UNDERSTANDING THE ROLE OF THE PHYSICAL STORE IN A MULTI-CHANNEL DISTRIBUTION STRATEGY

One of the many expectations created by the Internet was that retailers would no longer be required to have physical stores, or at least would be able to expand into new markets without adding a physical presence. Today, the trend appears to be the reverse. As one example, L.L. Bean, a well-known mail order company, recently announced its intention to open retail stores in Canada. Direct shopping (mail order and online shopping) continues to represent a tiny proportion of total retail sales in Canada.

Data from Statistics Canada (2004) presents a picture of connected Canadians with 64 percent with access to the Internet and 65 percent connected through a high-speed connection. Canadians were relatively quick to adopt the Internet for information gathering and banking, however, Canadian consumers have traditionally been less likely to shop through catalogues than Americans, so it is not unexpected that they would be slower to adopt online shopping. There have been studies exploring consumer attitudes and behaviour in one channel but there are relatively few that examine Canadians’ browsing and shopping behaviours and attitudes across the three channels.

This research will present data on their browsing and shopping behaviour and then proposes a model in which the physical store acts as a warranty to reduce risk in mail order catalogue and online shopping. It is important for the retailer to understand the role of the physical store in their overall distribution strategy so that they can more effectively and efficiently manage the costs associated with multiple channels.