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Multichannel Challenges of Finnish Retailers

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Abstract:

The present research attempted to explore the challenges Finnish retailers face in their multichannel business environments. The study aimed to reveal what types of challenges Finnish retailers confront in managing of their multiple channels and in providing a seamless multichannel customer experience. The research sought to find out the ways of overcoming multichannel challenges. The theoretical background of the thesis was based on the concept of multichannel retailing. The empirical part of the thesis was conducted with the help of a qualitative research method. The data collection method for this study was an expert interview. Three expert interviews with the representatives of Finnish retailing companies operating in ICT sector were conducted. The retailers were asked questions related to the challenges they face in their multichannel retailing. The research results showed that retailers deal with such challenges as channel integration, channel migration, direct to consumer and changing role of brick-and-mortar store. The study explored the ways Finnish retailers overcome the challenges of multichannel retailing.

Keywords:	Multichannel, retailing, challenges, online store, brick-and-mortar store, channel migration, direct to consumer
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Tiivistelmä:

Opinnäytetyön tarkoitus on tutkia monikanavaisen kaupan haasteita, suomalaisten vähittäiskauppiaiden keskuudessa. Tutkimus yrittää kertoa monikanavaisen kaupan haasteista, joita suomalaiset vähittäiskauppiaat kohtaavat heidän liiketoiminnassaan tarjotessaan johdonmukaisia asiakaskokemuksia ja ratkaisuja näiden haasteiden voittamiseksi.

Tutkimuksen teoreettinen viitekehys perustuu monikanavaisen kaupan konseptin kertomiseen. Tätä seuraa tutkimuksen empiirinen osuus, joka suoritettiin kvalitatiivisella tutkimusmenetelmällä. Tutkimuksen syvähaastatteluja varten haastateltiin kolmea Suomen ITC sektorilla toimivan yrityksen johtotehtävissä olevaa henkilöä.

Haastattelukysymykset koskivat haasteita, joita yrityksillä on ollut monikanavaisessa kaupassa. Tutkimus osoittaa, että suomalaisille vähittäiskauppiaille tyypillisiä haasteita ovat kanavien integrointi, kanavien migraatio, myymälän roolin vaihtuminen ja valmistajien suoramyynti kuluttajille. Tutkimus kertoo myös tapoja ja toimenpiteitä, joiden avulla yritykset voivat voittaa monikanavaisen kaupan haasteet.

Avainsanat:	Multichannel retailing, online store, brick-and-mortar store, channel migration, direct to consumer, monikanavainen kauppa, verkkokauppa, kanavien integrointi
Sivumäärä:	
Kieli:	Englanti
Hyväksymispäivämäärä:	

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1 INTRODUCTION

Not long ago planning and buying your holiday destination meant going to the travel agency's office, sitting in the long queue of tired customers and buying the travel package the travel agent wanted you to buy. Since the advent of the Internet and new technologies the world has changed a lot.

Now we are in the era when we buy whatever we want and wherever we want just by making several clicks in our laptops or mobile phones. Nowadays we have Facebook, Trivago, Instagram, Twitter, Google, YouTube and many others, which became an integral part of our lives. We may choose to buy from many different options, we compare prices, report our feedbacks and share our experiences instantly on the web.

Modern consumers are more knowledgeable and powerful than ever before, because they can easily access information and buy from many various providers. For this reason, the competition in retail business is getting more and more intense. Companies are constantly searching for new ways of making business and distributing their products in order to satisfy their customers' needs.

Place to do business has moved to online. New technologies have opened up new possibilities to customers as well as to companies and at the same time they have brought new challenges to retailers.

This thesis investigates the challenges companies confront in their multichannel retail business. In the following chapters the concept of multichannel retailing will be defined, the variety of multiple retailing channels will be described and the challenges of multichannel retailing will be presented. The research would benefit single-channel retailers as they could get acquainted to the multichannel challenges in advance before making important decisions about their multichannel offerings.

1.1 Statement of the Problem

Market forces are diverting businesses more to online all the time. Online and mobile solutions offer wider product ranges, lower prices and the possibility for 24/7 shopping compared to traditional form of shopping in a physical store. In order to stand out of a severe competition companies should have many retailing channels to serve their customers.

Technological developments are driving today's customers to be more demanding as customers are getting more and more empowered and demand products and services everywhere and any time they want. Their requirements are constantly changing and they are requesting the same product to be available through different channels with the same conditions.

The development of new technologies changed the way business is done in retailing. In the atmosphere of intense competition companies need to be very innovative and flexible in order to win customers to their side. Businesses need to be able to quickly adapt new technologies better than competitors do. Besides, they are challenged to invest in new technologies, though they help them improve customer experiences and attract more customers.

