion of the empirical research, structured around the two research questions of the paper.

Research question 1: What are the key drivers behind retailers moving to multichannel retailing?

Meeting customer needs and increasing sales were the primary drivers behind all three retailers going multichannel. However, the way in which retailers were adding new and using multiple channels to address customer needs and grow sales differed. Case 1 was

adding an Internet channel to enable customers to research and purchase products online but primarily to increase stores' sales. In contrast, case 2 was adding a store channel so that customers could buy a product and receive it instantly. Opening physical stores also drove sales in its existing channels and vice versa. These findings then are in line with Müller-Lankenau *et al's*. [35] study which found diversity in the way retailers approached multichannel retailing but this study "opens the proverbial black box – the company – and studies it from within" and so builds on Müller-Lankenau *et al's*. [35] research to further understand retailer motives related to multichannel retailing.

Additionally, the paper highlights secondary drivers linked to multichannel retailing which are not in the existing multichannel retailing literature. For case 1 adding an Internet channel provided the retailer with a marketing channel to use, for example, to more efficiently communicate to customers. On the other hand, adding an Internet channel permitted case 3 to share fixed costs across its Internet channel and physical stores. Thus, while the way in which retailers approached multichannel retailing varied by retailer, the drivers linked to the strategy, especially at a secondary level, also differed by retailer.

Research question 2: What technology-related obstacles have retailers encountered when adding new and using multiple channels?

Cases 1, 2 and 3 faced technology-related obstacles when going multichannel due to the need to acquire/switch resources and achieve channel integration [38, 67]. However, this study reveals a novel theme, which is that these resource and channel integration obstacles were frequently interrelated with each other and with other 'softer' cultural and staff engagement problems. New findings identified by this study also show that these technology-related obstacles were intensified due to the novel and dynamic nature of the

strategy, and varied according to the type of retailer (i.e. whether a retailer was initially bricks-and-mortar or Internet/catalogue based) and stage of implementation. Broadly speaking, this study finds three stages to adopting a multichannel retail strategy; early, mid and late. These stages are used to structure discussion of the main obstacles retailers encountered when moving to multichannel retailing.

Early implementation stage

Acquiring/switching resources

Rao *et al.* [43] claim that retailers can use their existing logistics infrastructure to support new and multiple channels. Conversely, other academics argue that the addition of a new channel frequently entails a retailer redesigning their legacy logistics and IT infrastructure to accommodate the addition of new, and multiple, channels [67]. Equally, this study finds that all of the retailers had to redesign their existing logistics and IT systems to go multichannel. Yet, this study finds that during early implementation stages retailers faced greater technology-related obstacles due to the need to redesign legacy IT and logistics infrastructure than the literature portrays. Indeed, these problems often delayed retailers going multichannel. In contrast to the literature, this study also found that while these technology-related obstacles were similar by retailer, they also differed. For example, all of the retailers experienced problems redesigning legacy logistics and IT infrastructure due to the bespoke nature of these systems. However, different to cases 1 and 2, case 3 encountered further IT and logistical problems because of the perishable nature of the food products they sold.

Importantly, case analysis also reveals that these technology-related obstacles often had a 'softer' side, that is, these obstacles being frequently interrelated with staff/financial resource and Board-level engagement issues.

Staff resource related issues

The multichannel retailing literature suggests that retailers need to recruit and train staff when implementing a multichannel retail strategy because multiple, compared to single, channel operations require staff with different skills, often due to the use of new technology [4]. While this study finds this to be the case it more clearly articulates that store staff need to possess the necessary skills to be able to use new technology in a customer service and sales orientated way. For example, the use of 'click and collect' requires staff to 'sell' the initiative to customers, place customer orders via the Internet in-store, and, treat product return and collection occasions as "additional touch points which permit the retailer to strengthen their relationship with customers" [67, p. 175). Still, in line with Hart *et al*. [20] case analysis identifies that recruiting these staff (i.e. who can apply ICT skills in a customer friendly way while maximising sales opportunities) can be difficult.

