A STUDY OF CHANNEL MANAGEMENT AND OMNI CHANNEL MARKETING BY ONLINE RETAILERS

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Abstract- A distribution channel is the network of organizations that creates time, place, and possession utilities for consumers and business users. The creation of time, place, and possession utilities fall on a continuum from simple to complex. Today physical distribution and logistics management are receiving increased attention from strategic planners.

The Indian online retail market has been striding leaps and bounds over the past few years on account of digital revolution. The current market size of online retail sector is around $ 18.5 billion . The major reasons for this growth will include the increasing penetration of mobile Internet, higher purchases of smartphones, need for ease of shopping, time convenience and higher mobility.

Here is where **Omni Channel Retailing** comes into picture. Omni-channel retail is a modern approach to commerce that focuses on designing a holistic and cohesive user experience for customers at every touchpoint. This differs from traditional marketing, where individual channels were optimized without necessarily taking the whole experience into mind.

Keywords: **Online Retailing, Channel Management, Omni Channel Retailing**

Every product and or service whether it is an automobile, a personal computea bottle of Coca Cola , a watch, music or any other product, must somehow be made available to millions of people. They also must be made available to millions of industrial firms, businesses, institutions and other organizations worldwide. A distribution channel is the network of organizations that creates time, place, and possession utilities for consumers and business users. The creation of time, place, and possession utilities fall on a continuum from simple to complex. Both sales and distribution channels are needed to create time, place, and possession utilities. This is the goal of marketing is the creation of distribution channels. In today's global marketplace, selling a product is sometimes easier than getting it to customers. Therefore, physical distribution and logistics management are receiving increased attention from strategic planners. Distribution channels are identified as being a set of independent organizations involved in the process of making a product or service available for use or consumption by the consumer or business and which creates time, place, and possession utilities for them. The task of physical distribution systems is to minimize the total cost of providing a desired level of customer services while bringing those services to the customer with the maximum speed. Making decisions involving distribution channels are among the most complex and challenging decisions facing the firm. Unlike flexible elements of the marketing mix (price decisions for example), once a distribution channel has been chosen, the firm must usually stick to their choice for some time. In addition, the chosen channel strongly affects, and is affected by, the other elements in the marketing mix.

The retail environment in India is scattered across this vast country, with huge amount of disparity and 5 million retail outlets. One of the biggest challenges is to set a good distribution system in a cost effective manner.

Penetration of FMCG products and consumer durables are very high across India. But in rural areas and smaller towns and cities, people don't have access to many categories that are easily available in metros. For instance, if you move just 250 Km away from Delhi to Bareilly, availability of items such as solar lanterns drops sharply. So the only option for people there is to shop online because, for many categories, the reach of online players is greater than that of their brick and mortar counterparts.

No system, no matter how well it has been planned, is without conflict. Managing distribution conflict is a necessity if quality, service and low cost is to be delivered. Since distribution relationships tend to be long-term in nature, the choice of channel partners is very important and should be taken very seriously.

Conflict in the distribution channel occurs mainly because the manufacturers use multiple channels and they are now able to communicate directly with their end users. The intermediaries have to compete with more channels resulting in lower margins thereby losing revenue. This is an example of vertical conflict since conflict occurs at different levels of the same channel. Those manufacturers who are selling directly to end-users over the Internet are struggling to retain their relationships with their dealers, distributors and retailers.

The Indian online retail market has been striding leaps and bounds over the past few years on account of digital revolution. However the reach of the Internet is still limited although increasing at a fast pace and companies still rely on the traditional

network of wholesalers and retailers. But things are changing and it will not be long before the lessons learnt by companies in the west become relevant for us as well. Some of the top online marketing companies in India are Flipkart, Ebay, Amazon, Snapdeal, Jabong, Myntra, Tradus, Junglee, infibeam, Homeshop18, Shopclues, Yebhi etc. Then there are companies that specialize in particular product categories such as pepperfry, Ediy for furniture, bluestone, caratlane for jewellery etc.