In today's multichannel business environment retailers have to deal with a number of challenges. In addition to understanding multichannel consumer behaviour and investing in technologies, they have to understand the evolving role of their physical and online stores. The retailers need to integrate their traditional channels with their online channels in order to meet customer expectations, as the channel integration gives companies a possibility to provide new type of experiences for their customers, which combines online and offline worlds. Therefore, in order to succeed in the atmosphere of this highly competitive retailing environment companies need to understand all these challenges and be able to deal and overcome the difficulties.

1.2 Background, Motivation and Need

As it has been mentioned already, new technologies have both opened up new opportunities to do businesses as well as brought new challenges for retailers. The number of channels customers could use to make purchases is increasingly growing. Modern customers are able to freely access, compare, choose and buy from various channels.

In this competitive multichannel environment retailers need to understand the preferences of their multichannel consumers and try to satisfy their rapidly changing needs. Retailers have to invest and then shortly adapt new technologies and provide all the channels customers want to buy from. Besides, companies need to find an optimal multichannel mix in order to create synergies across different channels in use. They need to provide seamless customer experiences while consumers freely move between different channels.

In Wilson et al. opinion (2008) channels are still one of the least well exploited areas of organizational effectiveness, that are underestimated in their significance by many companies. The author of the present thesis is engaged in multichannel retailing business and regards the subject of multichannel retailing and its challenges as an actual one. For these reasons the chosen topic is considered worth of thorough investigation.

1.3 Purpose of the Study

The purpose of the study is to explore the challenges retailers face in their multichannel retailing. The study seeks to reveal what types of challenges the retailers confront in managing of their multiple channels in order to meet their customers' expectations. The research attempts to provide an insight on the challenges the Finnish multichannel retailers face in using their channels synergistically and providing a seamless multichannel customer experience.

This study will assist companies in developing and constructing their multichannel approach. This research will help companies to understand how the usage of multiple channels can increase their revenues and improve their customers' shopping experience. Newly established retailing companies will benefit from the study as they could learn about multichannel challenges in advance and try to avoid their occurrence. Besides, by using the information on multichannel retailing provided in this study, retailers can take advantage of the benefits and overcome the limitations of multiple channels to satisfy more customers.

1.4 Research Questions

Putting the right research questions make it possible to better understand the research objectives and build the proper structure of the thesis. The present study endeavours to provide answers for the following questions:

1. What types of challenges Finnish retailers face in their multichannel business environments?
2. What are their ways of overcoming multichannel challenges?

1.5 Limitations of the study

Retailing is the industry that is constantly changing and evolving. The concept of multichannel retailing is broad. It involves many different channels designed to interact with the customers. With the rapid development of the Internet and other technologies there are more retailing channels to enter our lives. Consumers and their preferences are also becoming highly diversified.

The concept of multichannel retailing involves many various issues. There are number of challenges multichannel retailers face in their businesses. The challenges retailers encounter in their multichannel businesses are subject to change depending on the type of their industry. Due to complexity of the research subject not all possible challenges are included in the scope of the present study.

Besides, the present research was conducted only from the retailers' perspective on the subject and it didn't include all the other aspects of the concept. Moreover, as previously mentioned the research was limited to the retailers operating in ICT field in Finland. For these reasons, the results of the present research cannot be generalized.

1.6 Structure of the Study

The present thesis consists of five chapters: Introduction, Research Design, Theoretical Framework, Empirical Study and Conclusion. The structure of the thesis is illustrated in Figure 1.

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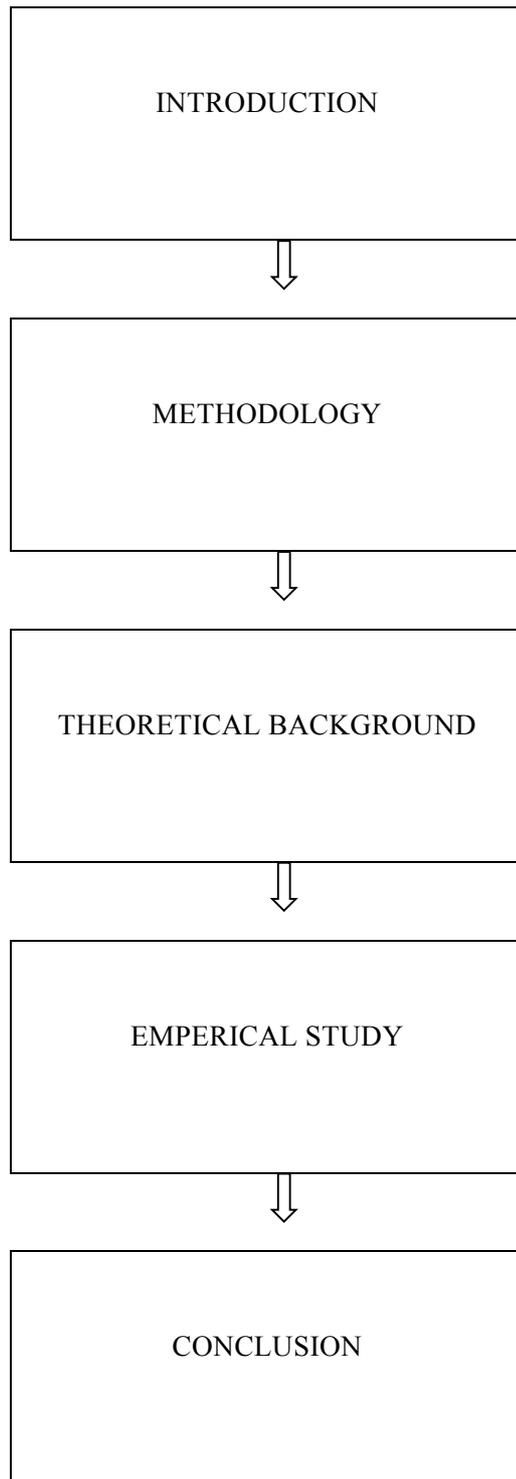
FIGURE 1. Structure of the study