Cases 1, 2 and 3 also needed to recruit head office staff with the necessary IT and logistics skills to manage multiple channels, and for cases 1 and 3 to add an Internet channel which was problematic since few retailers had added an Internet channel to go multichannel and thus there was a shortage of these people in the internal and external labour markets. All of the case study retailers also had difficulties ensuring staff had the necessary multichannel retailing skills since there was a lack of training programmes in this area. As a result, staff training tended to be carried out in an ad hoc 'on the job' way, which, according to Johnson *et al.* [23] is typical of the retail sector.

Another new finding is retailers overcame the lack of in-house experience of multichannel retailing by adopting a 'learn as they went approach' and in line with the wider marketing literature a 'learn by their mistakes approach' [12]. Retailers also addressed staff resourcing issues through collaborating with other retailers, for instance, to share multichannel retailing 'best practice' [44]: a change to the 'closed' way in which retailers have traditionally operated.

Financial resources and lack of Board-level engagement

Major capital expenditure was required by all of the retailers to redesign legacy IT and logistics infrastructure, and for case 2 to open physical stores [1, 38]. Another new finding, however, was that getting this financial investment was particularly difficult for all of the retailers during the early stages of implementation as 'new' channels generated a low proportion of the overall sales of retailers. Consequently, since retailers measured the performance of channels according to the sales generated (i.e. excluding 'channel influenced sales') then these 'new' channels did not appear to merit major financial investment [66]. While these channel performance measures posed obstacles to getting the necessary capital expenditure, each of the retailers found it problematic designing alternative channel performance measures, which, for example, acknowledged 'channel influenced sales' and minimised internal inter-channel competition [55].

Acquiring financial resources to use new technology, such as IT systems, was also difficult for other reasons. For example, case 3, in comparison to cases 1 and 2, was a small retailer and family owned and so the retailer had more limited financial resources [29]. Case 1 also experienced difficulties getting financial investment due to the lack of Board-level multichannel engagement. This then, demonstrates that financial resource issues associated

with using new technology were often caused by limited capital expenditure and exacerbated by internal resource competition, and, lack of Board/senior management support.

Mid-implementation stage

Case analysis reveals that during the mid-implementation stages retailers faced the most significant problems due to the need to achieve channel integration. This was since the attention of these retailers was increasingly towards implementing a seamless, integrated multichannel proposition to the customer. Moreover, these channel integration issues were interrelated with resource and staff engagement issues.

Achieving channel integration

Retailers faced significant issues achieving channel integration [45, 48]. In part, because channel integration entailed retailers communicating and leveraging the brand consistently across all channels [38], and this involved complex and challenging alterations to legacy IT and logistics systems. Retailers also needed to permit customers buying a product from one channel and collecting it, or returning it, in another [35]. Yet, using 'click and collect' meant further changes to existing IT and logistics systems and this was problematic given retailers had few staff with the necessary skill-set to make these modifications. Indeed, these issues prevented case 3 from using 'click and collect'. In spite of this, benefits were associated with 'click and collect': for instance, retailers shifted control over the 'last mile' of deliveries to the customer [67]. Nonetheless, other financial and staff resource obstacles interrelated with technology-related obstacles were related to 'click and collect', not highlighted in the

literature. For example, an obstacle to case 1 using 'click and collect' was that store staff lacked the skill-set and confidence to place orders via the Internet in-store.

A major barrier to retailers achieving channel integration was also conflict between staff in different channels [49, 61]. Conflict arose between staff in incumbent channels and those in new channels, since staff in existing channels perceived new channels to be a threat to their sales and income [1]. Lack of staff engagement with multichannel retailing also stemmed from the perception of staff that new and multiple channels were difficult to manage as they involved the use of new technology, which added complexity to the day-to-day work, as well as increasing the workload of staff. Indeed, while the multichannel retailing literature implies that staff buy-in is needed to successfully move to multichannel retailing [67], a key theme to emerge from this study is that retailers faced far greater problems due to the need to gain staff engagement with the strategy than the literature suggests, especially during mid-implementation stages.

Late implementation stages

In the later implementation stages, although retailers continued to face resource, channel integration and engagement issues, retailers also increasingly experienced cultural problems. While there is a lack of multichannel retailing research which recognises the cultural obstacles associated with using new and multiple channels, there is other literature (i.e. marketing and strategic management) which suggests cultural constraints are frequently related to strategic implementation [39]. All of the retailers needed to change their internal culture to go multichannel, and, while these alterations were similar, they also differed. However, many of the cultural alterations needed by retailers to go multichannel related to the use of new technology.

