Bimala Chapagain

RETAIL BUSINESS MODEL TRANSFORMATION IN MULTICHANNEL ENVIRONMENT

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Department of Management and International Business
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Abstract:
With the advent of internet and e-commerce, the way of carrying out business and transactions has changed to a great extent. Consumers are continuously changing the way they do shopping and this has forced retail business to transform their traditional brick and mortar into adopting multi-channel business models. Retailing is one of the most dynamic and competitive areas of business organization. Effective marketing, customer relationship management is the central dimension of successful retailing and the key to successful retailing is to be aware of the emerging opportunities and threats caused by environmental changes now and in the future.

This thesis paper investigates current conceptualization of 'brick and mortar' business models and electronic commerce business models and also tries to identify a unified conceptual model that helps retail business to effectively integrate the two channels and deliver a unique value to the consumers. This is achieved by reviewing the attributes of both the models and finally channeling the reviewed theories to adopting a multi-channel business model. The thesis paper first identifies the concepts of business model, as it is the business model of any organization, that helps to understand what kind of activities are carried out by certain organizations and how and why are those activities carried out. The business model is used to define unique value propositions for the customers of a company, and it is these business models that need transformation, in order for a company to adapt to changing competition and recognizing opportunities in certain scenarios.

The Brick and Mortar model is the oldest model that retailers have been using since centuries, however with the advent of internet; there was a threat of survival as the changing retail environment required retailers to change their traditional business models to adapt to the e-commerce environment. It is however true that, no single model is extremely superior to the other, but they do have relative advantages over the other. It is these differences and pros and cons, that influences a retailer to adapt to a multi-channel or hybrid business model.

Keywords:
Retailing, Business Model, Business Model Transformation, Brick and Mortar, E-commerce, Multi-Channel
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1. BACKGROUND

1.1 Introduction
"Ms. XYZ wants to buy some groceries, so she goes to the nearest shop, but unfortunately, the items that she’s looking for are not in stock, so she immediately takes out her phone and checks the product availability in another nearby store. She finds the product that she is looking for in another store. This new store does not provide online shopping but allows her to reserve the product, until she visits the shop."

It is clearly visible that the new technologies have changed the way people (who have access to internet) do shopping these days. People use technologies to search for information on product online, purchase goods, and compare prices (Otto & Chung, 2000; Goersch D., 2002; Steinfield et. al. 2002). In more strategic terms, customers have become "Multi-channel Shoppers". People's buying behavior has changed over years and this has brought a new challenge to the traditional retailers. Due to the enhancement in internet and ICT (Information Communication Technology), businesses are being affected greatly.

The measures of business performance are changing. This effect has also been seen in one of the largest business sectors of the world, i.e. retailing. Due to changing customer's behavior, increasing competition and internationalization of retail business, operating via a single channel has started being less profitable for retailers. Retailers now not only compete with other industry players but also compete to meet changing customer behavior and also "Multi Channel Supply Chain". Retailing has repeatedly been carried through different channel structures, sometimes combining the channels and operating as a hybrid model, other times through isolated channel structures. Amongst the most commonly used channel structures the “Brick and Mortar retailing” and the e-commerce retailing are of higher priorities for both the retailers and channel researchers. This has led to retailers commonly using the concepts of ‘multi-channel’, ‘hybrid model’ ‘Omni-channel model’ and/or ‘click & mortar model’ to define their business model and provide newer dynamics to traditional retailing formats.
Multi-Channel adaptation however, does not seem easy to operate as many retailers face difficulty in adapting or implementing it. The threat of cannibalizing the existing business models, the difficulty of managing operations via multichannel such as order fulfillment makes the adaptation of multi-channel retailing very challenging. The key concern here is providing an excellent shopping experience, without time and location being a hindrance to serve customers, and also retaining the customer’s loyalty towards the business in the long run. In order to be competitive in the market it is essential for the retailers or any business to continuously remodel and rearrange their business models and keep monitoring and evaluating.

How a Retail store decides to integrate the 'click and Mortar' strategy depends on the location and customer diversity of the particular store, However allowing consumers the best convenience possible in addition to reducing the operation cost is the key to success. In the following chapters, we will study about how different forms of business models and different channels can be integrated to form a multi-channel business model.

1.2 Research Phenomenon and context
This research is inspired by the current channel integration dilemma faced by the retailers due to the increased development in information technology infrastructure. This thesis revolves mostly around multi-channel integration in Retailing. The term ‘Retailing’ refers to the process of selling goods and services from a single point (malls, markets, department stores etc.) to the final consumers. It is one of the world’s largest Industries. Berry et al. (2010:155) define “Retailing as all those organizations that conduct business with consumers”.

Retailing is not limited to the physical distribution of goods, but also acts as an intermediary between the producer and the consumers. As the retailers are directly connected to the final users, they have a better understanding of the consumer’s choices and purchase psychology and add value to the products by making it easier for manufacturers and consumers to sell and buy. Retailing involves those companies that are engaged primarily in the activity of purchasing products from other organizations with the intent to resell those goods to private households, generally
without transformation, and rendering services incidental to the sale of merchandise (Zentes J., et al. 2011, pg. 1) and they rarely add uniqueness in their product assortment which according to Sorescu et al. (2011, pg. S5) leads to less long-lasting competitiveness for the retailers. “Retailers have been involved in new range of activities to market and develop newer ways to interacting and engaging customers (Sorescu et. al. (2011, pg. S3).”

The necessity to use different channels without having sufficient capabilities or knowledge of different channel structures have crippled retail business and thus the need has been to identify effective strategies to integrate different retail channels, so as to create and deliver seamless value to the customers.

Concepts such as retailing, business models and channels have been widely discussed. The need of understanding business model concept has been necessary to understand the channel structures for value delivery purpose. In order to implement any kind of changes in the process of doing business and adapt to the changing business environment; the existing business model should be re-modeled. Hence, It is essential to understand the concept of business model and bring innovative transformations. Business model is the process of creating and delivering values (Teece,D.J 2010). In this thesis paper we will study what a business model is, how it can be transferred or integrated and also the growing phenomenon in the retail industry: “The Multi-channel Retailing”. “Multi-channeling here is referred to the sales model that uses ‘click & Mortar’ business model.

We are all aware of the changing formats in retail business worldwide. Business is continuously being carried via the virtual channels and is bringing threat to the conventional business model. However, researchers have identified that in this hybrid world where people prefer the best of traditional formats and the e-commerce format, it is essential that companies identify the growing need and act accordingly. While hybrid model has been integrated and implemented successfully by some retailers worldwide, others fail to grasp the key aspect in the integration process. This study will identify some of the keys to successfully integrating traditional business model to the emerging e-commerce model. This will help retail business to identify the key challenge to their current operating model and also provide an insight as to
how they can integrate the two models. The results of this study are potentially useful for retail managers to support their decisions in multi-channeling approach.

1.3 Research Questions

The value that a retailer creates for its customers, as defined in its business models is delivered through various channels that the retailer chooses. The present study attempts to explain the fit of multi-Channel approach with retail business model assuming that the multi-channel is the best option for retail business today.

Based on the background of the study we aim to study multi-channel model through study of business models. As we mentioned in our background, due to extreme competition retailers are forced to adapt multichannel retail model, but as a matter of fact many successful retailers are failing to seamlessly integrate their online and offline channels. The key reason for this is the fear of cannibalizing their traditional channels. Hence, the focus of this thesis is to identify the strategies and business modeling approach followed by big successful retail stores worldwide and suggest an operational model to the retail stores, who plan to introduce e-tailing for their groceries and balance business strategy and operation between electronic commerce and brick and mortar channels (Bahn & Fischer, 2003). Hence in order to accomplish this objective the research question is identified as follows:

“How does a retail business integrate its conventional business model to an internet business Model?”

In order answer the above question, we need answer some other questions which will ultimately help us reach our goal hence the following sub-question are crafted:

1. How should the e-commerce channel be linked to traditional channels to enhance the multi-channel presence?

2. What are the key challenges to integrate offline and online channels?

3. How can retailers enter the multichannel framework without disrupting their existing operational strategies?
1.4 Research methods
The thesis uses business model elements to analyze the multichannel integration in retail businesses. The core focus of this thesis would be to identify if the business elements of online and offline channels can be combined to develop a systematic multichannel integration, and therefore to maintain and achieve this focus, the research uses qualitative case study method. As we seek to study Channel integration from the perspectives of business model elements, it is important to focus on the business elements of retail business. For this purpose, this thesis utilizes the article of Sorescu et. al. (2011), which mainly focuses on “Innovative Retail Business Transformation”. Taking this article as a background article and reviewing other journals on business model, and business model transformation, we seek to study “the retail business model transformation in multichannel environment”.

For the empirical study the paper uses two distinct methods to collect data: 1) semi-structured interview and 2) using secondary data available through previous research and on the internet. The interview was conducted with the managers of S-Chain a Finnish retail brand, while the secondary data was used to study the other two case companies in the study.

1.5 Research Structure
This thesis paper starts with the context of the thesis in which retail business concepts together with retail business models are discussed in Chapter 2. Followed by theoretical study of Business model and Channels in chapter 3. Context of the thesis is to understand the retail business model transformation and to understand that it is necessary to identify the concepts of business model and channels. Channels are the most important medium for communication between organization and customers. Channels consists of different types but the disruption brought in the retail environment is due to the e-commerce and (now m-commerce which for this thesis will be considered as part of e-commerce environment and therefore not discussed further).

When the general idea of business model and channels is clear, the relationship between these two concepts is identified. This is to facilitate the understanding of the concepts of multi-channel model.
In chapter 3.3 the concepts and strategies of multi-channel approach are discussed. The different multi-channel strategies related to formats, customer relationship management, and delivery strategies are discussed. These issues were necessary to understand so that integration of online and offline channels can be properly understood. Finally in section 3.3.5 the framework and methodologies to implementing multi-channel approach or integrating the two channels to create hybrid model is developed. For this the key elements of both online and offline channels are combined.

In the Empirical part, three international multi-channel retailers are selected as case studies. Studying these case companies would help us answer the research question drafted for this thesis. Finally to conclude, suggestion for integration of multi-channel and reflection from the thesis will be discussed.
2. CONTEXT OF THE STUDY

In this chapter we review the primary context of this thesis. In this thesis we seek to study multi-channel integration in retail industry (especially the grocery retail business) and therefore, this chapter covers retailing business, types, formats and activities of retail business. Identifying different formats and activities will help us understand the logic behind the need to integrate different models in a retail business, and thus leading to multichannel retail structure.

2.1 Retail Business concept

Retailing as we understand is the process where goods and services are sold to the final consumers for private use and not re-selling purposes (S. Pradhan,2007,pg.4). Every retailer has their own retail merchandise which defines the business of the retailer (www.managementstudyguide.com, citied 2013). Some of the functions of retailers are:

- Providing diverse product range under one shop,
- Bridging the gap between manufacturers and consumers,
- Saving time and space,
- creating demand for the products and,
- Adding value to the product and services.

2.1.1 Retail Chains or Multiple stores:

Retail Chains or Multiple stores are simply branches or diversifications of Retail stores. Multiple store put in simple words are two or more retail stores owned my one single brand or management. The retail chains might operate differently from the core business value propositions. Businessdictionary.com (citied, 2014) defines retail chains as “group of retail outlets owned by a firm, and spread around the nation or the world”. Chain stores share a common brand name and/or central management (smallbusiness.chroncom, citied, 2014). Chain stores might comprise of branches, or different stores under different brands or franchise shops. Chain stores are an important segment of retail stores. Globalbritannica.com (citied, 2014), identify that chain stores represent successful application of 'large-scale integrated methods to the form of retailing. Chain stores are however different from cooperative chains, because in cooperative chains, the retail units have their own individual ownership (ibid.).
In this study the focus is mainly on grocery retailing thus a brief description of grocery retailing is given in the following paragraph:

2.1.2 Grocery Retail:
The food retailing is alternatively known as grocery retailing. Grocery retailing also refers to the selling of grocery items that are used in daily household chores via a retail channel. Grocery items include all of those products that are used in day to day household chores; from food items to cleaning and maintenance items. In the current era, the way the groceries and fresh foods are sold is changing to a greater extent. It wouldn’t be wrong if we said that there has been a transformation of fresh food retailing (Gustafsson et al. 2006, pg. 1). The packaging, handling and movement have become a vital concern for retailers as it defines the customer’s choice over quality of the product than the price. Grocery Retailers have been operating in a mature market with slow growth opportunities (Uusitalo O., 2001). Grocery retailing has been sensitive not only to delivery issues but pricing issues from back end and front end, and thus it has been substantially essential to regain a profit margin, by retaining in the industry and cutting down costs and minimizing wastage (S. A. Mongeau, 2009). It is also said that grocery markets operate within a very thin profit margin due to saturated markets (ibid.)

2.2 Retail Business Model
A retail business model as defined by Shari Waters (retailabout.com) is "the planning, organization, and operation of retail business to generate a profit". A Retail business model enunciates how a retailer creates value for its customers and adopts value from the market (Sorescu A. et al, 2011, p.S3). Retailing Business Model is built under two key characteristics of retailing, i) Retailers sell products manufactured by others and ii) Retailers engage in direct interactions with the end customers (Sorescu A. et. al., ibid). A successful retail business model should not only focus on what retailers sell but also how they sell and how the retailer will enhance successful customer relationship. Sorescu A. et. al. (ibid, Pg. S5) believes that a retail business model should go beyond traditional functions of procuring, stocking and transacting products and adapt to changing competitive environment by following newer business models that captures values of both ‘traditional business
models and ‘revolutionary newer business model’. Sorescu A. et. al. (ibid) and M. Yrjölä (2012) proposes that a Retail Business Model has three core elements: i) Retail format, ii) Retailing activities and iii) Retailing Governance; and these elements interdependently define the value creation and adoption of Retailers business policy. The retailing format helps to reach the targeted customer segments, the activities cater the product and service offering including the value proposition and the retail governance provides guidelines as to how the activities can be performed and how the retail format can be delivered.

A Retail Business Model integrates two distinct yet connected dimensions: i) Customer value proposition, ii) operating Model (Esquivias P. et. Al., BCG-perspective, 2010). The customer value proposition consist of product service offering, shopping experience and pricing and revenue model, whereas operating model consists of organization, sourcing, store operations and value chain (ibid.).

A retail model is the representation of how end customers are delivered value. The retailers may choose to be cost-leaders, quality leaders or leaders in providing maximum range of products and supplies. As identified by the Boston consultancy group, a retail business model is built on two basic pillars of a business model: The Customer Value proposition and the Operating Model.

Types of Retail Business Model

Before the invention of internet, there was the traditional store model, the catalogue shopping and TVC shopping. After the invention of internet, there was turbulence in the way business and trades were carried out. This also affected the retail business, as there was a new channel created in retail business. Now, retailing formats can be classified into the store based and non-store based formats. The store based format is the traditional brick and mortar format and the non-store based format includes the internet retailing, TVC shopping and catalogue. the of different types brick and mortar stores that carry out the retailing functions as identified by Zentes J.et al. (2011) are: Mini Marts/ Minimarkets/ Superettes, Conventional supermarkets, Superstores, Combination stores, Hypermarkets, Super-centers, Convenience stores, discount stores, warehouse clubs. And the online format include e-tailing.
2.2.1 Brick and Mortar

When we think of retailing the first thing that comes to our mind is the store where, customers visit with a basket and or a cart. They physically buy the goods and pay and interact with the store owner face to face. This traditional model where customers go in to shop and have direct interaction with the seller is known as a ‘brick and mortar model’. A Brick and Mortar Business Model is the conventional business model that uses the traditional channels of delivering value. According to (Enders & Jelassi, 2000, pg. 543), "The bricks and Mortar model of retailing is based on physical store where the vendor interacts with the customer." Under this model the goods are displayed on the stores where the customers can use all their senses to touch, see, try and take the product home immediately. If the customer is unable to find a product they can immediately get the help from the sales assistants available at the stores. The retailers using a ‘Brick and Mortar’ model are the typical retailers that serve their customers via the stores. The retailers acquire, stock, display and exchange goods and services via their stores under the traditional ‘Brick and Mortar models’. A brick and mortar enables both the customers and the business to interact face to face, and it is easier to understand the customers’ buying behavior. This model also enables real time shopping and stocking of goods. The customers can use all their senses to analyze, decide and purchase a product. Despite the fact that the traditional model consumes more time, people around the world prefer this model. Some of the advantages of a 'brick and mortar business models as identified by (Enders & Jelassi, 2000) are: i) Established brand name, ii) wider customer base, iii) Sense of security , iv) Closer and direct interaction with the customers with an excellent shopping experience, and v) Existing While the above mentioned attributes are some advantages of the ‘brick and mortar’ business model, the key drawbacks of the model include high investment in logistics and infrastructure. Round the clock operation is not feasible and consumes a lot of extra time for the customers to visit the store, select the products and purchase them.

Considering the advantages of traditional brick and mortar stores, some of the key features of a brick and mortar model are as follows;

**Physical Assets:** The key resource elements for a brick and Mortar retailer are its infrastructure, its unique selling strategies, also the store attributes, brand and the
sales activities. Although the infrastructure of retailers has very little differentiation, the factors such as store location, warehousing facility, Stock holding capacity of the retailers are amongst others that can be considered as key resources. The key resources of brick and mortar retailers also includes the logistics and the bargaining capability of the retailers as they are the ones who connect the customers to the manufactures and they also study customer buying behavior closely. A retailer's combination of resources to enhance customer's shopping experience creates customer value (M. Yrjola, 2013:3). Yrjola (ibid.) also identify products, retail space as tangible resources and intangible resources such as sales competence. A traditional retailer poses stores located in a community, where people regularly visit for their daily needs. Another key element of a traditional retailer that follows the brick and mortar model is the brand value created by the stores. The physical stores have become a common name among the localities for the regular shopping. Brick and Mortar model provides an environment to build in store experience and human interaction and communication thus enabling to strengthen the trust and loyalty of the customers. This model also fulfills immediate need of the customers in terms of development infrastructure (Prasarnphanich, P., & Gillenson, M. L. (2003).

**Value Proposition:** A brick and mortar model provides value of unique physical shopping experience to the customers. Customers can use their power of senses to immediately purchase goods, increasing social and personal satisfaction. As mentioned earlier brick and mortar retailing enables customers to touch and see the products they buy upfront. This is a very valuable proposition, as this experience is not provided by any other retail models.