The first chapter of the study introduces the subject of the thesis and explores the research problem. It also provides information concerning the background, motivation and need of the research. In addition, the first chapter of the thesis presents the purpose of the study and defines the research questions. Besides, the section describes limitations of the study and structure of the thesis.

The second chapter is the methodology part of the thesis. The chapter starts with description of research design and methodological approach used to conduct the thesis. The methodology part continues with the presentation of the methods used in the given research. The second chapter concludes with description of data collecting and analysing methods.

The third chapter is the theoretical framework of the study. The theoretical section starts with the introduction to retailing and defining the concept of multichannel. The chapter describes the variety of multiple retail channels and presents the benefits of these channels. Further, it provides the background for understanding multichannel consumers. Finally, the chapter addresses the question of the challenges multichannel retailers encounter in today's business and their ways of overcoming these challenges.

The fourth chapter is the empirical part of the study. The empirical part of the study presents the interview findings concerning the challenges Finnish retailers face in their multichannel business environments and their ways of overcoming these challenges.

The last chapter of the thesis is a conclusion. The conclusion starts with the presentation of research results followed by discussion of future research challenges. The fifth chapter of the present thesis concludes with the presentation of managerial implications.

2 METHODOLOGY

The present section of the study discusses the methodology used to conduct this study. The section starts with the description of research design of thesis. It continues with explanation of the choice of methodological research approach and the methods used in the present study. The section ends with the description of the methods of data collection and analysis.

2.1 Research Design

The below-presented steps were used to construct the research design for this study:

1. Literature scanning: scanning of the literature related to the concept of multichannel retailing and challenges of multichannel retailers.
2. Development of the research tool: development of the Interview guide (Appendix 1) based on the themes identified from the literature.
3. Expert interviews: discussion of the challenges Finnish retailers face in their multichannel retailing and their ways of dealing with these challenges.
4. Analysis of the data: analyzing of interview findings and their presentation.

2.2 Methodological Approach

The research approach chosen for this study is a qualitative research approach. Bryman and Bell point out (2011, p. 403) that a qualitative research approach provides a detailed account of what goes on in the setting being investigated. Hair et al. state (2002, p. 213) that in a qualitative research generalizability of results is very limited as data analysis is normally restricted to very subjective content. With the help of a qualitative research approach the interviewer is able to find out information about insights, feelings and ideas of the interviewed persons.

A qualitative research approach was chosen for this thesis on the basis of the purpose of the study and research questions. This study adapted a qualitative research approach aiming at exploring the challenges Finnish retailers face in multichannel retailing. Besides, the thesis author aimed to find out information concerning retailers' vision towards the ways of overcoming multichannel challenges.

For these reasons the chosen research approach is regarded as useful by the author of the present thesis. The choice of the qualitative research approach for this study is also explained by the fact that it involves small sample and relatively short time frames for data collection.

2.3 Methods Applied

The theoretical background of the thesis was obtained mostly from books, articles and online sources appropriate for this thesis.

In-depth expert interview was chosen as a method to collect data for this study. Hair et al. (2002) define in-depth interview as a formalized process in which interviewer asks a set of questions in a face-to-face setting. In-depth interviewing allows the researcher to collect both attitudinal and behavioural data from the subjects that comprises all time frames (past, present and future).

After studying the literature concerning the theories and concepts of multichannel retailing and identifying the main themes related to multichannel challenges, the interview guide was designed by thesis author. The interview guide is presented in the Appendix 1 of the thesis.