The current market size of online retail sector is around $ 18.5 billion . The major reasons for this growth will include the increasing penetration of mobile Internet, higher purchases of smartphones, need for ease of shopping, time convenience and higher mobility. Heavy discounts offered by online portals will also propel the market growth. In terms of product segments, at present electronic gadgets claim the highest share followed by apparel and books. Some other factors helping the online retail industry seeing good growth include smartphones offering accessibility to online shopping, aspirations of tier II & III cities, women becoming more tech savvy, evolving perception around branded products, impulsive buying and logistical convenience.

India is a huge, yet relatively untapped, market that is growing rapidly. The country had 60 million online shoppers in 2016, which is only 14% of the internet user base in the country. This will rise to over 50% by 2026, according to a report by Morgan Stanley.

Experts also believe that 2019 could be an inflection point for India's e-commerce market. It is believed that once a consumer has been online for over five years, they are more likely to buy online. Right now, that's only 30% of India's 432 million internet users because a bulk of the addition in the internet base has happened in the last three years, primarily backed by the wave of growing smartphone adoption and affordability of mobile internet.

The World Wide Web has redefined every facet of marketing and the distribution channel is one of them. Internet is not just a medium for advertising; it is being used as an information resource as well as a direct sales channel. The Internet has provided a new streamlined and integrated distribution system in which manufacturers are now able to communicate directly with their end users. The formation of new types of intermediaries and new forms of channel relationships have lead the existing firms to reexamine how they served their markets. The elimination of the intermediate channel members is known as disintermediation, and allows the producer to pass on the reduced distribution costs to the customer in the form of discounts. Other advantages include reduced staffing costs, convenience, customer preference tracking and also customers can do their buying at their convenience from their homes. The traditional distribution system has to be redefined now, otherwise it may become obsolete. Success of channel intermediaries will increasingly be dependent on their willingness to adjust and respond to technology. As marketers continue to find newer ways of reaching the customer, it will become increasingly important for them to pick the right mix of channels to reach the customers efficiently. Companies may have to pro-actively look for better channels even when their existing channels are doing well. Ultimately, there has to be a good match between the target audience that a company wants to reach, and the ability of the channel to capture that audience in a timely and cost-efficient manner.

No single formula, can tell for sure when and why each individual customer will make a purchase foe example a senior citizen looking to buy a watch might be texted a recommendation by a grandchild, then walk into a physical store to purchase it . That same grandchild, on the other hand, might spend weeks looking at watch reviews, adding, then abandoning items in his/her cart on both mobile and desktop, before finally purchasing the product. Now that mobile devices are always on hand, there is no limit to where and when people shop online.
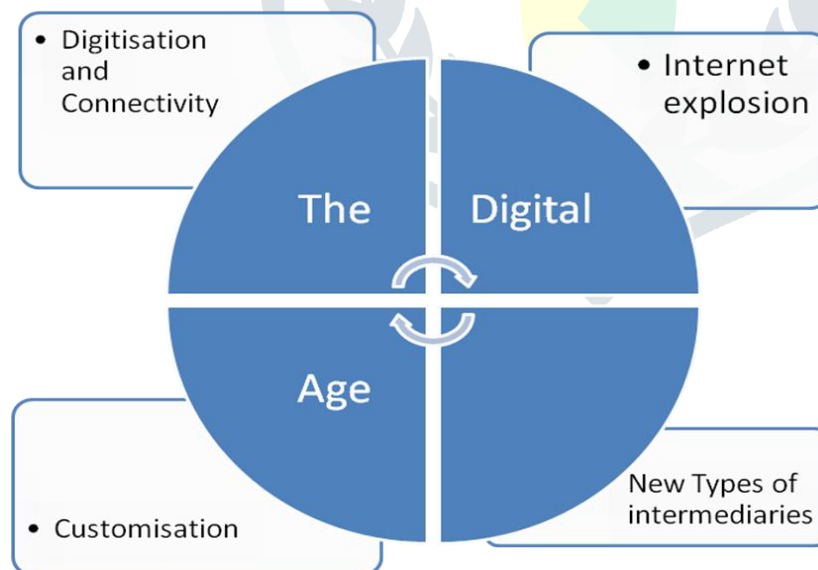

Some of the outcomes of the Digital age are

1)   Digitisation and connectivity: All appliances today and even cars have digital components and microprocessors, which can directly connect to networks.