Summary of key multichannel retailing obstacles by stage of implementation

From the above discussion it can be seen that retailers faced technology-related issues when going multichannel due to the need to acquire/switch resources and achieve channel integration. Retailers also encountered staff engagement and cultural related issues when adding new and using multiple channels which stemmed from the requirement to use new technology. Moreover, these staff engagement, cultural, resource and channel integration related issues were often interrelated. Furthermore, the key issues associated with multichannel retailing varied according to the stage of implementation, as shown in figure 1.

Insert figure 1 around here

During the early implementation stages retailers faced the greatest challenges due to the need to acquire/switch resources and get Board level support towards the strategy, in particular to make the necessary financial investment in the IT and logistics systems needed to support a multichannel offer. During the mid-implementation stages, retailers encountered the most significant problems stemming from the requirement to achieve channel integration, often due to the need to switch IT and logistics resources and gain the buy-in of all staff towards the strategy, including their motivation towards using new technology. During the late implementation stages, while retailers experienced resource, engagement and integration issues, retailers also encountered major issues due to the need to make cultural modifications to use new and multiple channels, again often due to the use of new technology. However, while figure 1 offers a way of classifying multichannel retailing issues according to the stage of implementation, there are some exceptions to this model. Thus, even though case 3 was in the early stages of implementation the retailer was already experiencing some cultural difficulties. Still, in contrast to the multichannel retailing

literature this paper more clearly articulates that multichannel retailing obstacles vary by stage of multichannel strategic implementation.

Implications of this research

Our findings have key implications for retailers. Customers want to be able to shop in a seamless and integrated way across multiple channels and few retailers have any choice but to meet these customer needs, especially since multichannel shoppers are more valuable than single channel shoppers [25]. Yet, while prior research suggest that retailers face internal issues when going multichannel [59, 67], we find that these issues often entail interrelated technological and 'softer' characteristics and pose far greater obstacles to retailers moving to multichannel retailing than the literature suggests. Indeed, the paper identifies that these internal issues can slow or prevent a retailer adopting a multichannel retail strategy. In general then, implementing a multichannel retail strategy calls for retailers to adopt new business models, which the CEO and Board are custodians of, to effectively use the strategy.

While similar at a strategic level, the precise nature of these business models should vary by retailer, since the paper reveals that no single approach to multichannel retailing fits all retailers. However, at a strategic level retailers need to use business models which enable better understanding of the interrelated technological and 'softer' issues associated with using new and multiple channels. Importantly, the paper argues that figure 1 provides a framework to help retailers do this (i.e. understand multichannel retail strategic implementation issues) and thus, supports the adoption of a multichannel retail strategy. At a strategic level, these business models also need to help retailers address multichannel retail strategic implementation issues, which calls for 'joined up' solutions to address the

technological and 'softer' issues linked to the strategy. Notably, the paper also demonstrates that this study offers retailers insights into how these issues might be managed, especially the 'softer' issues largely ignored by prior studies. A case in point is that this study highlights that bricks-and-mortar retailers going multichannel via adding an Internet channel frequently encounter issues due to conflict between staff in the store channel towards the Internet channel [1]. A new finding to emerge from this study is that the use of 'click-and-collect' enables retailers to give stores the credit for any sales made via the Internet and collected in-store and therefore, minimises the conflict store staff have towards the Internet channel. In essence, while the use of new technology poses retailers problems, it also provides retailers a way of managing these issues, especially in the context of a retail store environment.

A further managerial implication arising from this study is that any business model used by retailers in a multichannel context must address the questions new and multiple channels raise about the future design of some retailers' stores. For example, 'click and collect' requires retailers to have dedicated warehousing space to store customer orders until collected by the customer and designated customer order collection points, and while some retailers have quickly embraced these changes others have been much slower resulting in a poor customer experience.

Limitations and future research opportunities

Our study has several limitations which suggest opportunities for further research. It can be argued that the sample size of this study was small in relation to the number of staff employed at each of the organisations. For instance, nine people were interviewed at case 3 out of a possible 1097 staff. One reason for this was that fewer staff than previously

envisaged were responsible for, or involved in, multichannel retailing across the case study retailers. Subsequently, the sample to draw from was smaller than originally thought. Nonetheless, this study argues that all of the key individuals responsible for, and involved in, implementing a multichannel retail strategy were interviewed across the three case study retailers. Additionally, when the semi-structured interviews had been conducted the researchers reached the point of theoretical saturation, that is, data collection ceased to reveal new data [52].