The interview guide was developed with the help of thesis supervisor. The interview questions were thoroughly considered and formulated based on the research questions and purpose of the study. The guide was sent to thesis supervisor for comments and was amended on the basis of the feedback received.

Prior to the interviews the guide was tested. The interviewee chosen for guide testing was Finnish retailer, The Left Shoe Company, operating worldwide in men's fashion industry through multiple channels. The main business idea of the company is selling men's tailor made shoes. Nevertheless the testing of the interview guide went successfully and provided sufficient data, it was decided not to include this company in the scope of this research, as the other interviewees selected for this study belonged to ICT sector.

2.4 Data Collection

The primary data necessary for the study was collected with the help of face-to-face in-depth interviews with the experts in their fields. Altogether three interviews were conducted during November 2015. The interviews took place in the companies' facilities in Helsinki, Finland. All interviews lasted for about an hour.

As mentioned before, the interviews were conducted with the representatives of three Finnish retailing companies operating in Information and Communications Technology (ICT) sector, though initially it was planned to interview retailers operating across various sectors. The research was limited only to ICT retailers for the reason that only companies involved in this sector agreed to be interviewed. All together 7 retailers from different business sectors were contacted by the author of the thesis. For the interviews companies were chosen on the basis of the fact of having at least two retailing channels: brick-and-mortar and online store.

The interviewees were the experts with long experience working in the leading roles in their companies, as the aim of the interviews was to research the subject from the Finnish retailers' point of view and gather in-depth information about their current challenges in managing their multiple channels. The interviews were conducted with individuals in a range of roles from CEO to online store managers.

All of the interviewed retailers sell IT products through multiple channels such as brick-and-mortar store, online store and direct selling. The companies surveyed operate in Business-to-Consumer and Business-to-Business fields. The descriptions of the companies interviewed are presented in the Appendix 2 of the thesis.

During the interviews some questions included in the Interview guide were adjusted based on the channels the company has, besides, some questions were skipped as were considered as irrelevant to ask.

2.5 Data Analysis

All interviews were tape-recorded by the thesis author. Later, the data obtained from the interviews was transcribed and sorted out based on the themes. The data of the study is presented in the fourth section of this study. After the data had been collected, the information received was analysed and conclusions were drawn out. Conclusions are presented in the fifth part of the present thesis.

3 THEORETICAL FRAMEWORK

The theoretical framework of the study starts with the introduction to retailing and defining the concept of multichannel retailing. It follows with the description of the types of multiple retailing channels, multichannel consumer behaviour and benefits of multichannel. The chapter finishes with the presentation of the challenges retailers face in multichannel business environment.

3.1 Introduction to Retailing

Levy and Weitz (2012, p. 6) define retailing as the set of business activities that adds value to the products and services sold to customers for their personal or family use. Retailers are the intermediaries in distribution channel. Retailers usually buy products from producers or wholesalers and sell them to end-users. Levy and Weitz (2009, p. 7) state that retailers add value to products with their expertise of sales and market knowledge and their ability to be close to customers.

In the past decades retailing has changed a lot. Due to the rapid development of the Internet businesses and consumers embraced the concept of multichannel retailing. Nowadays retailers have a possibility to sell through many different channels. Modern consumers are more demanding than before, they opt to select and buy from various channels.

3.2 Multichannel Retailing

There are many various definitions of multichannel. According to Wilson et al. (2008) the term multichannel is used to define the use of multiple channels in order to provide access to an organization for the customer. Multichannel is used to describe all multiple different routes by which customers and businesses interact with each other. These comprise both online and offline channels.

Kotler and Armstrong (2005, p. G-6) explain multichannel as a distribution system in which a single firm sets up two or more marketing channels to reach one or more customer segments.

Arikan (2008) states that multichannel business is one that interacts with its customers through multiple media, for instance, through a telephone, store and website. Madaan (2009) agrees with the above-mentioned definition and points out that the term multi-channel retailing is applied when retailers use online retailing, kiosks, catalogues and other channels in addition to the store-based formats. If a retailer is using more than one channel for offering products and service, it is also termed as multichannel retailing.

According to Wakelin (2014) the term multichannel refers to the experience of a customer who shops using multiple channels such as website, social media, brick-and-mortar stores and mobile applications. A multichannel retailer may adopt two or more channels to engage their customers, however, they are not focused on driving a consistent message across each channel. Rather, they are more focused in simply engaging their customers across multiple touch-points.

Poloian (2009, p. 3) explains multichannel retailing as a B2C model that integrates store, direct marketing, direct selling, online and other electronic methods to transact business with customers globally. As for Krafft and Mantrala (2006, p. 176), they interpret multichannel concept as including all ways in which the consumer can contact a retailer or a retailer can contact the consumer.