2.2.2 E-Commerce/E-tailing
The retail business worldwide has been changed and is changing due to various reasons, such as economic, political social and technological. This thesis aims to discuss the change in retail environment due to technological and social changes. Technological changes include the changes brought in by e-commerce and sociological changes include changes in customer behavior due to the technological changes. Hence here forth, The focus of thesis has been to understand the changing retail environment due to the advent of the internet. Internet as we mentioned in the introduction has changed the dimensions of doing business. Also as identified by the retail researchers the retail environment has changed from what it used to be few years earlier. Continuous change in channel and use of those channels both from the
demand and supply side has compelled retailers to adapt what we call now-a-days ‘Multi-channeling’ retail. We will study more about multi-channel retail business model in the preceding chapters but here we start with the e-commerce model.

**E-commerce Model**

E-Commerce is defined as process of using computer-mediated tools and information technologies to fulfill the business objectives (Webb, K. L., 2002:96). E-commerce is a virtual business world which has changed the way businesses are carried out in the current day scenario; changing the context, infrastructure and providing a competitive advantage sources (Webb, K. L., 2002:96). Electronic Commerce or the internet business model refers to the business model that exploits internet to create value, and do business (Afuah& Tucci, 2001:46). Electronic Commerce includes electronic trading of physical goods and information (P. Timmers, 1998, pg.1). Internet business model varies from Industries to Industries and also from business to business. As identified by Madlberger M., (2004:297) the central aspect of the e-commerce model is that it uses electronic channels for exchanging services, money and information. Despite the rise and fall of the e-commerce business model, many online firms fail to accomplish their goals due to lack of clarity for specifying the revenue model (ibid.). Dubsson-Torbay et. al. (2002), developed a framework of e-business model, which comprises of customer relationship, product innovation, Infrastructure management and Financial Aspects. This framework according to the authors, help to describe the e-business model of e-commerce firms. According to this framework, The e-business model defines 'value components' 'target customer group' and also specifies that product innovations are done only when customer behavior is studied significantly. In order to develop new innovations, firms should poses capability, define their means to sustain their customer relationships and also poses sufficient infrastructures. E-commerce as identified by many researchers, is a new and profound (K. L. Webb, 2001:95) way of identifying opportunities, accessing newer markets and providing vast worldwide information (ibid.) E-commerce, since its origin has brought great changes to way businesses are carried out and information shared.

In Webb's words (ibid.), an e-commerce is a new way of doing business. The traditional business as identified by Webb (ibid.) was focused on exchange of goods
and services, exchange of money and finally exchange of money. E-commerce in most forms has transferred the exchange methods by helping to digitize (ibid.96) the business worlds. Except for the physical products distribution, internet channels have typically replaced everything, from banking to airlines to grocery and apparel shopping. Internet commerce has made possible the comparison, selection and purchase of product and services online.

In a journal by Mike Jude (2013. see references) the author forecasts that as online shopping becomes more facilitated, people will visit the stores less. Generally product offerings online seems cheaper than on the store formats, however additional shipping cost makes the pricing almost similar. However bulk shopping will reduce this extra shipping cost. Frost & Sullivan, (frost.com, cited 2013), in their research identified that consumers use e-commerce media to compare and analyze different products, which is not easily available via local stores. Also Bahn & Fischer (2003) add that e-commerce provides opportunities to a business which are not realized by only conventional businesses.

Advantages of an e-commerce model are: i) Customers can access the products and services from any places via internet access and through any medium such as phones, laptops, tabs, desktop etc. ii) Unlimited display of product information and thus exhaustive product selection iii) Fewer infrastructure requirement, iv) 24/7 customer service v) Higher degree of scalability.

While e-commerce saves time and energy for customers, it poses some serious drawbacks that make the e-business not very attractive. Some of the drawbacks of e-commerce are: People are concerned about the security of payment, as theft of information via a virtual channel is the highest. Customers cannot directly touch the product and/or try them; everything depends on trust and instinct of the customers. And Finally due to the virtual nature of shopping; return, exchange and delivery are critical and time-consuming phases in online shopping (Enders & Jelassi, 2000).

The time consuming delivery system in pure online players and an additional shipping charges, online shopping seems less interesting for people. Hsu & Li (2006 pg.474) in their article mention that consumers order goods at lower quantities but at a higher frequency which leads to increasing operating and transportation costs both to the customer and the supplier.

P. Timmers (1998:4-5), have identified 10 different forms of business model used in electronic commerce which are as follows:
1. **E-shop**: This model enables companies to market, their products and also enable consumers to order their products via online channel, while they receive their orders via an offline medium.

2. **E-procurement**: This model connects suppliers while enabling electronic tender filling and procurement of goods.

3. **E-auction**: This model offers electronic bidding mechanisms, traditionally known as auctions. Example: E-bay

4. **E-mall**: An E-mall consists of collection of e-shops, usually under a common brand umbrella. Example: T-Mall (China)

5. **Third Party Market place**: This model enables companies to leave their web-marketing to a third party, as an add-on to their other channels (For detailed example refer to: P. Timmers, 1998).

6. **Virtual Community**: The members add their basic information into an environment provided by the virtual community company and the revenue is generated through the membership fees.

7. **Value Chain Service provider**: The companies that use this model specialize in one specific function for example electronic payment or logistics.

8. **Value Chain integrators**: According to P. Timmers (1998), this model focuses on integrating multiple steps of the value chain, to exploit the information flow between the multiple steps.

9. **Collaboration Platforms**: This model provides tool and atmosphere for companies to collaborate their specific functions, such as designs and documents

10. **Information brokerage, trust and other services**: Companies using specifically this type of business model, add huge data available for the network. The companies also focus on providing specific services like certification and electronic notary.

As discussed earlier, depending upon the business and industry type, companies have different electronic models. E-shop and E-malls are most widely used electronic models by Retailers.
**E-tailing:**
Among the different models of internet model, the e-tailing model falls in the merchant model category where goods and services are sold over the internet by the wholesale and the retail merchants (Afuah & Tucci, 2001). E-tailing or internet retailing is the form of retailing which uses the advanced information technology as a means of shopping. Consumers can purchase their goods from anywhere, either from their homes, travel or even work. The orders are placed with the help of internet and can be paid with the help of credit/debit cards. The ordered goods are delivered directly to the customers’ home or some of the retail stores also provide the choice of picking the package from the store or selected locations. E-tailing is the online version of retail business and thus the business model is B2C. E-tailing as it fulfills retailing functions (Madlberger M., 2004), the key characteristics to traditional retailers are same, and that is acting as a mediator between the producer and the end customer. E-tailing however can be operated by both pure-online players and traditional 'brick and mortar' retailers in the form of multi-channeling (ibid. 297).

**Elements of E-tailing Model:**
The internet and the communication technology has facilitated a company create new ways of innovation and delivering value (Dubosson-Torbay, M., et al 2002). The e-commerce has provided value for ‘cost saving’, ‘customization’ and ‘info-mediation’ (Dubosson-Torbay, M., et al ibid.). E-tailing adds value to a product delivery by saving time and the hassle of walking around the store to search for a product. It also helps in individualized shopping experience. The online model also allows retailers to add an entirely new business line or product offering to its customers which again helps to create unique value propositions for the company. For example a retailer can offer to sell those products online which are not available in the local stores.

E-commerce model holds intellectual property rather than the physical property. The key resources considered for an e-commerce model is its information technology and the huge consumer database that it can hold. The online model due to its vast database and operating space can provide advertisers a space for advertisement. They can generate revenue from these advertisements placed in their website. The e-tailers can also provide subscription facility for its customers that provide them access to information related to discounts, premium products, seasonal sales etc. Thus online model can also generate revenue from the advertisements, subscription fee, and also
from the sales of the goods and services. (Bmnow.com, by E. Laniado, citied, 2013), identified several revenue models for e-commerce business that can be suitable. Among many alternatives identified, revenue from rental services such as e-malls also provides a huge revenue sources for retailers. E. Laniado, (ibid.) also identified that providing extra components besides the basic merchandise selling also helps increase revenue in e-commerce.

Unlike traditional retail stores, e-commerce provides many alternative revenue sources, for example through advertisement, subscription etc. However, E-tailing according to M. Madlberger (2006:298), “not only generates revenue through transactions but also create value through virtual communities.” It helps retailers’ access individual customer shopping behavior and use the data to ultimately enhance shopping experience for their customers. The e-tailing business model elements identified by (Madlberger, ibid. 299) are product assortment, product information, product search functions, shopping carts, product presentations, online transactions etc. E-tailing business model can further be divided into four sub business models which gives an insight to the extent the retailer provides value to its customers. (Madlberger, ibid. 300), identify different E-tailing business models which are: I) Shop model ii) Content/Community iii) Enriched shops and iv) Minimalist. The classifications of the models are done, based on the extent of retail function carried out by the e-tailer.

In the e-commerce format, the ease of locating products, the ease of making payments and checking out, and the ease of receiving products define how the business models are shaped in retail business. In addition it also helps retail business to stay focused and adapt to changing business model environment.
In this chapter, we identified the concepts of retail business, retail business model and types of retail business model. Two primary retail business models were identified, the ‘brick and mortar’ model which is the traditional model, and the e-commerce model, which uses internet as a channel. These concepts included both advantages and disadvantages of each format. The identification of advantages and disadvantages is necessary as it will help us create a framework to integrate these formats in the later chapters that follow.
3. BUSINESS MODELS and CHANNELS

The Third chapter consists of theoretical reviews on Business model and Channels. Understanding business models is key to understanding the value propositions, market, and the overall business, and understanding channels helps us to understand the overall process of business. We will further connect this chapter to chapter 2 and create a framework that can be tested in chapter 4 and 5.

3.1 Business Models in creating customer value networks

To understand the strategies, activities, and values delivered by a company we need to first understand the business model of that company. What is a business model and what the different business model elements are in is the key focus of this section.

3.1.1 Business model concepts

As identified by Johanson M.W. et al. (2008, pg.59, HBR) 'great business models can reshape the business organization and bring in amazing growth in the company, yet many companies fail to innovate their business model; ‘it is essential to understand what a business model is and how it can bring success to a company.

Everyone talks about business model, but none has a uniform concept of Business Model (Sorescu, et. Al, 2011; Zott C., et. Al 2010; Ahokangas P., & Myllykoski J., 2013). Unlike other business theories, Business Model concept does not have a unified theory or concept. The definition has been varying according to the researchers, industries and business concepts and like Zott et. al. (2010) identified, the business model concept is studied by different researchers “through Multiple disciplinary and subject matter lenses” (ibid.), that is depending on the “phenomenon of respective researchers” (ibid.) the business model concept is defined. However common understanding received from all the researchers is that ‘Business model’ incorporates value proposition of business whether it is in an architectural format or whether it is a channel for delivering value. The business model concept while it was there from early on, the process of defining or conceptualizing accelerated after the dot.com bubble burst. This is the basic reason why most of the studies based on business model are focused on electronic business models. Only later when few companies which were exceptionally more successful than others, researchers started using the concept of business models to the non-e-commerce businesses. (Mason, K.,
& Spring, M. 2011). Morris M., et al. (2005, pg.727), in his article mentions that earlier works of business model mainly focused on revenue models of web-based firms, and other following researches focused on service delivery and value propositions. Mason K. & Spring M.(ibid.) highlight the fact that earlier Business model were used to explain how money making is done in e-business and Mahadevan (2000) also mentions that the maximum level of research on Business Model comes from electronic commerce.

As we proceed further, we will look at how Business model concept has been developed and studied among different researches. Business models have been conceptualized (Zott C. & Amit R., 2010) as activity system, as an architectural design, as a tool of communication, a framework to implement strategies, a competitive advantage to recognize the market opportunity and a means to identify, create and deliver value to customers. Chesbrough (2010:354), identifies that Business use 'business model' to “commercialize new ideas and technologies”. For some a Business Model is a bridging gap between the strategies and the ultimate delivery of values, while for others it is “framework of guidelines that describes the rationale for a business to create capture and deliver values” (Osterwalder & Pigneur, 2010, pg. 14). In following paragraphs, we will see the different conceptions of business model.

**Business Model as an architectural design:** Some of the most influential researchers such as. Dubosson-Torbay et al.(2002) , Timmers P., (1998) believe a business model to be nothing more than architecture of a firm. D. J Teece (2010, pg. 172) also define business model as a design architecture to implement and deliver values. Also Zott C. and Amit R. (2010), discuss business model from the architectural perspective, giving insights to content, structure and governance of the business and business model.

“A business model is nothing else than the architecture of a firm and its network of partners for creating, marketing and delivering value and relationship.........” (Dubosson-Torbay et al. (2002, pg.7)
“A business model is architecture for the product, service and information flows, including description of the various business activities...........” Timmers P. (1998, pg. 4).

The architectural theory of business model explains business model as an architectural design that portrays the activities, networks, information flows in an organization. In other words, Business model is the architecture that shows the arrangements of the business elements (Yousept & Li, 2004). Osterwalder & Pigneur, (2002) believe that business model concept can assist a company to ‘understand, communicate, evaluate, stimulate and learn more about the different aspects of a business model’.

**Business model as a representation tool:** M. Morris et al. (2005, pg. 727), believe that a business model is a representation of how decisions are made, how strategies are implemented and how cost and revenue are addressed to create a competitive market.

**Business Model as a network approach:** Mason K & Spring M. (2011), view business models from a network perspective. The authors believe that network architecture, market offering and technological offering are key elements of business model. The partners with whom the business associates and the channels used to reach the market determines the network architecture; according to the authors.

Other believers like Seppänen M., (2008), define business model is a communication and analyzing tool for executives to communicate their strategic choices. Similarly, Magretta, (2002) perceive business model as a “narrative tool”, Chesbrough, (2010) believes a business model to be a “cognitive map” and Linder & Cantrell (2000:1) believe that a business model is “simply core logic of creating value”. Many others have tried to define business model by identifying the underlying elements and components of business model. Linder & Cantrell (2000:1) mention that “when people speak of business model they could be speaking of either components of business model, real operating business model and the change model.”
Putting the word ‘Business Model’ in simple terms refers to the description of activities that a business will undertake to generate profit (Weber A., 2005:15) and create sustainability. A Business model is a description of activities of an enterprise and at a glance shows how a business operates (Weber A., ibid.). Also Chesbrough (2003:12) identifies business model as “a tool to define value creation and process of value capture in a business.” Business Model helps the team stay focused, and think in a larger dimension about their business and helps them avoid confusion and getting stuck at times (Osterwalder & Pigneur 2010, pg. 51). D. J Teece (2009) also believes that the business model is used for defining the manner in which the business delivers value to customers.

H. Chesbrough (2010:355) believe that a business model should fulfill the functions of value proposition, identification of market segment, define structure for value delivery, identify revenue and cost structure, formulate competitive strategy and finally link its value networks. Hedman & Kalling (2002) identify and define some basic components of a business model, which they believe will integrate the firm’s internal resources and activities to transform structures and process that enable product offerings.

According to Teece D. J. (2009:174) “A good business model yields value propositions that are compelling to customers, achieves advantageous cost and risk structures, and enables significant value captured by the business that generates and delivers products”

This saying of Teece, gives us an understanding that the business model should be such that it can create and deliver values that attract customers and that leads to delivering products and earning a profit for the value delivered.

New business models represent forms of innovations in the new era (Teece D.J., 2010, p.176). The business model has to be reviewed and re-modeled according to the economic and environmental changes. Hedman & Kalling (2002), highlight the fact that improvement in models and strategies will result in improved profits only if the managers and staffs are able to materialize the change and the change can actually make the consumers believe that the quality and the perceived value of the product and the service is improved.
Having a business model unique in its approach might be profitable in the initial phase however non-imitating properties of the business model should be strong enough for the enterprise to hold on to its competitive advantage. This has been rightly discussed by Afuah A. & Tucci C. L., (2001, pg. 4), they too highlight the fact that business model components do not last forever and managers need to change the components before the competitors follow them. A strong business model coupled with abundant resources capacity and management capabilities and right business attitude leads to a strong business.

To summarize a business model defines everything about a business and how activities should be carried out to deliver values. Efficiently identifying and keeping the focus right on the attributes of the business model leads to achieving the desired profitability and growth. A Business model should not only portray about the activities that a business will carry out but also the technical strategy (D.J. Teece, 2010) should be appropriate according to the changing and challenging environment and the components of the business should ‘fit together’ (Magretta, 2002). Magretta (2002), outlines that creating a business model is similar to storytelling; the only difference lying in the fact that the business models tell the stories of how business activities are carried out. It is also true that business model connects a business to its external environment (Ahokangas P. & Myllykoski J. 2013).

3.1.3 Business model Elements
Like the variations in the concept of business model, many studies also vary in the business elements components. M. Yrjölä (2013) found that there is lots of categorization of business elements in the literature. As the differences in the definition of business models, researchers have equally different opinions on the different business elements. In the business model literature, the tool that has been used by many companies to structure and define their model is the canvas developed by Osterwalder et. al. (2009). The Elements described in the canvas are useful tool as it studies the companies’ process of creating value, through its use of internal capabilities, while connecting it with customer segments and also defining a way to generate revenue for the business. In this thesis, we will also utilize the nine components of the business model. These components or elements will further help us to develop a framework, that suggests, a reliable way to transform the traditional
brick and mortar business model to an integrated multi-channel business model. The elements according to the business model canvas are given as follows:

Depending upon the business, the key elements differ in the choices and presentation. For example a logistic service provider would have a focus on key partners as it concerns the networking business and likewise a retailer would have more focused customer relationship, channels and segmentation.

**Customer Value propositions:** Johanson M. W. et al. (2008, pg.59) believe that successful companies are founded to create a value for customers. A company that can identify a problem hypothesis and create a solution for that problem can successfully create value for its customers. So what does a company’s Value proposition include? A company’s value proposition depends on the industry type, customer’s demography and of course the business. For some value proposition could include cost cutting while for others it could be faster and personalized reach to their customers. According to M. W. Johanson et al. (2008, pg.59) the customer value proposition (CVP) has a potential when there are less alternatives of the product in the market and a company’s products can really solve the problems hypothesis that a customer feels is important. However the key to understand here is that “value proposition is not just a list of activities that your product will do, but more of how much joy it brings to customers and how much pain it relieves from them” (RobFizpatrick, author of ‘mom test’ book on customer development, source: commerceaccelerator.co).

**Profit Components:** The profit component consists of the cost structure and the revenue model. The cost structure defines all those direct and indirect cost that are related in creating a value for customers. The cost of developing, marketing, assembling, and acquiring key resources, sustaining customer and key partner relationships are included in the cost structure. Revenue can be generated through selling of direct goods and services, subscription or membership fees, advertisement revenue and many others depending on the nature of the business. For example
grocery retailers earn revenue by selling merchandise, while airlines companies earn revenue by selling their services and magazines and newspapers can use the subscription model to generate revenue (Johanson M. W., et al. 2008, pg.60), (Laudon K.C. & Traver C.G., 2009, pg.68). Laudon K.C, & Traver C. G., ibid. pg. 70) identified five different models that an e-commerce business can use, however it is not only limited to e-commerce model but all other business model as well. According to the authors the five basic revenue models that a business can use are: Advertising, Subscription, Transaction fee, Sales and Affiliate.