2)   Customisation: It is one of the greatest benefits of the Digital Age, since customers can place orders online and customise certain products , according to their preferences.

3)   Internet Explosion: The internet explosion is the backbone of E-Commerce and today a very large and growing number of consumers have access to internet, particularly through mobiles phones.

4)   New types of intermediaries: E-Commerce has lead to the emergence of new types of intermediaries in the traditional distribution system, without any boundaries, which was a constraint for the traditional distribution system.

Is Internet really a threat to the traditional dealers, distributors and retailers? On the other hand Internet can be used to improve their revenues and also resolve channel conflict. The Internet can help in redefining the geographical boundaries for the manufacturer as well as the middleman. The wholesalers and retailers can cover much larger geographical areas then they could previously. Manufacturers enhance responsiveness via direct sales to their customers; and the dealers become the exclusive conduit for delivery, installation and training. The Internet also allows the manufacturer in better production planning and inventory management, thereby lowering the cost of inventory significantly. E-marketing often results in lower costs and improved efficiencies for channel and logistics functions such as order processing, inventory handling, delivery, and trade promotion. With a focus on Relationship Marketing, manufacturers and dealers are building partnerships to enhance customer service and build loyalty. Relationship Marketing has been defined as the task of creating strong customer loyalty. It embraces all those steps that companies undertake to know and provide value to its customers. Relationship Marketing puts the emphasis on increasing the share of current customer's business, leading to higher profitability, rather than concentrating on overall market share. This enables the Internet to be a cooperative tool, instead of a threat to channel relationships.

The focus is also shifting from traditional brick and mortar distribution channels to the Click and mortar distribution channels, which is a combination of the traditional brick and mortar channel and clicks only channel. Today retailers with brick and mortar stores in Chennai and Mumbai, who traditionally catered to customers from their locality only, are selling products to consumers in every part of the country through online shopping sites like E Bay, Amazon etc, thereby increasing their sales many fold.
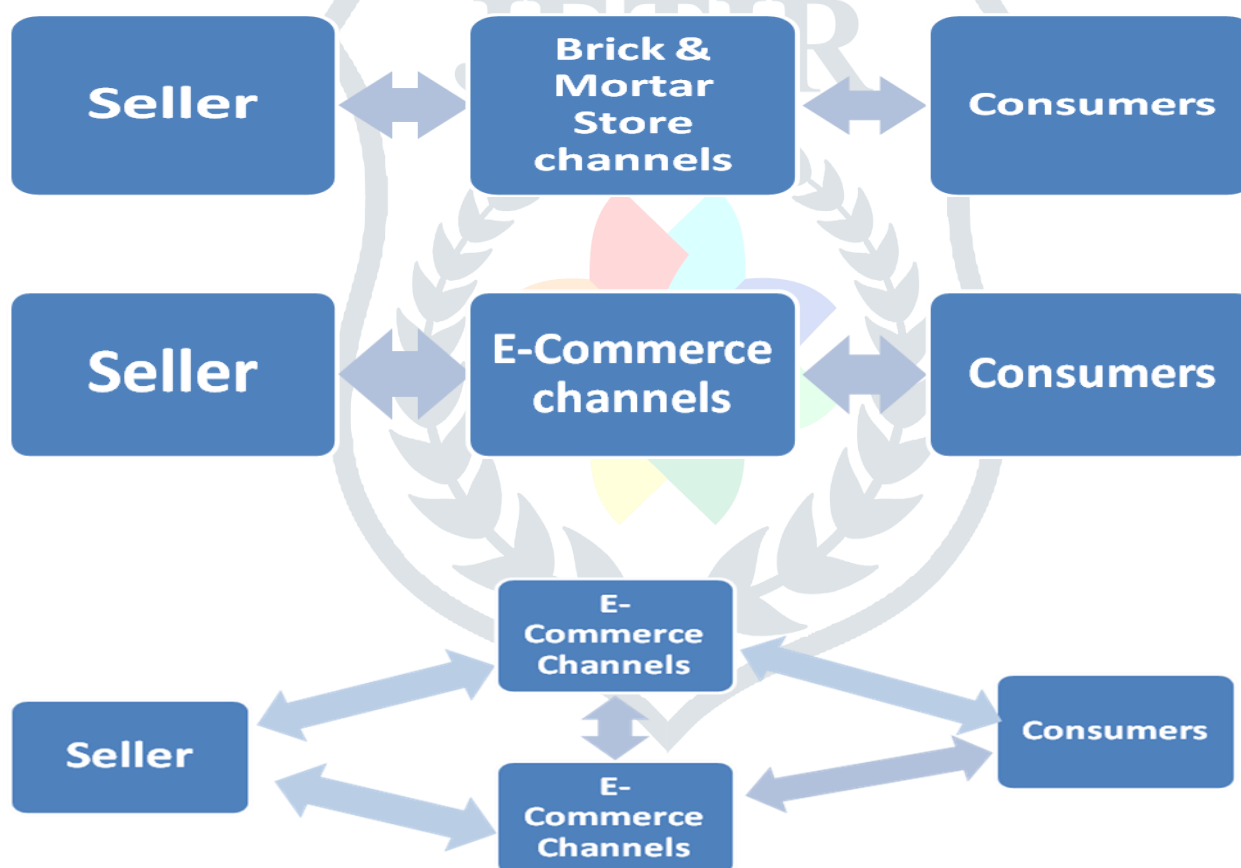