As could be seen, there are many definitions of multichannel. Some authors refer to the concept as to multichannel, others interchangeably use the term of multichannel retailing. However, the majority of the authors agree that multichannel is about the interaction with the customer through many different channels. The characteristics of the different channels are presented in the following section.

3.3 Retail Channels

According to Levy and Weitz (2012, p. 58) a retail channel is the way retailers sell and deliver products and services to their customers. As well as customers, channels are very important for the businesses. Their importance is increasing as more and more channels become available in different forms. They provide more options for interaction between companies and customers.

3.3.1 Online Channel

Online channel is a retail channel where product and service offerings are communicated to customers by means of the Internet. Online channel or online retailing in different literature is also often called Internet retailing, electronic retailing and e-tailing (Levy and Weitz, 2012). The author of the present thesis will use the term "online channel" when referring to this channel.

Krafft and Mantrala (2006) point out that one of the main benefits of online channel is shopping 24 hours a day, 7 days a week that allows the Internet. Levy and Weitz (2012) emphasize that besides the convenience and safety, online channel has a potential to present a wider product selection and more personalized information about products and services compared to other channels. Online channel offers broader product options that customers can consider, which other channels couldn't allow due to the limited physical store's size or restricted number of catalogue pages.

Additionally, online channel makes it possible to provide customers with more timely information for evaluating merchandise and solve problems rather that just get information about specific products. Thanks to the interactive nature of the online channel, retailers are able to personalize product offerings for each customer economically, for instance, with the help of live chats by means of which customers can interact with customer service representatives. (Levy and Weitz, 2012)

Online channels capture customers who prefer to buy products from the Internet after getting acquainted to product descriptions allowing them to save purchasing time and transportation costs and to compare prices. However, traditional brick-and-mortar stores still attract loyal clients who have difficulty or are simply unwilling to buy products online. (Lu and Liu, 2012)

In online channel customers have possibility to make purchases through online store, mobile phone, mobile phone applications and social media. Besides, customers can access online channel through PC and tablets. According to PWC (2014) use of smartphones and tablets for making purchases is increasingly growing. In connection with this retailers need to adapt user interfaces of their online stores to mobile devices. Besides, they need to adapt the content, because customers use various devices for making purchases at different occasions. (PWC, 2014)

Social media is an important tool for brand communication and direct sales. The usage of social media in all stages of customer journey is rapidly growing. 29 % of the Internet users follow brands on social media, while 22 % of them report to be influenced by retailer's social media presence (Deloitte, 2014).

Through social media customers make purchases, follow their favourite brands or retailers, they interact with them and comment about their experiences with the brand. In order to succeed retailers need to constantly communicate via different social media platforms in order to have a unified communication line (PWC, 2014).

In addition, customers use Internet enabled devices for many different reasons - to discover new products and brands, to research on product price and availability, to complete purchase. Figure 2 shows for which purposes UK and German customers use their computers, mobile phones and tablets.
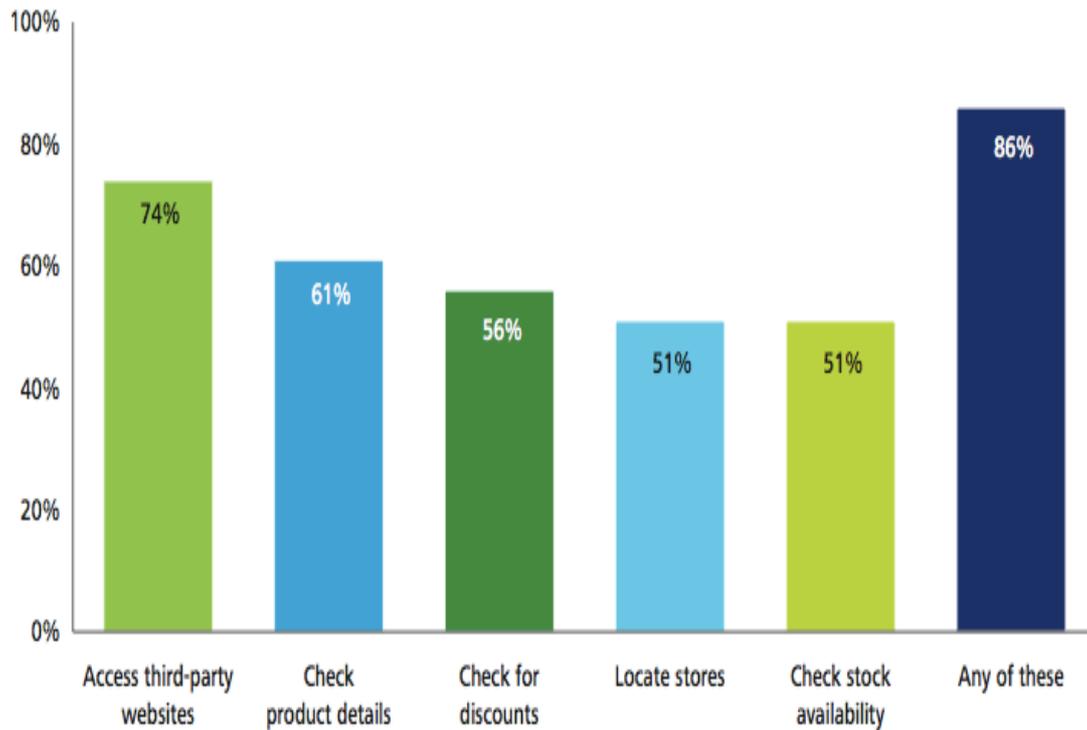
FIGURE 2. Proportion of customers who use the Internet in relation to shopping