Key Resources: The assets used to create value for customers and the day to day operations of the company are the key resources. A good business model helps to identify key resources used for value creation in a company and help the company make right use of those assets and also enable right investments in their key resources. M. W. Johanson et al. (2008, pg.61) mention that general resources held by companies do not hold many differences nor creates competitive differentiation.

Key Activities: A Business model also defines the key activities performed by a business in order to create values. After the value proposition is defined, the activity of the business has to coordinate with the value propositions. For example, if a retailer wants to be a low cost retailer, the key activities of the retailer should be to procure products from suppliers at a competitively lower price, reduce its wastage, improve its efficiency and still manage to compete with other retailers.

Customer Relationship: Customer relationship is the most important element in business these days, because now- a- days, business are shifting the focus from looking only into their business to considering how to sustain the loyal customers and build a long lasting relationship. Customer Relationships element from the Osterwalder and Pigneus (2010) canvas, describes different relationships of a company with its customers, providing direction for customer acquisition, customer retention. Thus simply providing value to customers does not entail long lasting relationship between the customers and the organizations. Organizations need to be innovative in-terms of customer relationship management. A loyal customer is more profitable than other customers.
**Channels:** Channel is a mode of making goods and services available to a customer. How a company chooses to deliver its value proposition to a customer is an important element of a successful business model. As plotted in Osterwalder’s business model canvas, a channel should connect the customers and the company. Many studies that have identified the business model element have excluded ‘channel’ as an element but I believe that without clearly defining your channel of communication and delivery a company cannot really reach its customers. H. Chesbrough (2009) clearly identified the need of channel structure in Business model to deliver values to customers. Also Afuh and Tucci (2001) identify the importance of channel as a means to deliver values to the customers. The choices of Channels may also dictate the key partners associated with creation and delivery of values to the final customers. For example Google uses not only its own web browser ‘Google chrome’ as a channel for its customers to search for data but also has partnered with Mozilla, safari, Android etc. for helping customers look for data. These different web browsers connect the Google customers to Google. As discussed above depending upon the nature of business, the business model differs and so does the channel of distribution. The electronic commerce uses internet as a channel, while the manufactures of goods may use direct channel such as their own franchised shops or via a delivery chain network including wholesalers and retailers. Similarly Retailers can use their existing stores as channel of delivering values to the customers.

**Key partners:** Key Partners are those that help an organization in performing key activities in an organization through which organization create value for their customers. Partners could be anyone from raw material suppliers to transport facilitators to financial partners and or non-competitors strategic alliances.

Apart from above mentioned key elements Laudon K.C, &Traver C. G., (2009), have identified competitive environment, Competitive advantage, Market strategy, Organizational development, market opportunity and management team as other key elements of business model. However I disagree with the authors because these elements are part of a strategic decision or strategy and as mentioned earlier by Magretta(2002), although strategies and business model may be used interchangeably in the business world, they are not the same thing. Mason, K., & Spring, M.,(2011), have identified technology, market offering and network
architecture as the key elements of Business model. The definition by Mason, K., & Spring, M.,(2011), is somewhat connected with the idea of this thesis as network architecture combines the channels and key partners and also play an integral role in business model design and implementation.

Ahokangas P. & Myllykoski J. (2013) identifies business opportunities and competitive advantage as key business elements. While it is true that business model is shaped by the existing market opportunities; the customer value proposition, channel and the key resources help a company to build its competitive advantage. For example Dell uses its unique Supply chain management chain to create and deliver values which also integrates direct channels to reach and serve its customers. Dell’s business model has been serving the existing market opportunities and also has been acting as a competitive advantage against its competitors. Business model is a framework that helps to implement or articulate the strategies of a business. Other key elements identified by (Timmers, 1998; Linder and Cantrell, 2001; Chesbrough and Rosenbaum, 2000; Dubosson-torbay et al., 2001; Afuah and Tucci, 2001) are: Product flow architecture, business actors, marketing strategies, pricing, revenue and channel model, target markets, value network, product and customer relationship, implementation and sustainability.

These components help to identify the business model of a business and also helps managers focus on the key criteria. “The business model implicitly or explicitly address the internal competencies that underlie a firm's competitive advantage” - Morris et. al. (2005:729)
3.2 Roles of Channels in Retail Business

The section starts with the concepts of channels, types of channels and further to conclude, we will discuss the need of channel integration and its relationship with business model.

3.2.1 Conceptualization of Channel
Channel is defined by (Berry et. al., 2010, pg.155), as “mechanisms for communication, service delivery, and transactions completion.” Berry et. al. (2010) also identifies the stores, vending machines, kiosks, catalogs, television media, mobile devices and the internet or online storefronts (Yrjola, M,2013). Similarly, D. Goersch (2002:749) identify channels as a marketing and communication medium for retailers. The choices of the channels depend on the format of the business. “Channel is the set of interdependent organizations involved in the process of making a product or service available for consumption” Coughlan et. al. (2006). Channels help a business transform market opportunities.

The importance of different channels varies according to the purchase stage, for example during the research or pre-purchase the customers use online channels more frequently whereas during the test or try on phase, the customers would be prefer to try it in stores after finding the item in the web-stores (Based on research of AT Kearney, 2013, www.atkearney.com, cited, 2014). While the retail stores provide social experience to the shoppers, the online channels play a key role in helping customers make a better purchase decision. The stores provide personalized services, while other channels provide customized shopping experiences.

3.2.2. Types of Retail Channels
Retailers have been the most important channel of distribution and a medium to serve the end-customers for manufacturers of goods. Retailers as mentioned earlier, connect producers to end-customers. While retailers are a channel for other producers, the channels they select to serve the customers plays an important role in the value delivery for Retailers. The various channels have an important role in identifying networks, building customer loyalty and optimizing sales and profit (www.atkearney.com, cited, 2014). Brick and mortar for example, plays an important role in creating multi-channel values for retailers. On the other hand, various
combination of channels helps retail business expand market, meet competition and distribute cost across channels, and as it is, retail stores cannot be very productive and profitable on their own in the Omni-channel era (ibid, 2014).

Channels according to D. Gorsch (2001:4), can be typically classified into electronic and conventional channels. “Electronic channels use the information and communication technologies and the Physical channel includes all conventional retail formats and the physical store front (ibid:4).” The new evolving retail channels as identified by pwc (2012) research is the mobile and the social media channels. Although the research identified that only few customers actually use the social-media to purchase goods, however they have been using these channels to connect to favorite brands, and get information about promotions, offerings, reviews etc. Thus social-media has been an evolving marketing and communication channel for many businesses.

Depending on the business model, businesses use different channels to serve their customers. Some of the important channels are as follows

- **Internet as a channel**: Internet has been the fastest channel of communication and service delivery in the 21st century. From product selection, comparison, and purchase it has offered a convenience of saving time and energy. The advent of the internet (Sharma & Mehrotra,2007) and communication technology, has changed many businesses modeling scenarios of retail business (Varadarajan, R. et al, 2010) and also the lifestyle of customers. The e-channels have extended the business to reach customers wide and far, and target a market segment which was previously not reachable. The internet channel helps to exchange services, transactions and information electronically via a computer or other technological devices. The internet as a channel can be used by two mediums: The traditional web-channel and the mobile-web channel. Also recently introduced are the social-media that acts as a channel for different retailers to communicate with their customers.
• **Physical stores as Channel**: The conventional ‘brick and mortar stores’ are the oldest channels for retailers to sell the goods to customers. Store formats such as department stores, hypermarkets, convenience stores are some of the important physical channels used by retailers.

• **Digital Signage**: These are the result of advancing new technologies. Digital signs help display product image and information in 2D or 3D formats. It is mostly used as marketing or advertising medium, but big international retailers now a days are using these digital signage as a medium to display their products in subways, bus-stops, or other convenient market places, where customers can scan the bar-code of the products and purchase it via their mobile devices, while still waiting for buses, metros or while commuting to work.

• **Kiosks**: In retailing and other businesses, Kiosks are used as information machines to provide service to the customers (Rowley & Slack, 2003:329). Kiosks can be used as a digital screen to provide information about a product or sometimes vending Kiosk machines can be used to service customers with small repeatedly purchased items. Sometimes small Kiosks provide a medium for shop-in-shop model.

### 3.2.3 Need of Business Model studies for identification of channel structures

As we discussed in chapter 2.1.2 Business Model elements, channels are one of the key elements of Business Model. As the Business model seeks to create and deliver values to customers, channel assists in serving this purpose. While business model acts as a framework to implement strategies, channel creates a platform and connects the Value proposition to the targeted group. Channel is thus the link in the business model or the communication tool through which businesses connect with their outer environment such as stakeholders, customers etc. Like H. Chesbrough (2010:355) stated that business model needs to assist in identification of market structure and define structure for value delivery, A channel helps to achieve these objectives.
Business Models and Channel are interdependent to each other thus sometimes we see instances where business organizations design their business model to match the channel choices, similarly in other instances the business model design dictates what channel choices will be selected. Thus, the choice to adopt different channels together, also defines the business model of that business. Business Model as observed by various studies (discussed above) is primarily concerned with value creation and delivery. While most of the concerns are on value creation, the concern of this thesis is to identify how value is created in integrated business model or typically in a 'hybrid model'. Value creation is not only through product or services, pricing or relationship building, but also through choices of channels. Customers as we discussed in the introduction paragraph are constantly being multichannel shoppers, Hence seeking to provide value to these customers through convenient channels choices has been a key to value delivery.

![Figure 2: Business Model Canvas Highlighting the Channel (Source: Osterwalder & Pigneur (2010. Business model generation book Pg. 32))](image)

The above business model canvas figure proposed by Osterwalder & Pigneur (2010) shows that channels are amongst the nine key elements that connect values with the customers and build long lasting customer relationships. Osterwalder & Pigneur (ibid: 26) mention that channels are for: i) Raising awareness about the company to the customers, ii) helping customers reach the value proposition, iii) Allowing
customers the access to goods and services of a company and providing customer post and pre-sales support.

Also Channels connect the customers with other key elements of the business model canvas. This shows the importance of channels in a business. As channels play a key role in connecting a company to its customers and vise-versa, the transformation or adaptation of multiple channels also affects the entire business model of the organization, thus making it important for us to understand the relevance between the channel and the business model of the organization. When the issue of channel integration arises, the effect it causes in the business model should be understood. Channel transformation requires innovation in the business model as a whole. This can be observed through the activities of key successful companies such as Zappos.com, Amazon.com, Wal-Mart, Tesco, Carefour, Ahold and the list continues. Most of these companies are providing unique value not only through their pricing and product selection but also through convenience of multichannel shopping.

Till this point retail business model, business model in general and concepts and types of channel were discussed. In the section that follows, different channel integration to develop a multi-channel framework will be discussed. The integration logic takes into considerations the advantages and disadvantages and the key elements of the two formats of retail business model as discussed in Chapter 2.2 to create a hybrid retail business model.

### 3.3 Integration of channels towards a multi-channel Framework

In this section, the discussions will focus on Multi-channel practices, the concept of multi-channel, the different strategies used and methodologies to adopt a Multi-channel business model. This section will also discuss about two different models of retail business and identify synergies to integrating these models to develop a more hybrid strategy in the Multi-channel business model.
3.3.1 Concepts of Multi-Channel Business Model:

Defined in the simplest term “Multi-channel business model is the format of business that uses two or more channels to serve its customers by providing value simultaneously through different channels (Levy and Weitz, 2009).” Koistinen & Järvinen, (2009:261) believe that “Multi-Channel concern channels that often are organized as complex networks instead of traditional channels structures”.

Multichannel in basic terms means operating via different channels i.e., stores, online, catalogue, mobile websites and/or apps. According to M. Madlberger (2006:298), “Multi-channel retailing is when one organization uses parallel operations of online and offline distribution channels.”

Multichannel was there from very early, but the invention of internet made it more visible. Companies in one or other manners are converting themselves as multichannel operators. Though the companies may vary in the degree of using different channels, they are still using the various channels to operate these days. For example, a car dealer sells a good through an offline channels, but can provide information on the web about the different cars, their models, prices and so on.

Multi-channel has moved to mainstream retail marketing tool due to the increased customer choices (Rosenbloom B., 2003). Multi-channel distribution provides opportunities for serving different customer segments, creating synergies, and exploiting economies of scale. Studies done on multi-channeling (Chu & Pike, 2002; M cgoldrick & Collins, 2007; Dholakia R. R., et. al. 2005) have concluded that the multi-channel strategies are more profitable than just the conventional strategies, as multi-channel reaches different customer segments. Specifically, reaping the best of different channels creates a synergy that helps in sales and profit growth for the retail businesses, as retail business traditionally has very little scope for business growth. Multi-channel retailing enables consumers to conveniently shop in a number of modes, and while there are different levels of multi-channel retailing, a well-integrated multi-channel format enables consumers to examine goods at one channel, buy them at another channel and finally pick them up at another channel. Retailers can use combination of two or more channels to integrate their multi-channel strategy. Dholakia et. al. (2005) believes that Multi-channeling enables retailers to acquire more loyal customers and enhance long term growth. Multi-channel has
several advantages over pure online retailers or traditional brick and mortar retailers. Like identified by Steinfield et. Al (2002) multichannel enables lower cost of operations due to shared operations, improved trust due to strong brand presence, it enhances the value addition to the service provided to the customers for example through customization, reservation (Steinfield, 2002), returns, pre-sale promotion and finally it enables the retailers to reach customers beyond geographical proximity and increases the servicing capacity.

According to Andrew Moore, Chief Merchandising officer for George, Asda ‘‘Multichannel provides a significant platform for growth and with the click &collect services shoppers get the flexibility of accessing product ranges even with the smaller store formats.’’(www.your-asda.com)

Some examples of multi-channel retail stores that have changed the traditional concept of retailing are: Wal-Mart (USA) with an annual turnover of almost 300 billion Euros, Tesco (UK) with an annual turnover of almost 2 billion on its online channels, Carrefour (France) with more than 10,000 stores worldwide, The Metro Group (German). (Source: J. Zentes et. al. 2011 pg. 1-2). The popularity of multichannel retailers in Europe can be seen from the following figure. The Figure below shows that Spain, Netherlands, UK are amongst the top countries that have a high degree of multi-channel retailing profiles.
3.3.2 Multi-Channel in Practice

Internet commerce has changed the way companies do business, and the change in customer purchasing behavior has created challenges for current retail businesses. Focusing on one single format or channel of serving customers have started being far from being profitable to the traditional retailers (Otto & Chung, 2000). Hence, in order to adapt to changing scenario, retail businesses need to reconfigure their conventional business model (M. Yrjölä, 2013) and adopt a more hybrid model that incorporates multichannel framework.

According to retail week (25\textsuperscript{th} digital edition, 2013), Customers these days shop in Multiple ways. They use the ICT devices to surf for information, product and price comparisons. Customers may purchase goods online, via a store, check the prices and product information on the web and purchase it in store, or even check the availability or price of a product in a competitor's store when there are in one store with their mobile phones (retail week, 25\textsuperscript{th} digital edition, 2013). Also in a research done by PWC.com(2013), they highlight the fact that “global customers seek a unified shopping experience with their retailers”. By using a combination of channels, retailers can better satisfy their customers’ needs by exploiting the benefits and overcoming the deficiency. Many studies (Chu & Pike, 2002; B. Rosenbloom, 2003) have identified that multi-channeling customers are more loyal and it’s more profitable. While channel preferences vary between customers, customers are increasingly becoming multi-channel shoppers. Consumers incline towards coordinating purchase across online, offline and mobile settings (first data.com, cited, 2012). first data survey also identified that consumers prefer seamless shopping experience that is doing transactions anywhere, with any device and at any time. If a customer has convenient shopping experience, they will return to the retailer again and again. Business should focus on the experience they want to create for their customers. Using Multi-channels for shopping has been behavioral for customers, they use both online and offline channels to compare, select and purchase goods. Lankenau M. C., et. al. (2006:90), identify the fact that since grocery shopping is a routine tasks, Multi-channeling or online shopping could be a preferred means to avoid the tedious shopping. Also in a news published by retail info system news (Steven Kramer, 2012 from retailinfo.com), it is mentioned that most of the customers (19%) use their mobile phones in 'brick and mortar' stores to compare prices, read recommendations and also compare product choices.
The following data from pwc.com provides an insight to how customers use different channels and how often they frequent these channels. Although the chart shows that In-store shopping is more popular, the usage of multi-channels like online shopping using a PC cannot be ignored. Similarly due to usage of different smart phones, consumers have adopted a new trend of shopping, “Shop as you go”.

![Chart](image.jpg)

**Figure 4: Global Consumer's channel preferences in terms of usage (source: Adopted from: pwc.com, 2012)**

In a research done by Uusitalo O., (2001), the author identified that the functional and symbolic aspects of the stores play key role in attracting customers. This can also be associated with the online selling. The display of the products, in the website, the ease to select product, change the purchase cart when required, security of online purchase and finally the delivery and ease of returns make a successful e-tailing business.

### 3.3.3 Multi-channel Strategies

Multi-channel is a vast approach in retail business model and thus limiting multi-channel strategies to few attributes would not be effective enough. In general a company’s multi-channel strategy should be designed in such a way that it can accelerate identical sales growth, to improve returns as well as strengthen the capacity of the channels. As identified by Bernstein F. et. al.(2008) using
multichannel strategy is not only a competitive approach but it has been compulsory to operate through more than one channel in order to stay in the business.

The success of every strategy lies in the fact that it is implemented well and is able to win the customers as targeted. However a key to implementing multichannel strategy is that different channels are easy and speedy to use, product categorization in every channel is selected wisely and shopping facility is improved rather than being complicated in the channels. When we look at how retailers select multi-channel strategies, we can identify how cost and revenue are addressed, how channels are approached to create a competitive market.

In this section, the thesis attempts to summarize strategies suggested by various authors but based on different attributes such as i) strategies related to format, ii) Strategies related to customer centered marketing iii) Operating strategies for Multi-channel model.

**Strategies Related to Multi-channel format:**

The various types of multichannel strategies based on formats as discussed by Muller-Lankenau et. al. (2006) is: offline focused strategies, online focused strategies, Isolation strategies and Integration strategies.

- **Offline Focused Strategies:** According to the authors, The offline focused strategies just as an information providing tool for the offline stores, they do not operate online order processing but providing offline information about store locations, sales and promotions, and in some cases, about the post sales services (Muller-Lankenau et. al. (2006).