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The other way in which retailers are increasingly using the Internet is by way of Affiliate Marketing. The concept of Affiliate Marketing in principle is of having sites partner with yours and carry links to your site and you on your part, pay a commission to your partner only if they sell something from your inventory. This works out to be a win-win situation for the manufacturers, online marketers as well as the retailers.

In many cases, however the channels will need to broaden the scope of their business. Rather than viewing their business as strictly a sales channel, they will need to increase their focus to include installations, training, certification and marketing programs for the clients they support. The surviving channel partners will be those who are able to align and cooperate with the needs of the manufacturers as well as those of the final customer. To overcome conflict, many manufacturers are also engaging in

joint online efforts with their retailers. Therefore, it appears that the intensified channel conflict is being replaced with more channel cooperation, which can be referred to as "**coopetition**." This new trend is also gaining momentum among competitors in many industries, whereby competitors are joining forces to create mutually beneficial Internet supply networks, particularly in case of industrial marketing. This way the, traditional intermediaries can add value in the supply chain.
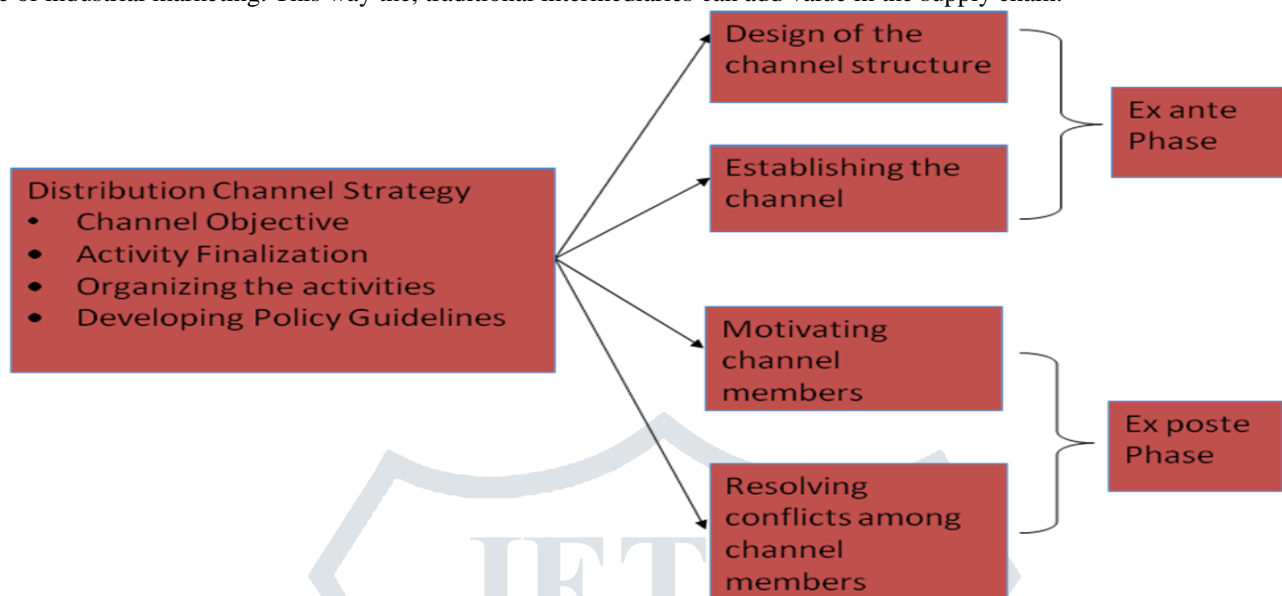
Another case in point is the model adopted by Amazon in India. E-commerce major Amazon is taking the kirana store online. Amazon is launching an express delivery platform in partnership with Kirana stores, calling it "Kirana". Starting first in Bengaluru on a pilot run, Amazon intends to scale this up nationally. Grocery e-tailing has till now been confined largely to vertical players like Big Bazaar with the bigger horizontal e-tailers focusing more on electronics and apparel. Amazon -which operates on the marketplace model, connecting merchants to buyers -has introduced this service only on the mobile platform and will deliver orders within twenty four hours.