Source: Deloitte Omnichannel Consumer Survey, 2013.

Figure 2 shows that 86 % of customers use computers, tablets and mobile phones for a wide range of activities related to shopping. The third-party websites such as product review sites and price comparison sites are used by 74 % of customers in relation to shopping.

3.3.2 Offline Channel

The term offline channel relates to brick-and-mortar retailers conducting businesses from traditional physically constructed facility. Different authors use various terms referring to this channel. For instance, Levy and Weitz (2012) refer to it as a store channel, Krafft and Mantrala (2006) imply to a stationary retail, Lu and Liu call it physical retailing, while Chaffey (2011) use the term brick-and mortar retailing.

Levy and Weitz (2012) emphasize that one of the largest benefits of offline channel is that customers have an opportunity to use all five senses, such as touching, smelling, tasting, hearing and seeing, when selecting products. Levy and Weitz (2012) also relate that the possibility for customers to make cash payment in physical store and browse for products inside the store is perceived as unique benefits by consumers.

Immediate gratification is that the customers get the purchase immediately after they have paid it and risk reduction that is concerned with the fact that customers are able to easily access sales people in store to resolve possible issues connected to the purchase are also considered as benefits of the offline channel (Levy and Weitz, 2012).

Offline channel provides customers added value of a retail service that is the outstanding feature of the conventional channel from online channel. Offline retailers can add greater value for some of the products by providing technical assistance, user guidance and after-sale service. This added value explains the facts why most consumers still prefer to buy products offline (Lu and Liu, 2012).

Pantano and Viassone (2015) agree that physical store is traditionally characterized by a large number of interpersonal relationships between customer and seller. As Levy and Weitz (2012) state although consumers often criticize personal service in stores, they still get personalized information on, for example, how a new suit looks good on them, etc.

3.3.3 Direct Selling

Poloian (2009, p. 50) defines direct selling as a personal form of selling that involves meeting with customers face-to-face. In direct selling products and services are marketed and sold to customers by independent salespeople. Products are also sold through in-home product demonstrations, parties and one-on-one selling.

Levy and Weitz (2012) state that direct selling is highly interactive retail channel where considerable information is given to customers through face-to-face discussions and where products and services are actively demonstrated and their benefits are explained. Direct selling is used in business-to-consumer and business-to-business settings. It is particularly effective in less developed countries.

3.3.4 Catalogue Channel

According to Levy and Weitz (2012) the catalogue channel is a non-store retail channel in which the retail offering is communicated to customers through a catalogue mailed to customers. This type of retailing is popular in USA. Levy and Weitz (2012, p. 59) indicate that about half of U.S consumers shop through catalogues each year. The main benefit of catalogue channel is its convenience as the information provided is easily accessible for a long period of time. The orders could be done from almost anywhere 24/7. Another advantage of catalogue channel mentioned by Levy and Weitz (2009, p. 74) is safety, meaning that security in store is an important concern for some customers and non-store channels enable these customers make purchases from a safe environment.

Poloian (2009, p. 53) identifies the following weaknesses of catalogue channel. First of all, customers encounter tactile and quality assessment problems when ordering from catalogues. Secondly, the cost of doing business increases when catalogue production and paper costs and postage rates rise. Besides, as Levy and Weitz (2012, p. 59) indicate some consumer groups believe that catalogues are an unnecessary waste of natural resources.

Nowadays catalogues' share of sales is declining compared to online channel (Levy and Weitz, 2012) and virtually all catalogue companies also operate in the Internet (Poloian, 2009). The role of catalogue channel is moving from primarily generating sales to encouraging customers to use online as well as offline channels (Levy and Weitz, 2012).

3.3.5 Television Home Shopping

Levy and Weitz (2012, p. 60) define television home shopping as a retail channel where customers make purchases of the products demonstrated through television program. The purchases are made usually by telephone, TV remote and via the Internet, because nowadays the largest home shopping networks have online operations.