- **Online Focused Strategies:** Unlike the offline focused strategies, the online focus strategy is just the opposite. Here the offline channel is used to guide the customers to the online channels (Muller-Lankenau et. al. 2006:190)

- **Isolation Strategy:** Muller-Lankenau et. al.(2006:190), identified that isolation strategies are those where offline and online channels operate as separate independent entities. Explicit promotions of channels between the channels are avoided and also channel switching is not really encouraged.

- **Integration strategy:** The integration strategy is a complementary component of multi-channel system that provides high level of convenience to consumers Muller-Lankenau et. al. (2006:190). The authors also explicitly mention that
‘extensive online activities and channel integration are often considered to be best approach to multi-channeling.

Customer-centered marketing strategies:
Since customers today have a wide range of options available channels, it has been even more essential to build customer relationships. B. Rosenbloom (2003), explicitly mention that for retailers to build a successful multi-channel model, they should focus on customer centered marketing strategies and work towards building an effective customer relationship management (CRM). CRM is a management tool used to develop, enhance and sustain relationship with customers to create and deliver values (Payne, A., & Frow, P. 2004:527). For effective customer relationship management, companies should also develop a smooth process. For this, B. Rosenbloom, 2003:25 emphasizes that in the present day scenario, retailers should not only focus on their own business but also provide leadership role for other marketing channels. The author (ibid:26) also mention that retailers should be strategically active in aligning the role of channel members for the optimum enhancement of multichannel retailing and developing customer relationship management. Customer Relationship Management strategies play an important role in integrating multi-channel models and helps in deciding the best approach to channel mix (Payne, A., & Frow, P. 2004)

Customer experience is a holistic approach that should not be limited to a single channel. It leads to sales performance and also results to customer loyalty. According to Jonathan Wright (2014, internet retailing) there are several tools and software in the complicated web of multi-channel software that help in creating and better customer influence are e-commerce, content management (CMS), product lifecycle management (PLM).

Payne, A., & Frow, P. (2004:527) mention that CRM utilizes technologies to implement relationship marketing strategy. Therefore in order to build effective customer relationship management retailers can use the loyalty card system to create and sustain effective customer relationship management strategies. It is proven that loyalty customers purchase more and make maximum uses of multi-channel opportunities. The retail network should focus on how they can fulfill the promise to the customers. To do this the retailers should work in close integration with its
supply chain management including the manufactures, importers, agents, transporters. The Retailers should Involve the "upstream" channel members to participate in value delivering process by creating strategic and cooperative alliances (B. Rosenbloom, 2003:23, 24). The involvement of upstream channel members also helps in operating strategies that will be discussed in the following sub-heading.

Once the retailer fully integrates its 'brick and mortar model' and e-commerce model, it can adapt the following innovative strategies to improve CRM as suggested by Prasarnphanich P. & Gilleson M. L., (2003, Pg. 181-184).

- **Strategies for handling problems with goods**: The ‘click & Mortar’ model offers the facility of allowing customers to purchase, return and exchange goods from one format and get it delivered from another. Prasarnphanich and M. Gilleson, (2003), mention that allowing customers to do so removes the barrier to online shopping. Also providing repair services in stores for goods purchased online allows customers to visit the stores and enhance customer loyalty in the long run.

- **Strategies for fulfilling customer’s immediate need**: One best strategy for ‘click and mortar model that retailers can follow is providing the option for customers the choice of picking their orders either from the store, special delivery centers or have it home delivered. This option enhances convenience for customers and also adds value to service that the retailers provide.

- **Strategies for locating items for fast acquisition and utilizing physical storefronts to touch and feel**: Customers should be given the option of real time inventory of the stores, and thus to check product availability from the webpage and reserve it for pick up. This allows customers to avoiding useless or frequent visits to the store and also that they can touch and feel the products they want to purchase increasing their convenience.

- **In store web Kiosks**: Retailers can have an in-store web kiosk build in order to facilitate purchasing for customers. The in-store kiosks can be used for
extending product selection, providing store maps to quickly locate products, placing orders for products that are hard to find, or hard to carry and marketing and providing customers with purchase suggestions.

In addition to the above mentioned strategies for ‘click and mortar’ model; retailers can also provide online loyalty facilities that helps them gain points for purchasing online and using the same points in the offline store to get the benefits.

**Multi-channeling Delivery Strategies.**

Unlike the marketing strategies in multi-channel the distribution is the most difficult and controversial aspect of multi-channel model. The traditional warehouses that cater the demands of ‘brick and mortar’ models find it difficult and challenging to incorporate the distribution of online channels.

When a retail stores decides to adopt Multi channeling strategies it can follow options like Home Delivery, In-store Pickup of goods, Site to Store pickup, Automated distribution Centers. These different forms of delivery modes pose their own challenges and opportunities. In the following paragraphs we will discuss about many of these alternatives and their benefits and disadvantages.

The process for deliveries can be divided into ‘customer pick-up’ and ‘Home delivery’. Customer pick up includes ‘in store pick up’ ‘site to store pick up’ ‘drive through’ or/and ‘automated distribution centers’. The home delivery can be divided into attended and unattended delivery (Kämäräinen, V., & Punakivi, M. (2002) via Agatz N. A., et al. 2008). The top multichannel retailers across the world have come up with a new term ‘click and Collect’ for their multi-channel. As per the term, the customers can order their goods online and collect their order the next day from their nearest stores.

- **In Store Pick up:** Under the In store pick up, the retailers use the stock on their store shelves to fulfill pickup orders. The model allows customers to pick their goods and also check their orders in hand. This approach is easy for traditional grocery retailers to adopt with their existing structures. One important advantage of the in-store pickup as discussed by many researchers,
Is the low capital investments and possible carry over effects (Boyer et al. 2005, Agatz et al. 2008), also the return handling is easier in a physical distribution centers. In- store pick-up for a good purchased on the web not only requires that a retailer's inventory database be integrated, but also requires a logistics infrastructure to pick and route a retailer's inventory (Berman & Thelen, 2004). When a consumer selects the in-store pickup option, he/she can select the stores near to his/her office/home from the participating stores. The reservations of goods are then made with debit/credit cards. The ordered item is reserved at the customer's service desk for 72 hours (depending upon the store policy) and unclaimed items are returned to stock (Berman & Thelen, 2004). In store pickup option can be beneficial for the retailers with a view that when the customers drive in to pick up the goods, they may purchase additional goods and services. However the prime drawback of this model or approach is that customers may see little difference between online and offline channels and this may make the consumers unwilling to pay an extra premium for the service.

- **Site to Store pickup**: In ‘site to store pick up’ strategies, the retailers do not satisfy online customers orders with on-hand inventory but rather ship these orders from the warehouse to a local store for pickup (Mahar S., et al. 2011). The prime advantage of this type of strategy is that the retailers need not run out of stock, in order to fulfill the orders. However the customers might have to wait for longer period for their orders to be fulfilled or delivered. Although the customers are not charged for the shipping from the warehouse to the store site, the freshness of the products is questionable.

- **Drive through pick-ups or 'Click and Collect’**: This is an advanced form of delivery strategies. The customers can pre-order their goods online and pick it from pick up sites for example: 'click and collect' sites or store’s drive thru. The customers need not get out of their cars to pick up the orders. The customers are given an order number when they order their products online. They can then go to the store’s drive thru where they can give their order number and a sales assistant brings their goods to the car. This system is very efficient for very busy people and specifically where there are problems for
parking. 'Click and Collect' model helps retailers sell goods that are not displayed in stores (Bill Bishop, 2012).

- **Automated distribution centers**: These centers are similar to the Drive through service, however with an alteration that the customers have to enter their code in a computer and the locker that stores in their goods open up. The customers can then collect their goods. This approach is very expensive in relation to operation management and the logistics systems required for it to be implemented, and few companies like Webvan, who have tried this approach have gone bankrupt.

- **Home Delivery**: Some of the companies have moved one step forward and have been serving the customers directly at their door steps. This business model allows customers to order their products online and receive their goods directly at home; however an additional delivery charge is levied on the customers. Although pure online retailers have been adopting this approach from the very beginning the traditional retail stores who have adopted the multichannel strategy are slowly getting into this approach. Home Delivery can be divided into attended and unattended. In the attended home delivery, the customers have to select a particular time to be at home during the delivery of the goods. This creates inefficiency in the execution of the strategy, as the customer might not always be available to receive the goods by himself/herself. Another form of home delivery is unattended, where a customer need not be present to receive the delivery and the goods can be left in a delivery slot assigned by the customer. However, this method is risky as the goods might be stolen, when unattended, damaged by accidents and the store refuses to reimburse the goods. Unattended delivery is also ineffective for grocery products which are highly perishable and need special temperature controlled environment to keep it fresh.

### 3.3.4 Issues and Challenges in Multi-Channel adaptation

As identified by Chu & Pike (2002), retailers now should not only focus on increasing their transactions but should also focus on enhancing customer
experience, thus with the increasing change in customer shopping behavior as a multichannel shopper, retailers also must comprehend the fact that Multi-channeling is now a compulsion rather than a choice. It is true that retailers have to now flexibly adapt to changing scenario of ever changing 'market structure', 'technologies', and 'customer experience (Chu & Pike, 2002:2).

In a study done by Yousept and Li (2004), the authors have tried to incorporate the emerging issues and strategies and business model of online supermarkets in UK. Here the authors discuss key emerging issues in integrating brick and mortar model to the ‘click & mortar’ model such as issues regarding process concern and physical distribution.

Similarly, Bahn D. L., & Fischer P.P., (2003) have identified some potential issues that may be constraint upon the capacity of electronic commerce to transform ‘Brick & Mortar’ strategy operations. These constraints are listed below:

- Capability of traditional organizations to coherently articulate any kind of explicit business strategy for electronic commerce. This is because firms have established core competencies in operations and such firms may not formulate strategy for new activities to be conducted through e-channels (Bahn D. L., & Fischer P.P., 2003).

- There are component activities performed by traditional ‘Brick & Mortar’ firms that may or may not be easily replaceable by electronic commerce channels.
- Characteristics of the firm’s product and services that delimit the degree to which the firms can be successful in the electronic commerce arena.
- The capacity of organizations to focus upon and manage different kinds of business activities concurrently.

Tanskanen et al. (2002), argue that ‘the e-grocers are unable to flourish because the internet sales have been marginal business for supermarkets, and because the profitability has been difficult to reach, investments in developing service
innovations have been small.’ This creates complexity in the distribution systems and also managers have to confront many operational, marketing and strategic challenges. (Lankenau et al. 2004; Gallaugher 2002; Webb, 2002). Also the customers have the chances of opting from one retailer to another, and as customers’ activities cannot be monitored only via one channel, It is thus essential to define and coordinate the multichannel strategy with the existing inter organizational strategies. In addition, when combining traditional channels 'dysfunctional conflict' has to be avoided (Moron N., 1999). Boyer & Hult (2005), Bahn & Fischer (2003), Lankenau et. al. (2004) and Hsu and Li (2006) rightly discuss about the difficulties faced by retail grocers in Internet-ordering for home delivery of groceries and the difficulty to integrate the marketing and operations functions. As mentioned by Lankenau et al. (2004); groceries are low outlay, frequently purchased tangible products and some of the products are highly perishable and thus selling groceries online presents a specific challenge. The multichannel delivery adaptation of the grocery product is likely to increase the operational cost of the retail stores. It involves a special care and attention for the selection and procurement of the grocery products. The freshness and the quality of the product should be assured while selling goods via online channels, as this replaces customers selecting their own groceries.

A customer has different touch points through which they can research, order and pick up goods. It becomes a challenge for the retailers if they fail to understand the different touch points, because the customers’ behavior changes with touch points and it also affects the CRM for a retailer. The following figure illustrates the complexity of multiple interaction ports available for a customer that they expect the retailer to fulfill without having any differentiation between the channels.
Traditional retailers face many challenges to incorporating a multi-channel in their existing business. They have to first decide whether the new channel will be operated individually or will the operations be integrated with the existing ones. An integrated channel provides both customers and the retailers a chance to grow. While individually run multiple channels creates conflict and there might also be a danger of channel cannibalization (Webb, 2002), retailers can operate as single brand and integrate both their online and offline operations. (Anderson et. al, 2010:64) through interview with different marketing managers identified that the internet channels threatens the relationship between existing channels, ii) the internet leads to coordination problem, and finally the managers in the interview believed that internet destroys the traditional segmentation criteria.
Another major challenge is the building of IT infrastructure. The retailers face a challenge whether to outsource the IT infrastructure if yes then, there is risk of information leakage. It’s tough to stay competitive when one does not have any options but to adopt the changing business scenario. G. Randell (2013: econsultancy.com), points out that generally retailers make a common mistake of depending on old technology while entering the internet channels.

Another issue to be considered while managing online groceries is the customer behavior towards the transformed strategy. How a consumer perceives is also an essential part to be considered. Jones V. (2010) in her studies identified several issues relating to why online grocery shopping is not favored from the perspectives of customers as identified in few anonymous researches which are as follows:

- The grocery products are not fresh enough.
- The online shopping does not give the feel to shopping,
- It is time consuming for first time online shoppers to locate, view and buy the product.
- It reduces Impulse buying behavior online.
- The uniqueness of shopping is lost in online shopping for example, some people like to buy more ripe fruits and vegetables, so the chances are that the store assistant who picks the goods at the store might not realize these aspects.

Customers do not generally prefer substitutes of a product, chosen by the store base assistant in replacement of the goods originally ordered by the customer. Similarly Joost W. Van, of retail economics, also identified some similar approach to customer perception about online grocery shopping. In addition, he adds that online grocery shopping is boring, it is complex. and Kempiak M. & Fox M. A., (2002) have also identified the complexity of online grocery shopping: the authors (ibid.) identified factors such as price, ambiance, convenience, service and product variety being the key determining factors whether a customer will shop online or offline. Apart from the above mentioned challenges from the customer's perspectives other key challenge of online shopping is the online security, the time taken and the procedure to check out, and modes of payment (Fox and Kempiak, 2002; Koistinen & Jarvinen, 2009; Limaym M., et. al. 2000).
In addition to the market and operational strategies, consumer behavior analysis, retail grocers should also consider explicitly defining their supply chain management and process. Agatz et al. (2008) also highlight the need to identify the supply chain as the processes as the key challenges in online distribution channels. This as discussed by Agatz et al. (2008), is due to the difficulty in handling small transactions sizes of individual customer orders.

Zhang J. et. al. (2010) outline some of the major challenges faced by multi-channel retailers in crafting multichannel strategies are:

- **Organizational Structure:** According to the authors, creating an appropriate organizational structure is the greatest challenge faced by multi-channel retailers. The authors also believe that substantial autonomy should be given to the operations of multi-channel in order to attract customers and thus develop the market for the multi-channel.

- **Data Integration:** Another major challenge that the authors believe as a major challenge in crafting the multichannel strategies is to build an integrated information technology (IT) infrastructure so that data across channels can be linked and analyzed in holistic manner. The authors also argue that the traditional method of data collection lacks the ability to track transactions and the retailers need a ‘customer-centric’ approach to data integration.

- **Consumer analytics:** The authors believe that the changing multichannel nature of consumers require retailers to craft a system that can effectively understand the consumer’s shopping and purchase behavior within the channels.

- **Evaluation and Performance metrics:** Finally, the last major challenge for the retailers is to develop and implement formal performance metrics that take into account the peculiar nature of each channel and cross channel effects of the retail mix.
The Challenges discussed by J. Zhang et. al. (2010), provides an insight to the retailers that they should think out of the box, and be willing to step aside from their traditional approaches to managing multi-channel structures. It is essential for every multi-channel retailer to understand that only by sufficiently identifying the challenges can lead to a successful implementation of the Multi-channeling strategies. The capabilities of retailers in adopting a new channel also include the level of flexibility and decision making ability with the speed of online markets to traditional markets (Enders & Jelassi, 2002).

Although, it is seen that many studies have identified the challenges to integrating multi-channel business model, many studies have only focused on external challenges, however none have explained how retailers face internal conflict especially resistance to change. No matter how appealing the online channel could be for retailers, if they do not receive proper coordination from internal staffs, the multi-channel operation will not be successfully implemented. This is the primary reason that might cause channel conflict.

### 3.3.5 Framework and methodology for implementing a multi-channel strategy

In Section 3.3.1 to section 3.3.4 the concepts, strategies, issues and challenges of multi-channel were discussed. These concepts were discussed, because through understanding these various concepts, it would be easier to develop a framework necessary to integrate the various channels as a multi-channel model. The issues and challenges of multichannel gave an idea in general as to what should be focused when integrating various channels with varying advantages and disadvantages. But before we continue further on developing a framework for integrating multi-channel model, we need to understand how smooth transformation can be brought to a business model without creating a chaos in the business, because multi-channel integration means changing the format, activities and governance of a business. The section below, tries to answer this question and help to identify the logic to developing the framework.
**Business Model Transformation:**

Business Model as we saw in chapter 2.1 has different concepts. Business model was identified as a process of creating value for customers. It was mentioned earlier that due to technological advancement and the way customers have changed their shopping behavior, it has been essential for companies to adapt to these changing environments and changing demands. As mentioned earlier, business model seeks to bring innovations through answering 'what', 'how', 'who' and when questions. Like mentioned by (Morris et. al., 2005 cited in Ahokangas & Myllykoski, 2012) business models are not static, and needs to be changed, reviewed continuously, we need to identify the formula to changing a business model as and when required.

As rightly said by Johnson M.W., et. al. (2008:59, HBR) “one secret to maintaining a thriving business is recognizing when it needs a fundamental change”; companies should understand the changing environmental situations and transform these business models accordingly.

Business Model represents 'logic' of 'value creation' of a company providing insights into operations, markets, customers and other core activities (Keen P., & Qureshi S., 2006). Hence it is essential to understand 'what is it that creates value' and change your strategies, activities and business models.

Keen P., & Qureshi S., (2006), identify that it is essential to transform organizational structure to transform business models. Organizational structure gives new outlook in the business model and activities for the company. Similarly Johnson M.W., et. al. (2008, HBR) identify that in order to transform a business model, evaluation on customer value propositions should be done. Customers tend to be less satisfied with the same product value for a longer period of time and hence, companies need to develop newer ways to satisfy the customers and deliver values. It is also necessary to design a profit formula and manage existing and new resources in order to transform a business model (ibid.)

M. Juntunen (2013), mention that in order to bring changes to the business model the organizational strategies should also be changed simultaneously in accordance to the changing business model process. Business Model transformation is not necessarily
about new technologies but about new processes that commercialize the product and the business (Johnson M.W., et. al. 2008:67, HBR).