"These corner stores, which would be listed as sellers, will upload their catalogues online on our platform and Amazon would help with the back-end and technology. The deliveries would be taken care of by Amazon, the kiranas and third-party logistics.

Last year, Amazon had started using kiranas as pickup and delivery points, an indigenous improvisation on Amazon Lockers which the company operates in the US and some other markets. The online commerce behemoth, which competes aggressively with homegrown e-tailers like Flipkart and Snapdeal, have also extended the pilot that had kicked off last year to as many as 500 stores across 28 cities.

Here is where **Omni Channel Retailing** comes into picture. It's a complex process, and it's why omni-channel selling is so important

An Omni Channel strategy is an approach to sales and marketing that provides customers with a fully-integrated shopping experience by uniting user experiences from brick-and-mortar to mobile-browsing and everything in between.

Omni-channel retail is a modern approach to commerce that focuses on designing a holistic and cohesive user experience for customers at every touchpoint. This differs from traditional marketing, where individual channels were optimized without necessarily taking the whole experience into mind.

Square defines it as: "Meeting people on the channels where they are shopping and buying, whether it's in a physical store or an online store or on social media, and connecting the dots between those channels. The purpose is to keep customers moving around within the brand ecosystem, with each channel working in harmony to nurture more sales and engagement."

Omni-channel retail focuses on every customer interaction and their overall experience of your product and brand.

Typically, omni-channel retailers aren't startups. They also aren't online only shops, which mean they have the capital to invest in brick and mortar stores. From that perspective, few retailers today are successfully executing on all of their Omni-channel initiatives such as Walmart, Amazon, Bluestone etc.

Walmart with its presence in both the physical and the digital world still has the chance to define what Omni-channel retail will look like. The lines are blurring fast and the retailers feel that forming an Omni-channel presence is the way to go. That's why Amazon and Alibaba are building walk-in stores and Walmart, which operated 11,695 stores across the world in 2017 is wooing its customers to get online.

But the company needs to step up fast since Amazon is already making a significant investment to increase its offline presence. While its $13.7-billion acquisition of Whole Foods will go a long way in achieving that, Amazon is also setting up more cashier-less stores this year. After the success of its first Amazon Go store, the company is looking to set up at least six new stores this year. It is also placing Amazon lockers in Whole Foods stores where customers can order online and pick up the products from the lockers placed inside the stores, taking customer convenience to another level, and thereby bringing in more footfall into the stores. Walmart, too, is now offering larger discounts if customers agree to pick up products and has set up 500 pick-up towers across the country. "Walmart, rather than leading innovation, has been a fast learner and tends to follow Amazon's footsteps. This

is enough for them to stay in the race, but not sufficient to get ahead. Most of its acquisitions in the US have been incremental rather than disruptive," says Hosanagar.

The in-store draw is still an important one for many merchants. In fact, many of the most successful retailers are Omni-channel commerce businesses, meaning they have both online and brick-and-mortar stores — making them 'click-and-mortar' stores.

A great Omni-channel experience feels familiar to the customer, regardless of the channel if the company maintains consistency in all its channels.

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