According to Krafft and Mantrala (2006, p. 180) tele-shopping channel offers a convenience benefit, as it doesn't require physical or technical activity to visit stores. Levy and Weitz (2012, p. 60) discuss that the main advantage of this channel is that products can be seen by customers either on their TV screens or computer screens by means of the Internet. As they state, recently, television home shopping channel has adapted more demonstrations in their programming aiming to educate the potential customers and create more drama to attract more viewers.

3.3.6 Automated Retailing

The final retail channel to be discussed in the present thesis is called automated retailing**.** Levy and Weitz (2012) define automated retailing as a retail channel in which customers make purchases of products or services stored in a machine by depositing cash or using bank cards. Automated retailing machines that are also known as vending machines, are usually located in convenient, high-traffic or highly crowded locations. The largest portion of automated retailing sales comes from cold beverages, sweets and snacks. Besides, automated self-service stores offer to their customers such products and services as iPods, Sony products, cosmetics and DVD rentals. (Levy and Weitz, 2012)

3.4 Multichannel Consumer Behaviour

According to Poloian (2009, p. 20) customers are multichannel beings and demand relevant consistent experiences across all channels. Businesses need to adopt multichannel mind-set when listening to their customers In order to design channel chain and provide appropriate channels mix retailers need to understand how customers behave and use the channels.

Chaffey (2011, p. 65) describes modern multichannel customer behaviour where consumers use different media to select suppliers, make purchases and gain customer support as customer journey.

Wilson et al. (2008) emphasize that an increasingly empowered customers know what they want to buy and how they access products or services. To obtain the desired things they use several channels to interact with the provider in the course of individual journey. In order to make a purchase or to make a complaint, to review the product or to return it customers could use many various channels.

Customer behaviour is rapidly changing alongside with the technology development and appearance of new channel options. Today's customers are seeking out more convenient and appealing channel options, as they want interaction 24/7. Moreover, the same customer might need to be served by different channels in the same transaction.

Besides, multiple channels along with smartphone usage provide customers with more channels from which they can get information during the purchase decision process. Information derived from the store channel, website, mobile apps or social media can influence and shape customer preferences. (Brynjolfssson et al, 2013)

3.4.1 Cross-Channel Behaviour

As Wilson et al. (2008, p. 40) underline that modern customers enter the store with information derived from the store's website to make purchase that they could have made online. But still they complete their purchase at a kiosk. From the marketers point of view these customers exhibit cross-channel behaviour.

According to Arikan (2008, p. 8) cross-channel refers to the act of beginning a communication, or buying cycle, on one channel and crossing into another channel to continue it there.

Poloian (2009, p. 113) indicates that every year the number of customers researching online and buying offline increases. In accordance with one study 64 percent of survey participants searched products online before making a purchase in the preceding three months. 81 percent of the participants, people with higher incomes, went online before shopping in other channels. The survey results imply that the higher the income, the greater the likelihood that pre-purchase research will be done.

Poloian (2009, p. 113) states that by providing multiple channels and observing customer behaviour across channels gives the retailers an indication of the browse-buy relationship. Levy and Weitz (2009, p. 85) point out that though offering online channel in addition to other channels may lead to some channel cannibalization, but using it effectively with other channels may lead to customers making more purchases from a retailer. In other words it may lead to increasing share of wallet. The below-presented Figure 3 shows the multichannel shopping behaviour of customers.
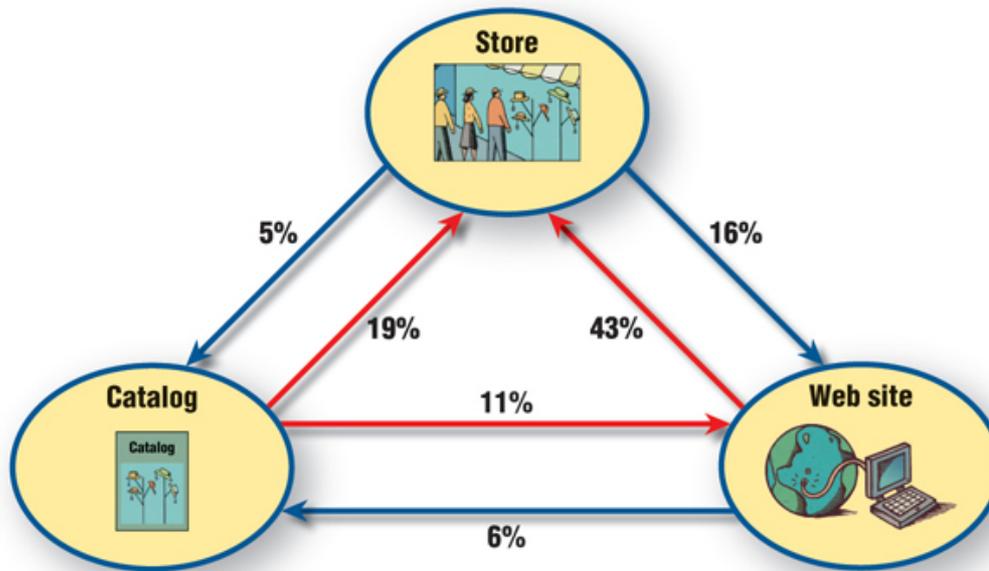
FIGURE 3. Percentage of cross-channel shoppers.