Using business model transformation logic helps an organization to effectively put into action the multi-channel approach. Thus here forth, the thesis discusses how multi-channel can be implemented in retail business and also develop a format to help in the integration process.

Sorescu et. al. (2011, pg.), identified 3 core components 1) Format, 2) Activities, and 3) Governance for an innovative retail business model transformation. These components were adopted from Amit and Zott (2009) concept of business model, and were suggested as a means to bring transformation in brick and mortar retail business model. In this thesis paper considering these elements of a retail business we will connect some basic strategies to bring innovative transformation in the current retail business model and integrate them into a multichannel model.

**Format:** Sorescu et. al.(2011) defines a retail format as the way in which key activities of a retail business are carried out. For a brick and mortar model, the format are the stores such as supermarkets, hypermarkets, convenience stores and the online format mainly includes the web-presence of the retailer in addition to their means of delivering the activities such as the delivery channels. Retailing format is the structure of retailing activities (ibid.) and format involves the location, pricing strategies and customer relationship management ( M. Yrjölä, 2013). It is the format of the retailer that dictates the 'boundaries' and 'retailing activities' (ibid.). The multi-channel retailers have multiple formats through which customers are served.

**Activities:** The process of creating value for customers is considered the retailing activities. Retailing activities include the procurement of goods, assortment of merchandise to customer service management (CRM) ( M. Yrjölä, 2013).

**Governance:** Governance is the involvement of partners/actors in a business that help to develop and enhance customer experience. This includes partners such as suppliers, customers, transporters, IT service providers, and other stake holders that
play direct or indirect roles in executing the activities of a retail business (M. Yrjölä, 2013, Sorescu et. al. 2011).

Sorescu et.al emphasize that with the multiple touch points (discussed in Chapter 3.3.4) to reach customers or for the customers to reach the retailers, the requirement to develop integrated and seamless multichannel strategies is important. As the core elements described above are interrelated and interconnected, the decision to change one element would also affect the other; hence, the adaptation of a new channel would affect the governance and the activities of a retailer. Therefore, from what we have discussed above in the prior chapters and earlier paragraphs, the retailers need to carefully analyze each business elements in the model, and bring the changes required. For this, Heckman et.al. (2013) suggested some strategies which are particularly useful consideration to seamlessly integrate multi-channel models.

The Following figure illustrates what should be taken into consideration before crafting a multichannel strategy. The figure below incorporates some key issues like business goals, competitor and consumer behavior analysis, viability and capability assessment of different channels. The elements in the figure are key to bringing change in the ‘format’ ‘activity’ and ‘governance’ of the organization. Properly evaluating these elements and implementing them would lead to efficient business model transformation. This figure is developed from the logic that transformation is required in terms of ‘format’ ‘activity’ and ‘governance’. For this identifying synergic goal, studying consumer behavior, identifying internal and external competencies and capabilities is important. The identification of these core elements were also suggested by Heckman et. al (2012)
In addition, a retailer should be able to integrate its marketing and operational activities of all its channels in order to be successful in the multichannel strategy. Identifying common synergies between different ‘formats’ ‘activities’ and governance’ also leads to effective coordination between the formats and the channels adopted. Some of the elements to be identified as mentioned by (Steinfield, Adelaar & Lai, 2002) are: Common infrastructure, common operations between the two models, common marketing and sales, common buyers and other complementary assets.

After researching on the various elements shown in the figure above, retailers can also follow following strategies for smoother integration of channels which are: 1) Identifying common synergies between the key business elements. 2) Using common resources from both the traditional model and the electronic model. 3) Developing Hybrid strategies that can combine the advantages and disadvantages of each model. 4) Analyzing market competition and opportunities based on the changes desired in the 'Format' and ultimately identifying and coordinating changes brought in the 'activities' and 'governance' brought in by the change of the format. These strategies are complimentary to the methodology for adopting multichannel integration, and are further elaborated below in the following sections.
Identifying Synergies in different Retail Business Model Elements

When we look at the business model elements of ‘brick and mortar’ and e-commerce model, there are various elements that can be combined to form a hybrid model. Retail business can be carried under both formats, and thus it is easier to combine the operations between these two models. The most common form of combination is the replica of traditional retailing in the digital retailing. As the convergence of offline and online channels imply that the company needs to rethink their operational process, technical infrastructure, consumer relationship etc. they need to restructure their basic business models (firstdata.com, cited, 2012). Heckman et al. (2012), identify that it is very essential for traditional retailers to change their organization structures, improve their logistics, use a common technological backbone, and reinvent their cultures.

In the figure above, as identified by (Steinfield et. al. 2002) There are some common elements that a retailer can integrate like the common infrastructures such as delivery trucks, warehouses, Inventory tracking systems and also because the same retailer is
selling goods via two different channels, the customer relationships such as marketing and sales can be integrated. The retail management can achieve best synergies (Steinfield, Adelaar & Lai, 2002) by aligning the goals between the two formats and by having explicit coordination and control and by developing capabilities of both the formats. The structure, the activities and the governance of delivering values should be re-aligned in Multi-channel Business Model. In a brick and mortar model the stock display is limited to self-space, however the electronic model provides ample space for product display. Retailers thus can provide a facility of product selection and ordering via their online channels and get the consumers pick them up from the nearest stores. This also reduces the unattractiveness of delayed delivery of online channels and the incapability of serving the customers 24/7 in the offline channels.

Identifying Questions Related to transformation in retail elements

Being able to identify your core competence and current market operations and competition is a successful way to effectively bring changes in the business model. Using a Question Model such as What, How, When and where makes it easier for business and retailers to effectively implement their change decisions. Zott & Amit(2010,) and Ahokangas & Myllykoski (2013), believe that ‘what’, ‘how’ and ‘who’ elements should be considered while creating and transforming a business model, thus when retailers think of integrating ‘brick and mortar’ to electronic commerce model, they can use this approach. It is essential to clearly define 'What elements' of the business are you combining, for example, is it only data integration where consumers get to look for product information online and go and purchase from the store, or is it ‘mirroring’ of the store where you create an online ‘replica’ of your existing store or is it simply integration where customers have the flexibility of purchasing, picking, returning from any channel. Likewise the how elements include combination process and how you are carrying certain activities while the ‘who’ component answers the question about persons or institution involved to carry out a task; example, if a retailer wants to integrate an online channel will it carry out the online web-store development and operation itself or will it outsource the task to other companies. Bernstein F., et. al. 2008; Steinfield, 2002, both mention that traditional retailers without sufficient resources to compete or develop a virtual
channel should have an alliance with an e-commerce organization. Similarly, ‘who’ can also help to identify the target customers. These components thus help a business to effectively identify their capabilities and requirement while bringing innovative transformation in ‘Format’, ‘Activity’, ‘Governance.’

Some of the elements that can be used in both offline to online channels as identified by (Harris D. et. al. 2009) are as follows. These elements would however not affect the transformation in the ‘format’, ‘activity’ or ‘governance’ but rather make the process easy by uniformly using the current capabilities.

**Brand:** For any company, the brand possesses a high value and is the key strength for a company. The brand helps a company differentiate from its competitors, and enables customers to buy a product from the brand they trust (Harris D. et. al. 2009). A retailer which has a strong brand in the offline market can use the same brand to integrate its online channels. As identified by many researches on consumer behavior, consumers tend to purchase from the brand they trust the most. Likewise using the same brand name, helps avoid chaos and channel conflict across channels. (ibid), in their research highlight the important role played by a brand. According to them, "The brand recognition is valuable as it can be used as a 'search term', because the search process is the originator of online purchases". (ibid: 4).

**Customer understanding:** It is easier for retail stores to understand their customers, as they've been observing customer's buying behavior over the years. With the extensive sales history (Harris D., et. al. 2009), and experimented with numerous promotion, retailers have got to know their customers better. This understanding of customer's behavior enables retailers to bring in the new channels. The sharing of information between both online and offline channels helps a retailer integrate both offline and online channels.

**Physical presence:** A physical presence of store assures the online customers that they can always go to the store to resolve a purchase issue. Also store presence enables an online customer to return or exchange or repair a product quickly. This is a big advantage for multichannel retailers against the pure online retailers. The quick
service facilitated by the multichannel is incomparable to the pure online or pure offline channels.
Not only does the offline channel assist the online channel but also the online channels assists the offline channels in increasing sales and caching customers geographically. Some of the advantages that an online channel can provide to an offline channel as identified by (Harris D. et. al. 2009) are:

**Technical Learning:** It is very well known that the online channels contain a wide variety of data. The online channel thus provides an opportunity for collecting data through alternative sources (Harris D.et. al. 2009). This information obtained from online channels can be integrated with the offline channels to enhance and personalize customer shopping experience. Online channels can also be used as a medium to listen to customers and improve the services accordingly. The offline channel does not enable measuring of performances like for example: does a customer just surf the shop, do they really purchase, however, the online channels gives exact information about unique visitors, enquiries, and exact purchase history of customers. As customers become more sensitive towards customized shopping, retailers can use the customer data received from online channels to assert their products in the stores as the customers’ desire. Similarly allowing customers to pick their orders from any store or chains of the retailer also attracts customers towards that retailer. Sharing cost and revenue among all channels equally for example classifying direct cost and indirect cost, compensating store staffs for online order pick up is one good way of minimizing conflict among channels and developing integrated multi-channel business model. Although some of the stores have started the loyalty card system to measure the customer's buying behavior, but it is not sufficient enough to fill the gap.

**Organizational Structure:** The organizational structure represents how a business model is developed and how operations are carried out. (Harris D. et. al. 2009), “discuss that if an organization really wants to integrate offline and online channels, then the organization's structure should reflect the desire to integrate the channels.” The authors also discuss that it is essential to align the interest of the entire organization to the whole structure rather than a single channel and that the
organizational structure should be flexible enough to incorporate changing environments.

Some of the companies have presence in both model, but they are not integrated. They run as separate entities. This however does not support the hybrid model concept that we are discussing here. The integration of ‘clicks and bricks’ leads to asset sharing and is seen to accolade to the existing business model. (Prasarnphanich & M. Gilleson, 2003).

While the above paragraphs have discussed various elements that could be connected with both online and offline channels Chu & Pike, (2002:7) have summarized the key strategies to combine the different formats which are: 'identify the capabilities of the retail store, assess the future opportunities and the incentive for integrating two different channels'. Fox and Kempiak (2002) identified that the 'brick and mortar' retailers are competitive in price and variety while the online stores provide 'convenience, and services. Using advantage-disadvantage method identified by Otto & Chung, (2000) is one way to combine channels, but in this thesis we are trying to use the business elements method to develop a multi-channel integrating strategy. The table below shows a summary of all the elements of the two models and a combined form which creates the hybrid model. These elements are already discussed in detail above. In chapter 2.2 and 3.1.2

In pursuit of adapting multi-channel approach that is integration of online channels with conventional stores, the retailers should be aware to fulfill their sales promise and their delivery planning as both the sales and the delivery are closely interrelated.
<table>
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Table 1: Integrating Brick and Mortar and Electronic Model towards Hybrid Model

In this chapter, the core focus was to understand the concepts of multi-channel, issues and challenges related to multichannel model, and developing a framework that can effectively help retail business to identify multi-channel strategies and integrate the online and offline channels. A methodology to adopting multichannel strategies, followed by creation of hybrid model through adopting different qualities of ‘brick and mortar’ model and e-commerce model was developed. This led us to developing a table which showed the possible hybrid model. Using these methodologies and tables, in the analysis chapter we will check if the model developed has some validity with existing retailers. For this case study of three different international retailers will be done.
4. METHODOLOGY

The purpose of research methodology is to collect and analyze data that answer the research questions (Ghauri & Gronhang, 2005:109). This paper does not utilize quantitative data as it requires detailed observations and comparisons, however, this paper utilizes cases of successfully integrated multi-channel retailers and compare it with the framework developed in chapter 3.2 model. In this chapter the choice of research methods and the fundamental logic behind it, would be discussed.

4.1 Research Design

The analysis of the multi-channeling approach of the retailers is the key approach to this research; however, this paper does not seek to answer the questions related to financial success of choosing multichannel approach but rather, the managerial implication and challenges faced by retailers in integrating two different business models. This phenomenon of choosing the 'behavioral studies' according to (Ghauri P.N., & Gronhang, ibid) falls under qualitative research. Qualitative research is used when the subject needs an 'intricate details' and understanding (Ghauri & Gronhang, ibid). Miles, (1979) also mentions that qualitative research is holistic, full, and rich and has minimal distortion. Qualitative approach is used when the research questions are subjective, behavioral, attitudes and opinions are analyzed (Kothari , 2004; Ghauri & Gronhang 2005). J. Creswell (2013) believes that the qualitative research is a like a "fabric made of different colors, threads and design" that is like the complexity of fabric, it is not easy to explain qualitative research (ibid.)

This study follows a case study approach. Case Study provides learning from a case, or “provides an insight” to a study (Ghauri, 2004). Also, case studies provide a detailed investigation in a research report. Yin (2009), identifies that case study approach is used when the research question is built on "How" and "Why" questions, however there is not standard formula to define a research methodology. The case study method helps to understand the process of changes present within single settings (Eisenhardt K.M., 1989, pg.534). Case study helps to collect unstructured data and do qualitative analysis of those data (Yin, 1993). Case study is also done when the behavior in the study cannot be manipulated by the researcher. Therefore multiple case study method has been used to study what the global multi-channel
retailers have been doing to integrate and manage their multi-channel business models. Multiple-case studies method are used to understand the strategic differences between the case companies in this thesis.

4.2 Data Collection and Sampling:
Two types of data sources were used for the thesis, one was interview and the other was secondary. Interview was done with the Finnish retailer S-chain, and secondary data sources were used for other two case companies Tesco and Ahold.

Secondary data are primarily data collected by other people (Ghauri & Gronhang 2005). The sources such as books, journal articles, online data and catalogue are used. It is understood that when using a secondary data, the fact should be considered that the data were initially collected for some other purpose besides one's own research questions, hence careful analyzing and mining of these data should be done before using them in the research paper (ibid.91). This thesis uses web site analysis (Müller-Lankenau, C., et. al.2004), in order to analyze the multichannel approach used by the case companies. The research is based on external perspective (ibid.) and takes a consumer's view to study the data.

To understand the transformation in business models, it was necessary to obtain first hand data from the selected case companies, however due to undesired circumstances, interviews with the responsible heads of both Tesco and Ahold was not possible and therefore available secondary data were used. The secondary data were collected from all sources possible such as YouTube videos (of annual report presentation, interviews with the CEO's), employee blogs, previous case studies, news portal and other information available on the internet. These data were extracted and thus summarized to match the requirement of the thesis. These selected case companies are global players as the multi-channel retailers, and therefore many people have widely used them as case companies to study retail business model and retailing, and therefore, using the data from those studies was reasonable for the thesis.

Interview was conducted for the Finnish case company S-chain,. The interview with the S-chain representatives was conducted to understand the multi-channel retailing from the Finnish perspective. Due to unavailability of time from the interviewees
Mikko Sievanen (Project Coordinator in online business) and Ilka Brander (CEO) at the head office, and also because of the distance, interview was conducted over the phone and recorded. As for the Arina group face-to-face interview was conducted. The interviews were conducted in English, and based on each interviewee's designation and the requirement of the thesis, the questions were themed as 'multi-channel retailing', 'online retailing' and 'brick and mortar retailing'. The interview was semi-structured so that it allowed the interviewees to provide answer without restricting or limiting to pre-conceived notion of the researcher. The interviews took around 35-50 minutes depending on the questions. Other additional data which were not covered in the interview were gathered from the companies' web-site and internet.

The selected case companies for this thesis are S-chain/ Arina group from Finland, Tesco from the United Kingdom (UK) and Ahold from the Netherlands. The selection of the case studies were based on following criteria) Each retailer had grocery as their main merchandise ii) the retailer had two or more channels operating iii) the initial foundation was a brick and mortar channel and finally iv) the retailers used multi-channel model and strategies as a means of reaching customers in one or the other way. The case companies were also selected based on their global or local popularity and their intentions and success ratios in using multichannel retail business model.

S-chain was selected as a case company because, it has been trying to adopt seamless multi-channel strategies in retailing, but seems a little dislocated in the implementation of the strategies, while Tesco has been a global player in the multi-channel retail industry, and Ahold is a retail business that seems to have close cultural connection with the S-chain but closer connection of being a successful multi-channel retailer and a competitor to Tesco. S-chain is a group of co-operative retail chains that has started multi-channel operations not very long ago. Tesco is a UK international multichannel retailer, that has different retail outlets and formats around the world form a small mini-mart to supermarket and Tesco.com to Tesco Direct. Tesco's business model is suitable to analyze as the case company because Tesco holds the highest position as a UK multichannel retailer and the experience of Tesco, and Tesco.com, can be benchmarked to study multi-channel retailing
strategies and Multi-channel business models and Ahold is the international food retailer from Netherlands and this case company was chosen because it operates Peapod, the largest online grocery in the US.

4.3 Quality of the research:

It has been of tremendous importance for identifying the quality of research while using qualitative method as a research method. This has been so because of the claims/assumption made by the researchers about the results of the research. Like quantitative method, the quality of the qualitative research can be judged through validity and reliability (Mays, N., Pope, C., 2000). Mays, N., Pope, C., (ibid, Pg.51), mention that they are no easy solutions to limit the possible errors in qualitative research, however validity can be tested using different approaches


Validity refers to the degree of investigation set out to be investigated by the researcher (Raya F, 1985, pg. 276). Validity of the research study can be biased when the conclusion is based on the case study as it differs from case to case, since the reliability of this thesis depends upon the view point of the respondents. Respondents’ (both the cross examiner and the researcher) might have different impressions with different level of knowledge on the subject matter.

This thesis takes different case companies actively participated in multi-channel retailing, so the validity differs among the accounts as the reliability depends upon each person’s view point in analyzing the situation. Every person’s view point is accurate but the degree differs as per the range of their experience. The validity in this research is enhanced by using multiple sources and techniques for gathering information. Personal interview and other independent research method add the degree in the validity and the reliability of this research paper.
Construct Validity ensures the use of proper measures to study the concepts. Techniques such as using multiple source of evidence, establishing proper source of evidence can ensure construct validity (A. M. Riege, 2003). Construct validity corresponds to the design test confirmability. For this thesis, several secondary data were used ranging from employee blogs to online interview videos and previously studied reports on the selected case companies. Construct validity of this thesis could have improved if more primary data were collected, and more interviews were conducted. However despite lack of primary data, the secondary data were selected which were amply studied by previous researchers.