This study is set in a UK retail context and thus its findings may have limited generalisation to retailers in a non UK setting. This study also used case study retailers in the DIY, health and beauty and food and drink sectors and as such, this study may have a lack of transferability across retailers not in these sectors, such as clothing retailers. However, Thomas [54] argues that the purpose of a case study is not to generalise from it, but is the use others make of them, either that they input into the processes of 'naturalistic generalisation' [13], or, that they enable the 'transfer' of research outputs from one context to another on the grounds of 'fit' [31]. For that reason, although some findings may be specific to UK retailers in certain sectors going multichannel, at a general level they suggest that firms face major multichannel retail strategic implementation issues. The use of the UK retail context is also justified since no study has empirically explored the issues UK retailers face when going multichannel. Besides, the UK is arguably at a more advanced stage of using multichannel retailing, from a retailer and consumer perspective, than most other countries [11, 41].

Nevertheless, further research should replicate our study using retailers in other sectors, for example in the clothing sector, and, in other countries. Moreover, while this study reveals

novel insights into the key drivers and obstacles linked to multichannel retailing, the strategy is a dynamic and fast changing strategy and thus an opportunity exists to conduct the same study again to understand, for example, what stages the case study retailers are at in terms of implementing the strategy and what obstacles they still encounter. Furthermore, 'click and collect' enabled retailers to offer a seamless, integrated multichannel proposition to the customer. Yet, barriers to using 'click and collect' included lack of staff with the necessary skill-set, the significant financial investment needed to ensure every store had broadband, and many stores not having space to store customer orders until collected. Research would be useful then which explores the future design of retailers' stores and the role of store staff when using 'click and collect'.

Conclusion

By exploring the key drivers and technology-related obstacles associated with multichannel retailing this study makes two key contributions. First, we extend prior theory by providing novel empirical insights into the main drivers underpinning retailers going multichannel. We find that the primary influences behind retailers adding new and using multiple channels are to meet customer needs and increase sales, although there is diversity in the way retailers respond to these motives [35]. Case 1 was adding an Internet channel to enable customers to research and purchase products online but to primarily increase stores' sales. In contrast, case 2 was adding a store channel so that customers could buy a product and receive it instantly. Opening stores also drove sales in its existing channels and vice versa. Moreover, case 3 was adding an Internet channel to grow sales by enlarging its market to serve customers outside the Yorkshire area in the UK. Second, we provide empirical support for a proposed theoretical framework which summarises the key technology-related issues

retailers face when moving to multichannel retailing by stage of implementation. Importantly, in line with prior literature [59, 67] the framework reveals that retailers face technology-related issues when implementing a multichannel retail strategy due to the need to acquire/switch resources and achieve channel integration. However, in contrast to prior studies the framework highlights that these technology-related issues often have a 'softer' side, and, that these issues vary by retailer and stage of implementation. Furthermore, these issues present far greater obstacles to retailers adopting a multichannel retail strategy than the literature suggests.

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Table 1 Overview of the three case study retailers

Retailer	Sector	Type	Size	Ownership	Stage in the multichannel journey	Approach to multichannel retailing
Case 1	Health and beauty	Bricks- and-mortar based retailer	Turnover of greater than £19 million and more than 100,000 staff	Part of larger group	Mid- journey	Adding an Internet channel to their existing bricks- and- mortar stores
Case 2	DIY	Catalogue based retailer	Turnover of greater than £450 million and more than 2,500 staff	Part of larger retail group	Nearly at the end of the journey.	Adding bricks- and- mortar stores to their existing Internet, catalogue and customer service centre channels
Case 3	Food and drink	Bricks –and-mortar based hospitality retailer	Turnover of greater than £90 million and more than 1,000 staff	Family owned business	At the early stages of going multichannel	Adding an Internet channel to their existing bricks- and- mortar stores and catalogue

Figure 1 Summary of key multichannel retailing obstacles by stage of implementation