Internal Validity checks the credibility of the research work. It checks the relationships between established variables in a research study. This thesis paper utilized the three key components of retail business model and tried to connect all other possible combination strategy with the given components. This would provide a link to analyzing situations whether the business model transformations can be done effectively through the transformations of the three key components which would allow us to see the relationship between studied concepts and the established route to identifying business model transformation in multichannel scenario.

External Validity mainly considers the criteria for checking whether the established results or conclusion can be used to generalize or make prediction of the whole based on little data used. It is the most difficult type of validity to achieve especially in a case study. Also based on external validity the relevance of the research report is judged. The key criteria to check the external validity is to study the generalization process and see how the samplings have been done to draw conclusions to the thesis.

Reliability refers to the coherence of the results, where same instruments and measures are taken to undertake a research (Raya F, 1985, pg. 276).

The Relevance of the research can be examined when it either adds new knowledge to existing knowledge or when the results can be generalized irrespective to the research context/ settings (Mays, N., Pope, C., 2000; pg. 52)
5. DISCUSSION AND ANALYSIS

Following from the concepts of retailing business to business models and channels, in chapter 3.3.5 we developed a framework that would help in multichannel integration logic. This chapter analyses three international case companies as mentioned in the methodology sections and check if the framework actually applies with the real businesses. This section comprises information about the case companies and sheds light to their basic business model.

Before starting the discussion about the case companies, a brief introduction on the status of European and Finnish grocery markets is given. The international grocery market around the west is very concentrated and most of the grocery markets are held by top five food retailers. J. Zentes et al. (2011) cites plant retail, that 55% of the retail grocery market in the UK, and above 70% in Germany and France retail groceries markets are held by the top five players of grocery retailers. A study done by AT Kearney (2012), has identified that the online grocery market is most vibrant in United Kingdom, with internet grocery sales comprising 4.5% of total grocery sales in 2010, and the internet comprises just 0.2% of total grocery sales in Germany (AT Kearney, 2012).

Looking at the Finnish context, Finnish Retail stores are increasingly being homogenized and standardized and thus a very small group of retail organization is responsible for the production retailing services in Finland (Uusitalo O., 2001). Four major trading groups dominate the Finnish Grocery Retailing: Kesko, S-Group, Tuko, Tradeka and others. S-Group and Tradeka are integrated chains with centralized decision making. According to a study done by Uusitalo O. (2001) there has been a decline of the smaller formats stores in Finland and hypermarkets and discount stores has been increasing. Uusitalo also concludes that the Finnish Grocery store structures are homogenous in terms of store formats and store brands and no single store seemed to provide unique hedonic or experimental value to the informants. With the steady population growth and significant disposable household incomes, Finnish groceries have been significantly growing in the recent years (www.investinfinland.fi cited, 2013). The well-established technology infrastructure creates excellent opportunities for developing E-commerce here in Finland, which has not been approached to a profitable scale yet.
5.1 Case Companies

This section identifies and compares three multichannel retailers in terms of their business model. Although the retailers are the largest companies in their respective countries and the ultimate objective of the retailers is to service their customers, providing them added value with unique shopping experiences, the retailers have adopted different models to provide this value to their customers. As a retail activity retailers procure goods from the manufactures and sell it to the end users. This process is same worldwide.

5.1.1 S-chain
S-Chain, the Finnish Co-operative group which operates multiple businesses in Finland is one of the key case companies for this thesis. S-chain has 21 different co-operatives regionally and the regional co-operatives run the shops and business in their respective area, but the focus will only be on Arina group, which operates in Northern Finland. However, since the different co-operatives are centrally managed by the S-chain, some key comparisons will be based centrally, for example the study of online business of S-chain. The regional retailers are managed by the regional cooperatives, and hence, the 'brick and mortar section of the business will be analyzed using the Arina Group. The different retail chains that sells consumer goods and grocery items are S-Market, Alepa, Prisma, Sale, Sokos, Emotion, Pukumies (S-kanava.fi, cited, 2013). The retail chains have their separate online webpages.

The S-chain model, has a chain operation principle (S-kanava.fi, cited, 2013), and thus they believe that the people should adapt to the chain values. It is for this region, that to meet the demands of the regional customers, the various retail stores located in different regions of Finland are managed by the regional co-operatives. (esri.com, citied 2012)

Arina group is a regional cooperative chain under the S-chains management located in Northern Province of Finland. The retail chains operate under different store-based
formats such as hypermarkets, supermarkets and convenience store. The data for this case company was obtained through direct interview with the responsible managers of S-chain and Arina group.

As we identified in chapter 3.2. Retail business model consists of format, governance and the key activities, S-chain's business model is based on the open co-operative governance. It has number of retail chains operating under the umbrella. The Retail business operates an “everyday low price policy” in its grocery goods. The key components of retail business for S-chain as described with the format, governance and key activities are: it operates three different store-based formats: the hypermarket, the supermarket and the convenience stores. The business model follows co-operative governance, it seeks to serve its owners; which are also the customers of the Retail chains. The key element of S-chain's business model are the owners or the customers. As the chains operate as a co-operative philosophy of customers being the owners, the chain seeks to provide value to these customers through selling goods and products that they seek regionally. The local consumer market knowledge combined with the chain management is chain's biggest strength and a key element to their business model. Also in terms of key assets, the chain has stores in prime locations, coupled with convenience stores distributed in further remote areas, where hypermarkets are not feasible.

S-chain being the largest retailer in Finland, utilizes a co-operative model, therefore the customers of the S-chain are also the owners of the company. This has helped the company expand its market share. The ownership right of the customers has made the customers more loyal to the retail brands of S-chain. The chain also utilizes loyalty card system and the online channel has provided value to customers to access the hypermarket and supermarket stores in areas where the physical stores are not available. S- Chain has an established service experience with its customers and that's what has been an added value to its business model.

The S-chain and Arina group started their multi-channel retailing not very long ago. The brick and mortar retailing was there from very long time, however the online channel was introduced some 8-9 years back. Initially the online channel was used only as a platform to provide information about products in the store. The S-chain
started piloting online sales from the metropolitan area with non-food items. Even though the management is centralized, the online channels of the retail chains are isolated. The retail chains of S-group have a separate individual websites, for example SOKOS has a different online channel, Prisma has a separate online channel, and even more the online stores of grocery and non-grocery items are separated. For example, Prisma is a hypermarket brand of the S-chain and the Arina Group. Prisma carries products from construction items to food items; however there are two different websites that cater grocery and non-grocery shopping that is prisma.fi for non-grocery items and foodie.fm for grocery items. Marketing is not integrated in the two channels. The online channel however has the same pricing as the offline channels and also provides stock information in the stores. The S-chain group uses in-store picking and/or outsourced warehousing deliveries. The central warehouses are designed to support the brick and mortar stores and therefore, the online orders are fulfilled by Itella Posti's logistics, that is, Itella holds a smaller warehouse where the online orders are directed, and thus online order fulfillment and home delivery is managed by it.

5.1.2 Tesco
Tesco is the world's second largest international retailer and the largest adopter of multichannel retailing. With different operating retail formats, Tesco has been operating with over 2500 stores worldwide. (quest.com, 2010)

Tesco believes that customers are the key to everything, achieving growth strategy, increasing profit and developing the brand. Tesco has always believed in keeping the customers ahead but slightly differently, they move ahead of their customers, which allows them understand, what are their customer's looking next (Simon Belsham, from Tesco plc.). What is the next trend that will follow. This approach is assisted by Tesco's high data integration between their offline and online channels. Many people who have observed Tesco's success over the years believe that it is the patience, clarity in the value proposition and understanding of the customers helped Tesco reach its current position (retailinsider.com, citied 2013). Tesco's has a very strong technological threshold in the retail industry. According to ivory research Tesco utilizes wireless devices, intelligent scale, electronic shelf labeling, self-check-out
machine, radio frequency identifier and the Electronic point of sales in its stores (ivoryresearch.com, 2005).

In section 2.1 Business Models, we identified that many researchers such as Osterwalder & pigneur 2002; Teece, 2010; Zott & Amit, 2010; agree to the fact that business models represent value creation (Sorescu et al, 2011). Teece (2010) also explicitly identified that these value creation should be unique. Tesco's Business model success lies in its unique data integration and personalized selling. It focuses more on customer relationships and enhancing those relationships. According to the CEO Philip Clarke,

“If you understand your customers better, you can serve them better (Youtube.com, Tesco interim results 2012/13”).

Clarke also mentioned in his interview that, “Tesco has made their promotion ends just as customer wants them. (Youtube.com, Tesco interim results 2012/13)”

With the advent of Tesco club card, Tesco mobilizes its model to understand the market opportunities and customer needs before their competitors. The model is largely based on 'self-service model' (Sorescu et al. 2011), where customers can purchase goods at their own convenience. Sorescu et al. Al, 2011; M. Yrjola (2013), identified that in a retail business value creation is associated with customer shopping experiences, thus, when looked at Tesco's business model, the use of data integration and personalized promotions, and the list of a customer's personnel favorites, their past shopping list and 'self-checkout counters' seems to improve customer's shopping behavior. . Tesco's business model focuses on attaining growth through sustainable customer relationship. This is visible through Tesco's core purpose:

“We make What matters better Together”.(Tesco plc.com)

Tesco has highly prioritized the loyalty model. Tesco club card is used to share customer's purchasing behavior in stores and in online channels. Also this information has allowed Tesco in selecting product stocking.
During the earlier phase, Tesco adopted 'Pile it High and sell it cheap model' (Tesco.com) which later became obsolete, because customers became more quality conscious. The target to achieve low cost made the stores less attractive, and the stores too were less well maintained (anonymous). Tesco's primary goal is to attain industry wise growth and thus follows an 'incremental growth model' (Hackney R., et. Al, 2006) to fulfill its strategy, adding to its growth little by little by utilizing the core assets (retailinsider.com, citied 2013). Tesco's business model also focuses on using their own brands, hence the products Tesco sells in the UK market are specially “revamped and repackaged” (Philip Clarke, Youtube.com, Tesco interim results 2012/13). Tesco being the largest retailer in UK, utilizes different formats to cater to different categories of customers. The retail formats adopted by Tesco in store formats are: Superstores, Tesco Home plus, Tesco Extra, Tesco Express and Tesco Metro and in the online format has Tesco direct and Tesco.com

Tesco's activities include not only selling grocery items, but many others such as Banking, finance, non-grocery, travel, music, books etc. Tesco's business model also adopts localization culture, thus Tesco has different business models across the world based on the culture and customer's buying behavior in the particular region. For example, In the US, Tesco operates as a Fresh and Easy brand, without using its own brand on its products like that in the UK stores. Similarly, In South Korea, because the population is very busy and grocery shopping is a tedious work for Koreans, Tesco's business model is innovated in a completely new way. According to the Tesco people, they believe that if the customers cannot come to the shop, the shop will come to the people, thus they started a new concept of 'scan and shop' in Korea. This model has made Tesco's Home-plus one of the biggest retail grocer in Korea.

Tesco was viewed as pioneer in online grocery shopping when it first started online shopping in 1997 (Tesco plc.com, citied 2013). According to Robin Terrell, (Tesco's new group Multichannel Director: blog, 29th April, 2013) “Multichannel is all about being customer focused and putting customer first.”

He also believes that people think multichannel to be just another definition for internet retailing, however, in Tesco, they believe in creating a very new customer experience no matter which channel or format they choose to operate. Robin Terrell believes that “mobile is the most intimate technology to a customer, which will
ultimately change the retail landscape in the future. Starting from grocery items, Tesco went online in 1997. Tesco utilized store based operating model (Hackney et. al., 2006) to back its online orders during the initial phase of multi-channeling. As identified by Muller et. Al (2006:9), Tesco, follows a high integration multi-channel strategy which can also be termed as 'Omni Channel'. The customers are encouraged to shop via all different channels of Tesco, that is, Tesco employees at the store are encouraged to “inform customers through leaflets and messages printed on customer's receipts, about the possibility and the convenience of online shopping (ibid:9). Tesco offers features like 'favorites' and customer tailored online offers. Tesco's online channels are also configured with mobile devices to enable "shopping on the go".

Click and collect is one of the key component of the Tesco multi-channel model. Tesco reports its 70% of online sales being handled by the 'click and collect model. (Tescoplc.com, citied 2013). Tesco is the largest online grocery retailer in the UK and has an online groceries market share of over 50% (ING, Equity research, 2011:6). Tesco also utilizes social media such as Facebook and Twitter to also connect with its customers, promote sales and receive their feedbacks and complaints. Tesco has a value statement in its online store that says " Let us do the hard work for you. Save time and money when you shop online." This shows that Tesco clearly seeks to provide the seamless shopping experience without channel being a barrier. The online process is easy and simple and Tesco has an integrated website for food and non-food shopping, which conveniently helps a customer shop online. Tesco web page is classified as food and groceries, Tesco direct, F&F clothing and so on. Tesco’s online revenue model consists of direct sales, and affiliate fees where Tesco enable other sellers to sell their products

5.1.3 Ahold
Ahold is a low cost international chain of food retailer and supermarkets. Ahold's business model is based on low cost strategies and responsible retailer. Ahold stores are more localized and customized according to the local taste (Reynolds C., 2012) Ahold started as a group of food retailer and became the pioneer in self-service supermarket model in Netherlands (ahold.com). Ahold group of retailers has different brands under its umbrella, and these brands are operated individually.
Ahold has around 3000 stores across Europe and the US. Ahold's brands include Albert Heijn, Etos a drugstore, Gall & Gall- a liquor store, bol.com as online non-grocery retailer in Netherlands and Peapod, Giant foods, Stop & Shop (Ahold.com cited 2013) depending on the different brands, Ahold's retail format consists of supermarkets, convenience stores, superstores as offline formats and Ahold also has diversified online markets. Ahold's business model follows a virtuous circle (ahold.com). Ahold is focused on localized branding and communicates its brand strategy accordingly. Also ahold creates value to its customers by selling fresh, and healthy products that are reasonably cheaper than the competitors price and they follow Just-in time inventory system (hpmigrations.com, citied: 2014) which targets to achieve its strategy of being a fresh food provider. Ahold utilizes "self-branded' or 'private branding' (S. Mongeau, 2009). As identified by Mongeau (ibid.), self-produced products are cheaper and thus can maintain their low cost strategy. Ahold strength lies in their strategic alliances and acquisition with different retailers and local suppliers. Ahold's international entry have all been through acquisition, joint-venture and subsidiary ownership. In order to reduce cost, Ahold specializes in reducing waste, using personalized brands, improving operational efficiency and the savings goes back to the customers as a part of technological investment by Ahold, hence following the vicious circle business model. The peapod.com (online grocery store, in the US, Ahold US online subsidiary) also has started following Tesco's scan and shop' model in the subways. Ahold has moved from operating hypermarkets to a supermarket and convenience model because they believe that consumers prefer to shop online for other goods and the retailers should be focusing on what they are good at: the fresh food retailing.

Ahold started its first multichannel operation in 1999. Ahold was the largest food retailer in Netherlands, and in fragmented European countries like Sweden, Czech Republic and Latvia (S. Burt et. al. 2006). (S. Burt et. al. , ibid:148), studied that the e-commerce entry of Ahold was slow and small within Netherlands, however the sale consisted of 1% from the e-commerce channel. Ahold Netherlands had collaborated with www.albert.nl which consolidated individual websites of retail chains of Ahold in Netherlands (ibid: 148), so that customers were able to purchase from one single link. In order to service the orders from www.albert.nl, dedicated distribution centers were established by Ahold (ibid: 151). Also during 1996, in-store pick was used.
Later in 2012, Ahold acquired bol.com, a leading online retailer (ahold.com). This acquisition was thought to enhance Ahold's online channel in nonfood sector. Although bol.com is acquired by ahold, it does not use Ahold's brand, but acts as an individual brand. Before the acquisition, bol.com was the largest online retailer in Netherlands (ahold.com).

In the delivery section, Ahold is the leading retailer following home delivery in the Netherlands and the US. The Peapod's home delivery in the US is the most profitable operation for the Ahold group in the US. Ahold also has some 'click and collect' locations spread in major cities in Netherlands. (ING, Equity research, 2011). Currently the Ahold retail formats are compact hyper, specialty stores, Pick-up points for click and collect, supermarkets, convenience stores.

<table>
<thead>
<tr>
<th></th>
<th>Tesco</th>
<th>Ahold</th>
<th>S-Chain</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>What</strong></td>
<td>International Multichannel Retailer</td>
<td>International Multichannel food Retailer and food service provider</td>
<td>Co-operative retail chain</td>
</tr>
<tr>
<td><strong>Who</strong></td>
<td>Local communities, families, working parents</td>
<td>Local families, working parents, middle level working class, single parents</td>
<td>Co-operative owners</td>
</tr>
<tr>
<td><strong>How</strong></td>
<td>Using customer data, to promote sales that matters to them the most. Tesco does this by listening to their customers and building technology that makes shopping experience smoother and faster</td>
<td>Producing own supplies, connecting with local suppliers and Selling fresh low cost products and controlling shrinks and reducing waste cost.</td>
<td>Influencing ownership sense in the customers and providing added benefits to the owners. Using Collective bargaining power, focusing on fulfilling regional customer demands.</td>
</tr>
</tbody>
</table>

Table 2: Comparing TESCO, Ahold and S-Chain' Business Models- What, Who, and How??

When we look at the business model at what the business is about, who they are targeting and how?, we get an insight of the operational business model the different
Every retailer has their own key strength and they utilize that strength to add values in their services. Arina or the S-chain utilizes ownership advantages to serve and add values to its services, while Tesco utilizes its data mining strength to identify customer behavior, similarly Ahold utilizes its strength of minimizing waste to reduce cost. Besides, minimizing cost, Ahold also leverages its resources through transfer gained from different acquisitions, joint ventures and fully owned subsidiaries. The following table shows the delivery strategy adopted by the three retailers while using multi-channel approach. There is not much differentiation between Tesco and Ahold, while S-chain is still in the phase to developing seamless channel integration.

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Delivering Mode</th>
<th>Order Fulfillment</th>
<th>Channels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tesco</td>
<td>Home Delivery</td>
<td>In-store fulfillment</td>
<td>In store shopping</td>
</tr>
<tr>
<td></td>
<td>Click and Collect</td>
<td>Automated warehouses</td>
<td>Mobile shopping</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Online shopping</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>In-store Kiosks</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Digital Signage</td>
</tr>
<tr>
<td>Ahold</td>
<td>Home Delivery</td>
<td>Centralised warehouses</td>
<td>In store shopping</td>
</tr>
<tr>
<td></td>
<td>Pick up points</td>
<td>Store-based</td>
<td>Mobile shopping</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Online shopping</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Digital Signage</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(only in the US)</td>
</tr>
<tr>
<td>S-Chain</td>
<td>Home Delivery</td>
<td>In-store fulfillment</td>
<td>In store shopping</td>
</tr>
<tr>
<td></td>
<td>Pick up from stores</td>
<td>Centralized warehousing-</td>
<td>Online Shopping</td>
</tr>
<tr>
<td></td>
<td>Itella pick or smart post (picking up from post office)</td>
<td>(order transferred to the post office)</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Different channels and Distribution Modes of the case companies
6. CONCLUSIONS

This chapter focuses on discussing the result of our analysis of the case companies and answering the research question. The developed framework from chapter 3.3.5. and the analyzed data of the case companies from chapter 5 will be compared and examined. This chapter will also provide suggestions to implement multi-channel strategies, future studies and limitation of the thesis and practical implication of the thesis paper.

6.1 Reflecting on theoretical findings

The purpose of this thesis was to identify the process of multi-channel integration in grocery retail organizations. Many researchers (Muller et al., 2006; Heckmann et al., 2006) identified that multi-channel model is best for current retailers as multi-channel model utilizes best of both 'brick and mortar' model and e-commerce model. However like we mentioned in the first chapter, adopting a multi-channel model has not been easy for many retailers worldwide. Hence despite there being suggestion and frameworks now and then in the retail research, there was still need of identifying the right way of transforming traditional retail business model to adapt to a more hybrid model. Hence this research sought to develop a better framework that would help retail organizations adapt to multi-channel business model more successfully. Considering these factors, the research question was drafted as follows:

“How a retail business integrates its conventional business model to an internet business Model?”

The thesis was crafted with three sub-questions that would help to answer the research questions. The first sub question was directed to answer questions related to defining and answering questions related to business model. The answer to the first sub-question led to answering our second sub question, which was identifying factors that could be used to integrate two channels. Just by answering what key elements are essential to integrate two business models would be incomplete to suggest the strategies to successfully integrate multi-channel business model. Thus, our third sub-question aimed to identify key challenges in integrating business models and suggest a solution and the fourth question would help to identify a solution to the
issue which most retailers are scared off, that is the solution to identify strategies which avoided cannibalization of various channels within the same company.

As we mentioned in Chapter 3.1.1, it is essential to identifying and keeping the focus right of the attributes of business model to earn growth and profit for an organization, it is equally essential to continuously monitor change in the organization. And as for business models transformations it is even more important to keep a track of change requirement and adapt to the changes accordingly. To answer our primary research questions, in the theoretical sections the thesis focused on studying business models, traditional and electronic retail models, different elements that help in value creation and delivery in the respective models. At this point, through the case studies, and the literature review done, in order to integrate business elements of online and offline models, as identified by Steinfield C., et.al, (2002) it is necessary to identify common synergies between the elements that align with the goals and visions of the organizations. Only When common goals, common capabilities are identified, a business can efficiently integrate it different business models, or else, the online and offline channels will mainly exist in silos. Undoubtedly, with increasing customer demands towards, seamless channel integration, enhancing multichannel presence for any retailer has been immensely important. Considering the three core elements of retail business model as discussed in chapter 2.4, transformations related to business model can be looked from perspectives of 'format' 'activities' and 'governance'. This corresponds with the architectural theory of business model, identified by different researchers such as (Zott and Amit, 2010, Timmers P.; 1998). As discussed earlier, properly evaluating these core elements and their relationship with each other, it would be easier for retail business to efficiently and effectively coordinate the activities between an online and offline channels.. Also considering customer feedbacks choices and/or preference of channel should be aptly considered before making a decision.

There are different degree of multi-channel adaptors in the retail industry. As mentioned by Muller et. Al (2006), retailers can adopt different forms of multi-channel model such as offline focused, online focused, integrated strategies and isolation strategies. Apart from these classifications, Madlberger M., (2006) identified several models of e-commerce, based on the extent of the retail functions
carried out by the retailers. The level of multi-channel model adaptation dictated the success and failure of a retailer in the multi-channel environment. Also the degree of taking risk and changing organizational structure influenced in the success and failure of Hybrid business model. It is clear that Business model transformations has been critical issue in most of the organizations as internal or external factors relating to these organizations have been reluctant to adapt to the change. Also due to lack of capabilities, organizations are unable to transform their business models. However, as suggested by Muller-Lankenau et. al. (2006:190), mentioned in sections 2.3.3 when a retailer has isolated channels which are not integrated as explained in the theoretical framework, coordination activities become difficult and it increases the chances of channel conflict in the organization and channel switching by the customers.

Our case companies explicitly demonstrated the three core elements in their business models. The case companies had certain formats that they operated with for example Tesco focused extensively on hypermarket formats in the offline channel, Ahold focused on the supermarket model and Arina group focused more on convenience and hypermarket formats. Although all three case companies had various other formats in addition to their core formats, it was visible that the core formats was the business model these companies adapted. Similarly, all these retailers specialized in procuring goods and selling it to the final customers as their core business activities, the process of carrying out these operations was different between all three case companies. While Ahold and Tesco specialized in “personal labeling” or branding, S-chain and the Arina group specialized in meeting regional customer demands. S-chain also seemed to use private labels in few grocery items, which seems to be increasing. Tesco's activities were mainly concerned with extensive data integration, to develop more customized and personalized shopping for its customers. Ahold had its focus on following its strategy as a “responsible retailer” by reducing wastage, reducing carbon emission by replacing refrigerators etc. and the S-chain' activities mainly concerned with providing best value to its owners/customers at the regional level. S-chain's activity also includes, growing together with the co-operative values.

Customer Relationship Management is the most important element in a retail business model whether e-tailing or brick and mortar retailing. In order to integrate
an online and offline channels from the customer relationship perspectives, the retailers need to understand ‘who are their customers’ and how they behave in regards to multiple channels. This includes having similar prices and product across all channels. The problem of tracking customers buying behavior across channels should be resolved as suggested by Rosenbloom B. (2003), in chapter 3.3.3, Multichannel Strategies.

Tesco has been the most studied company in customer relationship management cases in retailing so far. Tesco’s club card has been considered the most effective and successful loyalty scheme in retail industry (Humby C., et al. 2008). Tesco efficiently uses the club-card data to track its customers shopping history, and uses this information to build the customer relationship. Tesco's loyalty card information in-fact guides all the planning and decision making at Tesco (pearsoned.co.uk, cited 2014). Tesco has been using the loyalty card information as a tool for targeted communication, including the individualized customer mailings. Tesco's data mining partner DunnHumby, extracts the customer data and provides it insights regarding customer trends, "Basket Building", targeted customers, and other important database for efficient decision making ( pearsoned.co.uk, cited 2014).

For using the customer focused marketing strategy Ahold has extensively invested in its technology, marketing and organizational capabilities to enhance its online channel to provide Omni-channel experience to its customers. Ahold uses tools such as digital list builder, point based loyalty, and allowing mobile payments to create long term customer loyalty and maintain the customer relationship. The best part about Ahold’s list builder is that one can share it with family and friends and use it in all the devices such as phones, tabs and webs. ahold is focusing on shopping mom’s allowing them to use the applications ( youtube.com, cited 2014). Ahold focuses on customer relationship management by increasing loyalty and introducing the concept of responsible retailing. S-chain, in order to sustain the customer relationships, uses ownership philosophy, i.e. since the customers are also the owners of the S-cooperative, they are automatically loyal to the company. Also S-chain uses the data from the S-card to provide percentage base bonuses too its customers (only those customers that uses S-cards receive the bonus).
Tesco and Ahold both extensively use customer data to develop personalized marketing. Ahold uses point based loyalty system. S-chain has started using the information from card purchases to send direct mails to customers. Although it is a new development for S-chain group, this customization is being tested in the Helsinki area at the moment.

Looking from Muller-Lankenau et.al. (2006)’s multichannel format strategy, Tesco falls in fully integrated model. Ahold earlier followed isolation strategy, but now seems to be focusing more on online focused strategy (as suggested in the annual report presentation in you tube video, cited, 2014). S-chain on the other hand was following offline focused strategy for a long time and till the time this research was continuing, but the latest data shows that the S-chain are utilizing the integration strategy to the best of their abilities. S-chain tried to create the online channel as a separate subsidy of the group and therefore couldn't get enough customers in their online channel as it created a wall between the two stores. This created ambiguity, however with TESCO it never made of the mistake of establishing a separate online business but integrated the conventional channel with the online channels focusing on customer loyalty, and improved shopping experience. This seamless connection that Tesco created was thus able to leverage the suppliers and the upstream channel partners. This has been the sole reason why TESCO has been the top global player in multi-channel retailing.

The case study of the three different retailers illuminates different dimensions of the multi-channel integration. It offers insights into meeting the challenges faced by retailers during channel integration. The case studies show that Business Model transformation requires everything from organizational restructuring to capacity building to proper network building to market adaptation. One of the research question consisted of challenges faced by retailers to integrate their online and offline business models. The issues and challenges were mentioned in chapter 3.3.4 where references from authors like Chu & Pike (2002), Yousept and Li (2004), Bahn & Fischer (2003) was used. These authors focused mainly on various issues faced by retailers during multi-channel integration, especially focusing on issues related to channel structures and serving customers seamlessly across channels.
In the table below a summary of the challenges and a possible suggestion for overcoming these challenges are included.

<table>
<thead>
<tr>
<th>Key Issues</th>
<th>How it creates a challenge</th>
<th>What can be done to overcome the challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordinating organizational Structures</td>
<td>Traditional structures were developed to fulfill the needs and demands of the brick and mortar channels, the infrastructures like transportations, warehouses, inventories and stores. When a new channel is added to this structure, it creates confusion in the order fulfillment of different channels from the same structure.</td>
<td>Any changes that affects the structure should be communicated to all level of employees, motivating them to support the change in the structure. With the choice of bringing new thing to the channel, retailers need to understand the underlying change required in the structure, for example change the way goods are stocked so that it enables employees to pick of online orders quickly.</td>
</tr>
<tr>
<td>Customer perceptions</td>
<td>Customers perceive online grocery shopping as less attractive, boring and complicated. They do not trust online retailers in terms of security, product freshness, product choices, delivery etc.</td>
<td>- By providing seamless shopping experience over any channels, reducing the process to check out, using encrypted methods of payment (Limayem et.al, 2000), allowing customers to particularly mention what type of product they prefer for example: more ripe fruits, gluten and or lactose free products and finally enabling customers more interactive shopping in any channels. Channels promotions in both offline and online channels.</td>
</tr>
<tr>
<td>Organizational capability ( in terms of resources and knowledge)</td>
<td>Traditional retailer despite wanting to implement online channel have challenges due to lack of finance, technologies or capabilities to integrate the different channels which requires detailed study of customer behavior.</td>
<td>- As the integration of data is a key challenge here, organization can use single source to identify customer behavior such as data from loyalty cards. This can also be extracted from the tools use to enhance CRM.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Another solution can be to partner with non-competitors as strategic alliance to develop capability.</td>
</tr>
</tbody>
</table>

*Table 4: Challenges and solutions to integrate Multi-Channel Business Models*
After analyzing the theories and the case studies some suggestions based on Heckman et. al. (2013) are suggested in the following sub-chapter 5.2 which answers our third research question.

6.2 Suggestions to Implementing multi-channel business models

Like rightly said by Muller-Lankenau et. al, (2006), it is difficult to observe the actual multi-channel strategy of retailers. In the earlier chapters we identified what were the different strategies that were being used and what were the factors of synergy between a 'brick and mortar model' and an e-commerce model. In our analysis we also observed three multi-channel retailers, who had adopted multi-channel business model. The case studies shows that Business Model transformation requires everything from organizational restructuring to capacity building, proper network building to market adaptation. These elements of business model transformations are closely related to the retail business model innovations that we discussed in chapter 2.4 Framework and multichannel integration where we discussed about Retail Format, Retail Activities and Retail Governance. To initiate integration of multi-channel model, Tesco has changed the process of activities affecting the formats, while Ahold has mainly focused on the Governance aspect of its elements to bring transformation in their traditional model. This can be observed by how, Tesco had been using its club-card data extensively to personalize its store's customer and use the same information for promoting sales for their online channels. Ahold on the other hand having built “Responsible retailing” used its chain networks and extensive involvement of suppliers to reduce carbon emission” (as stated in the annual report of Ahold 2012). Ahold also followed international acquisition and merger strategies to enter and grow in multi-channel model, which shows their incline towards developing the 'Governance' that, affected their traditional and online model. S-Chain however has implemented multi-channel model, both with the change of activities and governance, related to the format, though online channel hasn't been there since long as compared to Tesco or Ahold. S-Chain having a co-operative model is different in its implementations but we see that they too equal take the change in 'format', 'activities' and 'governance' hand in hand. As we studied these components are interconnected to each other, a change in one component would lead to direct or indirect change of other components. These components can be
alternatively summarized as business model elements, as the various elements discussed in the chapter 2.1.3 are just the distribution of these core elements. The following strategies are adapted from Heckman et. al. (2013) as following these strategies would effectively help to understand and transform the core components of retail business model in any channel.

**Restructure Organization:**
One of the key components to transform a business model at any given time is to recognize the market opportunities and the competition influencing the decision, and in order to adapt to changing scenarios it is highly important to re-structure the organizational structure. Restructuring is closely related to change of format structure, but restructuring also leads to change in the level of retail activities and change in retail governance.

Tesco for example always re-invented its models if it did not work. For instance, with the Tesco-club card, the bonuses were awarded to the frequent Tesco customers if the shopping exceeded GBP 10, however even though the club card gained momentum, it was not effective for the frequent visitors like students and older people as they often did their shopping below GBP 10; hence to adapt to this situation Tesco introduced Associate cards where two different account holders could merge their accounts and gain points. (Tesco annual statement cited in P. Louis, 2002). Tesco transformed its retail business model through efficient customer relationship management.

On the other hand, In one of the case companies, we found that due to being resistant to change or due to limitation understandings of the required change, companies were not able to flourish in their multi-channel approach. S-chain for example has been highly dependent in their centralized warehousing distribution system which has been successful for the 'brick and mortar model, but to adapt to the e- channel, they have failed to integrate their marketing, technology and communication, which is very essential. Like rightly said by Heckman et al. (2012, pg.10) "Process that exist in silos are the enemy of cross-channel integration" hence, retailers need to understand that customers prefer one single policy for all the channels, for example the flexibility to return goods at a store, which was purchased online. From what has
been observed and said, the complication in introducing a seamless shopping experience across channels starts with both the retailers and the customers. Retailers need to be able to accept change, and educate their employees and market and communicate to their customers. It is understood, that two different channels create conflicts among the 'brick and mortar model' and the e-commerce model, hence it is essential to have a centralized marketing department, format management etc. and a single centralized brand name that works in all different channels. (Heckman et al., 2012).

**Improving operations and Logistics:**
When adapting to a multichannel strategy, one of the most important issue that has to be addressed is the choice of delivery options that a retailer seeks to provide. This mainly includes format and activities. Format because it includes the choices of delivery options and activities includes the change of merchandise assortment in the online channels. Retailers have to decide between different delivery options. Home delivery and pick from sites are best options for grocery retailers. Home delivery comes with added cost of logistics and transportation, and requires customers to be present at the time of delivery. Also the delivery charges added to the customer's bill does not really fill the gap of increased cost. Hence, a key learning from the selected case companies is that it is cheaper and easier to set up pick-up or click and collect centers in different locations. Tesco and Ahold both have pick up points. Also retailers need to build capabilities that can easily assist in return and exchange policies. Retailers in addition, should also be able to provide real time inventory data to its customers, so that it enables real-time ordering and reserving of goods. Quicker and convenient delivery options, free shipping and returns (Heckman et al. 2012) are also key factors that will help retain customers in different channels.

According to James McCann (Chief Commercial and Development Officer, Ahold via youtube.com, cited 2014) using a mix of store, home delivery and pick up points has increased sales to 30% from the sales which were done only in stores. Also he mentioned that, when giving customers a choice, it can decrease the dollar spending in one channel (for example in the store) but increases the wallet share from the customer as a whole. This claim from Ahold shows that if you use channel mix
wisely, it might reduce initial dollar sales of one point of sale, but it will definitely increase the overall share of customer's spending.

**Building a common IT backbone**

As Heckman et al. (2012), mentions, in order for a retailer to have a true integrated multi-channel model, they should develop a single IT that is linked within all channels. For a seamless shopping experience customers should be allowed to find information about product availability in all the stores or chains in the nearby area. For this the retailers can make use of in-store kiosks, ERP (Enterprise Resource planning tools, (ibid.) and thus it is essential to have one common IT infrastructure. Also having the real-time inventory updates in stores and online will help integrate data further. In-addition, to integrate customers purchasing data, it is essential to develop one common IT infrastructure. Complex Integration of IT infrastructure overnight is not possible, but to start with, the retailers can use the same facilities that the brick and mortar stores used to send information about their inventories to the warehouses for replenishment.

**Using Customer Relationship Management as an advantage:**

After analyzing the case companies, it is evident that for a retailer customer relationship management is the single most strong element which keeps their business model, functioning. For a retail business model, it is essential not only to serve the customers, but to maintaining a sustaining relationship by continuously understanding them and their shopping behavior. This is highly related to the retail governance. Achieving high level of customer efficiency (Sorescu et. al. 2011) is the core strategy to retail governance. And the advent of internet has particularly made this easy, as it allows customers to search and buy products more conveniently than before. Retailers thus need to focus highly on CRM in order to bring a change to their business model.

All three case companies have some customer relationship management strategies. Each of the retailers uses their style of loyalty card to keep the customers glued to one of their retail chains. As was mentioned earlier, Tesco could stay ahead of its competitors due to its capability of staying ahead of its customers and using their purchase history to personalize and customize the promotions according to their
tastes. Ahold similarly uses bonus cards to provide point-based loyalty to its customers. S-chain also has the point-based bonuses but personalized promotions are not yet done by the S-chain.

If a retailer truly wants to integrate its cross channels operations, the tool that uses to understand customer buying behavior should be used in all the channels (Heckman et al. 2012, J. Zhang et. al., 2010).

**Reinventing Culture:**

Changing an existing business model that has been successfully operating for years is never a piece of cake. It needs rigorous efforts from the management team and the company owners. Changing a business model does not come handy only by changing the organization structure or understanding customers. The change is required in the whole corporate culture of the particular company. It is the willingness to adapt to new business models, make use of analytics, (Heckman et al. 2012:11). Tesco and Ahold, when they first started their online business, many thought that it would cannibalize sales, the model would not be successful, despite the e-commerce model being hyped. For this both the retailers, changed their business cultures. Ahold for example re-invented their corporate culture by adopting “Responsible Retailing strategy” which sought to provide equal and transparent product sourcing to customers. Also “Healthy living” was emphasized, for which it was essential for every employee to act accordingly. Thus Ahold provided equal opportunities to its employees, recognizing their contribution for attaining “responsible retailing”. It was the impact of cultural reshaping that enabled Ahold to achieve its “six-pillar strategies”. Similarly, When Tesco planned its online operations, the employees were reluctant at the beginning, as it affected sales per sq. However, as the online channel increased the market share and helped Tesco reach the vision of growing annually, the employees gave in to the change. Tesco, in addition to convincing its employees, also provided extensive training and development opportunities to its employees.

These companies took tough decisions at times, when there were numerous criticisms. New acquisition were made, new markets were entered in order to share learning and growth in the companies. There may be instances where the management needs to think completely out of the box, sometimes having to resize and retrench organization structure. The best culture to inhibit is a clear
communication channels across all levels. Not only senior management, but the employees at the retail stores should be able to see the corporate visions and goals.

**Developing a unified web-store:**

When a consumer is shopping for groceries from an online channel of a retailer, they expect to get at least the product information, same pricing and similar shopping experience. However, most of the retailers do not have an easy website. Many consumer research on e-commerce have identified that customers do not complete the online transactions. This is because of difficulty in product selection, check out etc. Also many retailers that have several product ranges do not have a common website. Ahold and S-chain for example have separate websites for all of their retail chains. Ahold however links to these websites from one single webpage, but S-chain has too many webpages. This type of configuration confuses customers. S-chain has hypermarkets in Finland, so if a customer wants to purchase grocery and non-grocery items from Prisma store, they will have to surf into two different websites. Multiple websites of a single retailer will divert the customers to a competitor’s website. Tesco on the other hand has one single unified website. This makes it easy for customers to shop online as the online store replicates the offline stores and customers can access different products from one single website. The sole reason to provide online channel is to provide time-saving and convenience. If these are not provided by the online channel, it is very likely that consumers will drop ordering from the online channel of the stores. In addition to unified websites, the web-stores should contain proper product information that is necessary for purchase of goods.

Retailing scenario has been changing and as mentioned earlier, retailers are adopting to multichannel models. But does it just end here, is going multi-channel the limit to retail business transformation?. The answer is no. As we see more and more consumers using their mobile devices such as tabs and cell-phones to do shopping, it has been essential for retailers to redesign their websites (theinternetretailing.com, internet retailing magazine, March 7, 2014), that are also mobile device friendly.

Paul Skeldon (from the internet retailing magazine) identifies that retailers need to reconfigure building their websites to touch friendly screens as customers are shopping on the go with these touch devices. Also mobile devices especially smartphones are the most intimate accessories of people these days. Shankar et al.
(2010) mention that it is the best alternative channel for virtual e-tailing. Shankar et al. also identify that as in 'brick and mortar model' the customers need to visit the stores, but through these mobile channels, retailers can promote their updates to consumers instantly.

The challenge is that retailers are slow in adapting to the changing scenarios, while customers are moving fast to tablets, retailers are still developing their websites for the PCs. hence the challenge is to move along with the pace of customers and redesign the web stores. However it is not as easy as we speak, because retailers like mentioned earlier face challenges of configuring their web-stores with the mobile devices. Retailers need to identify customer behavior towards channel choices, and design their channels according to the customer behavior analysis. Retail research (ING, Equity research, 2011) predict that the future of retailing is not only limited to just adapting to multi-channel approach, but working towards developing branding and Private label production. According to the researchers (ibid.) food retailers will have to change their traditional business models and with increasing trade through online channels, they will have to develop the ways they sell and deliver products to their customers.

6.3 Limitations of the Studies

The thesis paper tries to understand multi-channel integration rather from a broad perspective, and not being concise in one particular point, although it was thought that these various parameters of discussion would give an insight to retail businesses as how to move ahead with the channel integration dilemmas. In case studies cross examination can be done, but even when cross-verification of case studies is done, the generalization the results of case study is limited. Due to limited data and the size and populations of the data collected, the generalizations may not be 100% applicable in all scenarios. This is shown by the case companies selected in this thesis where the companies studied did not have similar demographics that they were serving, for example Tesco is a multinational retailer and therefore has more capacity and market understanding in implementing multi-channel business model, while S-chain isn't a multinational business and even if S-chain tried to adapt to Tesco's policy, it would be little too expensive for them due to scattered and far less
demographic market. Major limitation here was use of the secondary data, which had scattered informations and depending on the author's understanding, the data was extracted. Hence validity could be a biased as mentioned in the chapter 3.3 where the views are highly affected by the respondents (both the cases and the researcher’s opinions), and also because this thesis has attempted to generalize the strategies and process used by the case companies to provide suggestions as a whole. Todays’ vastly growing information technology sector is another challenge in framing the conclusion. The latest technology can be outdated in a matter of a second, and considering that here we are not able to draw any conclusion on what is the best business model in multi-channel scenario.

6.4 Managerial Implication

The way customers buy today is different from the way they bought yesterday and it will be different tomorrow. This consumer buying behavior has made it a necessity for retailers to adapt to multi-channel business model rather than a choice. To be in line with the competition, to retain the customer loyalty and to survive in the market, retailers need to continuously keep up with the changing process and trends. Also Just looking at the kids and youth today, we see that they are too engrossed with the various mobile devices. They spend most of their time with these devices. And these are the future customers that retailers will be serving. Hence, if retailers want to keep with these future customers, they need to change according to them.

When combining a 'brick and mortar' with e-business model in retail business, the retailers should keep in mind, different customer touch points, through which customers can interact with the retailer and develop capabilities by investing in success. Another key challenge is that consumer's spending has decreased due to the downturn economic events, but customers demand better and improved shopping experiences, expecting retailers to provide services that cross all limitation such as the time barrier, the location barrier, the product sourcing and distribution barrier at a cheaper price and improved quality of services, and to fulfill these the retailers need to invest in newer technologies, newer services, and newer skills which is going to increase cost.
Retailers need to understand the consumer behaviors in order to truly implement Omni-channel retailing, without making differentiation in the channels they serve. Seamless data integration across all channels is required to truly understand customers. For this the retailers can use different CRM tools to collect and analyze data. Identifying key elements that are crucial in success of each business model and combining these key elements to produce seamless shopping experience. Retail managers need to understand that the world keeps on changing with or without them. Retailers need to exercise change in the entire organization. Also it is understood that with traditional resources only, newer capabilities cannot be built hence, retailers need to hire right persons with right skills. For example an IT person to design a strong web-store. Although the IT professional might not have any clue regarding retail business, they are expert in their respective field of operations.

We’ve mentioned now and then, that adapting to a multichannel approach is a major change exercise, Hence it is essential for every single member of the organization to align with the multi-channel vision. The Executive teams should understand and buy in the idea that: multi-channel adaptation is good for the growth of the organization. If the retailer truly wants to adapt to multi-channel model they need to believe in the strategy and drive their actions with right behaviors. Also Retailers need to avoid cross channel conflict by following consistent policy across all channels. The Retailers should invest in new technologies, infrastructure and newer skilled resources. If the retailers find it difficult to fulfill their multichannel orders through their traditional warehouses, they can/should invest to in facilities that serve all channels and all purposes. It is possible that the investment is huge in the initial phase, but building capacities is the best way to grasp the market. Also today or tomorrow the retailers will have to ultimately give in to the challenging trends, hence it is wise to start early before the competitors outwit you with their innovative technologies. If however the retailers would like to keep their store model in the center of their business model, they should clearly understand what factors drive customers to the stores and enhance those attributes in their stores while allowing other channels to influence cross channel shopping. Also providing exciting shopping in-stores and engaging customers allows retailers to influence customers to continuously visit the stores.
In a retail business, the operation matters the most. Hence, the retailers should get the operations right every time, especially when adapting to multichannel strategies. Getting the people deliver products the right way every-time is a successful way to retain customers.

6.5 Future Studies
Retail businesses has adopted channel structures from different dimensions; however retailers still find it a problem to properly integrating channels. This thesis attempted to study multi-channel integration from the perspective of business elements and checking the applicability of integrating elements of brick and mortar elements with e-tailing elements. This thesis however, has not been able to define and identify concrete method to suggest seamless transformation and integration of retail business models. In the future, researchers can focus on identifying a common formula or procedure that will help the retail businesses to integrate their multi-channel seamlessly especially for mobile commerce and e-commerce. It would be helpful for managers and researchers to identify a Business engineering process which is helpful for all touch points as discussed in chapter 3.3.4., and thus introduction of new touch point would not be a challenge in the integration process.

To conclude, retailers should continuously involve in innovating their strategies, business model and process, like done by Tesco- Home plus in Korea. Innovation is key to achieving market growth and developing within markets. And the retailers should not force their consumers but rather make all the available options equally easy. For the retailers governed by cooperative principles, they could provide unique value by providing out of the league services to its customer cum owners. This requires high level of governance system which ensures employee commitment. A business model approach that utilizes the maximum linkage between the format, activities, and governance (Sorescu et. al, 2003) can effectively integrate both offline and online channels. Because ultimately the transformation in the business model includes bringing about changes in these three core elements. Properly coordinating all these activities would lead to proper channel linkages and this would thus help enhance the multi-channel presence.
REFERENCES


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### APPENDICES

**Appendix 1: Top 25 retailers in Europe**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailer</th>
<th>Headquarter</th>
<th>Turnover in Europe 2012 in Billion €</th>
<th>Germany</th>
<th>S.No.</th>
<th>Retailer</th>
<th>Ranking</th>
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<tbody>
<tr>
<td>1</td>
<td>Schwarz</td>
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<td>1</td>
<td>1</td>
<td>Schwarz</td>
<td>1</td>
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<td>2</td>
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<td>2</td>
<td>Aldi</td>
<td>4</td>
</tr>
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<td>3</td>
<td>Rewe</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Aldi</td>
<td>Germany</td>
<td>55</td>
<td>4</td>
<td>4</td>
<td>Metro</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>Rewe</td>
<td>Germany</td>
<td>49.7</td>
<td>5</td>
<td>5</td>
<td>Edeka</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Metro</td>
<td>Germany</td>
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<td>6</td>
<td>6</td>
<td>Tengelmann</td>
<td>21</td>
</tr>
<tr>
<td>7</td>
<td>Edeka</td>
<td>Germany</td>
<td>45</td>
<td>7</td>
<td>7</td>
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</tr>
<tr>
<td>8</td>
<td>L.Leclerc</td>
<td>France</td>
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<td></td>
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<td>11</td>
<td>11</td>
<td>Sainsbury</td>
<td>11</td>
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<tr>
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<td>12</td>
<td>Morrisons</td>
<td>12</td>
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<tr>
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<td>Systeme U</td>
<td>France</td>
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<td>13</td>
<td>Kingfisher</td>
<td>19</td>
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<tr>
<td>14</td>
<td>Migros</td>
<td>Switzerland</td>
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<td>14</td>
<td>14</td>
<td>Marks &amp; Spencer</td>
<td>24</td>
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<tr>
<td>15</td>
<td>IKEA</td>
<td>Sweden</td>
<td>19.9</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>16</td>
<td>Mercadona</td>
<td>Spain</td>
<td>19.1</td>
<td>16</td>
<td></td>
<td></td>
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<td>16.5e</td>
<td>17</td>
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<td></td>
<td></td>
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<tr>
<td>18</td>
<td>El Corte Ingles</td>
<td>Spain</td>
<td>16e</td>
<td>18</td>
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<td>12.1</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>A.S. Watson</td>
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<td>9.8</td>
<td>22</td>
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<td></td>
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<td>Casino</td>
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<td></td>
<td></td>
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<tr>
<td>24</td>
<td>Marks &amp; Spencer</td>
<td>UK</td>
<td>8.3</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>25</td>
<td>PPR</td>
<td>France</td>
<td>8.3</td>
<td>25</td>
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</table>

### Appendix 2: Online score of UK retailers

<table>
<thead>
<tr>
<th>S.No</th>
<th>Retailer</th>
<th>E-channel Score</th>
<th>Web</th>
<th>Mobile</th>
<th>App</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tesco</td>
<td>80%</td>
<td>84%</td>
<td>79%</td>
<td>77%</td>
</tr>
<tr>
<td>2</td>
<td>Marks &amp; Spencer</td>
<td>84%</td>
<td>88%</td>
<td>82%</td>
<td>83%</td>
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<tr>
<td>3</td>
<td>ASDA</td>
<td>76%</td>
<td>81%</td>
<td>78%</td>
<td>71%</td>
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</tbody>
</table>

[http://econsultancy.com-fi/blog/63528-10-interesting-online-marketing...](http://econsultancy.com-fi/blog/63528-10-interesting-online-marketing...)

### Appendix 3: Top retailers in Netherlands and UK

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailer</th>
<th>Turnover in 2011 in Million €</th>
<th>Nr of stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ahold</td>
<td>10,510</td>
<td>759</td>
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<tr>
<td>2</td>
<td>C1000*</td>
<td>3,990</td>
<td>422</td>
</tr>
<tr>
<td>3</td>
<td>Jumbo*</td>
<td>3,240</td>
<td>263</td>
</tr>
<tr>
<td>4</td>
<td>Aldi</td>
<td>2,660</td>
<td>480</td>
</tr>
<tr>
<td>5</td>
<td>Emté (Silgro)</td>
<td>2,420</td>
<td>130</td>
</tr>
<tr>
<td>6</td>
<td>Plus</td>
<td>1,910</td>
<td>270</td>
</tr>
<tr>
<td>7</td>
<td>Lidl(e)</td>
<td>1,650</td>
<td>270</td>
</tr>
<tr>
<td>8</td>
<td>Super de Boer</td>
<td>1,630</td>
<td>20</td>
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<tr>
<td>9</td>
<td>Makro</td>
<td>1,239</td>
<td>17</td>
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<tr>
<td>10</td>
<td>Dirk vd Broek</td>
<td>1,200</td>
<td>99</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailer</th>
<th>Turnover in 2012 in Million €</th>
<th>Nr of stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tesco</td>
<td>49705</td>
<td>2979</td>
</tr>
<tr>
<td>2</td>
<td>Sainsbury</td>
<td>27060</td>
<td>1012</td>
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<tr>
<td>3</td>
<td>Asda</td>
<td>23000</td>
<td>533</td>
</tr>
<tr>
<td>4</td>
<td>Morrison</td>
<td>20556</td>
<td>504</td>
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<tr>
<td>5</td>
<td>Co-operative</td>
<td>15800</td>
<td>3000</td>
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<td>6</td>
<td>Kingfisher</td>
<td>11083</td>
<td>455</td>
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<td>Marks &amp; Spencer</td>
<td>10220</td>
<td>766</td>
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<td>8</td>
<td>John Lewis</td>
<td>9540</td>
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<td>9</td>
<td>Boots</td>
<td>7520</td>
<td>3100</td>
</tr>
<tr>
<td>10</td>
<td>Home Retail</td>
<td>6390</td>
<td>1090</td>
</tr>
</tbody>
</table>

* = Jumbo acquired C1000 in 2011

e = estimate. 2012 data are the latest available data for comparisons

2011 data are the latest available data for comparisons
Appendix 4: Business model of Tesco (www.tescoplc.com)

Business model of Ahold (www.ahold.com)
Appendix 5: Questionnaire for Project director (S-chain)

1. Hello Sir, before we start can you give a brief introduction about yourself and the position you hold.
2. Can you please give a brief introduction to S-chain and how it operates?
3. How do you see online business model of S-chain?
4. What customer value do you seek to provide through online business?
5. What are the key resources of online business?
6. What are the key activities of online business?
7. What is revenue model for your online business?
8. Is online channels used only to provide information to customers, or is it used as an additional channel to sell goods.
9. What is the coverage of online channel of S-group currently?
10. How do you see online channels adding differentiations/ competitive advantage to the current business model?
11. Is online shopping via a mobile device possible in S-chain?
12. What are the challenges to implementing digital business?
13. How are delivery of goods coordinated for online orders?
14. How important do you perceive a brand name in online business?
15. Is the online business run as a separate entity or integrated business?
16. There are different store formats under Arina group and the S-chain, so how is the online business coordinated among these stores?
17. How is the data integrated about inventories at different locations?
Appendix 6: Interview with Marketing Head) Arina Group

Questionnaire

1. What is Arina Group?
2. What are the different Retail chains under Arina Group?
3. How would you define a Retail Business Model?
4. What is the format of the retail chains of Arina Group? What are the different formats of Retail stores under the Arina Group?
5. What are the key activities of the retail chains?
6. What is the fundamental retail governance of the Arina Group?
7. How is Arina's Business Model differentiated from its competitors?
8. What customer value propositions has Arina chains provided to its customers that is different from the competitors?
9. What is the role of technology, market competition and network in defining the business models of a company?
10. What are the different channels used by the Retail chains of Arina group?
11. What is the approach towards different channels?
12. How are the inventories and stocks managed at the stores? What technological infrastructure do you use to update your stock levels?
13. How is the warehouse managed?
14. So do you face competition among your own chains?
15. What is the most challenging situation in a ‘brick and mortar model’?
16. I understand that SOKOS has outsourced its online channels? How is it with Prisma and other grocery chains?
17. Why is online grocery shopping not available in Northern Finland?
18. If there was online grocery shopping in Northern Finland, what would be the elements that need to be integrated between online and offline channels?
   What should be brought together to operate as an Omni-channel
19. How do you view the retailing business in 10 years from now? What would be the driving element to change?
20. Customers these days are more technology savvy, and use their mobile devices for information search, shopping on the go etc. How do you think is this affecting the business model of Arina.
Appendix 7: Interview with President) S-chain

Questionnaire

1. Does the retail chains have Multi-channel format?

2. How are the multi-channel operated? Are the channels integrated or operated as a separate entity?

3. What are the key Challenges to operating a multichannel, especially through online and offline?

4. How is the delivery of online orders facilitated? In-store, centralized warehouses, or automated delivery centers?

5. Are the customer segments different in online and offline channels?

6. How do you create seamless shopping experience across channels?

7. Customers these days are more technology savvy, and use their mobile devices for information search, shopping on the go etc. How do you think is this affecting the business model of S-chain.

8. How important is it for a retailer to adapt to a multichannel environment?

9. How is data integrated among different channels?

10. What are the changes needed to adapt to a multichannel environment.

11. How do you view the retailing business in 10 years from now? What would be the driving element to change?

12. How does the organization structure change when adopting Multichannel business models?

13. In a retail chain or cooperative retail business there are different franchise shops operating under a single brand or management? What are the challenges to integrate multi-channeling in this type of retailing structure?