Source: Levy and Weitz, 2009

Figure 3 illustrates that forty-three percent of website browsers and 19 percent of catalogue browsers make purchases in retailer's store. 16 percent of store browsers end up buying goods in the website and 5 percent of store browsers choose to do shopping through catalogue channel. So, the online and catalogue channels drive more purchases to the stores and stores in their turn provide more purchases to the website. (Levy and Weitz, 2009)

3.4.2 Price Sensitivity of Multichannel Customers

Many people use online channels in combination with other channels for researching the product and comparing prices from different companies before purchasing. (Wilson et al, p. 206)

Arikan (2008) states that price sensitivity is one of the main reasons why customers research multiple channels prior to purchase. Multichannel customers defect more easily when they can get a better price for the same product elsewhere. But retailers have the chance to build multichannel relationship is such a way that customers perceive better service as an advantage for staying loyal.

3.5 Benefits of Multichannel Retailing

According to Levy and Weitz (2012, p. 66) retailers are using multiple channels in order to improve their offerings to customers and create a competitive advantage over their competitors. The benefits of multichannel retailing are presented below.

3.5.1 Overcoming the Limitations of an Existing Format

As it has been already mentioned in previous paragraphs, the largest disadvantage of the brick-and-mortar store is its limited size. Thanks to the low cost of computer memory, the stock volume through the online channel is virtually unlimited. The inventory in online channel is lower compared to offline channel as the inventory supporting online channel consists from a small number of distribution centres rather than a large quantity of stores. Brick-and-mortar retailers can expand their product assortments to a large extend by adding the online channel, which could be accessed through mobile devices, tablets and Internet-enabled kiosks. (Levy and Weitz, 2012, p. 67)

Offline channel is characterized by costly and inconsistent execution, because providing training and retaining professional sellers in stores is often expensive. Retailers selling complex products find it difficult to communicate the features and benefits of the newest products to the sellers. For this reason, adding an Internet-enabled kiosk in stores, which could be used by sellers and as well as by customers to get product information, gives a chance to provide "personal" service at a low cost. (Levy and Weitz, 2012, p.67)

3.5.2 Increasing Customer Satisfaction and Loyalty

The segment of multichannel customers is growing. The multichannel offering is appealing to them. Brick-and-mortar retailers can provide websites that suggest customers to view more products than they would have planned. These websites can provide information on different do-it-yourself projects in which customers might be interested. For example, website can offer full information on arranging a wedding and sell everything needed for it. By providing a wider range of benefits through multichannel offerings, retailers are able to increase their share of customers' wallets, i.e. the percentage of purchases done from the certain retailer. (Levy and Weitz, 2012, p.68)

3.5.3 Expanding Market Presence

One of the main benefits of multichannel is that it gives retailers opportunity to expand their market presence. By means of adding online channel retailers can expand to different markets without opening brick-and-mortar stores. This is very beneficial both for retailers with limited locations and distribution and for customers that do not have to travel for a long distance for shopping. (Levy and Weitz, 2012, p.68)

3.5.4 Gaining Insights into Consumer Shopping Behaviour

As discussed before, understanding consumer behaviour is of crucial importance for retailers. Levy and Weitz (2012, p. 68) point out that online channel provides valuable insights into how and why customers make purchases. Gathering this information through a Web site is quite easy by placing a cookie on a customer's hard drive. Each mouse click of the customer gives retailers insights into what products customers viewed and what kind of products they are interested in.

3.5.5 Building a Strategic Advantage

Levy and Weitz (2012) state that multichannel retailers can build a strategic advantage over single-channel competitors on the basis of having two strategic resources they have, which are the information about customer purchase history and consumer behaviour and unique "how-to" knowledge about coordinating operational activities across channels. Retailers using multiple channels are able to get an extensive amount of information about their customers and use it to more effectively target their offerings. In addition to this, the knowledge the retailers have concerning the integration of multiple channels and synergistically coordinating these various channels provides them with a strategic advantage.

3.6 Challenges of Multichannel Retailing

Multichannel retailing gives many opportunities and brings numerous advantages both to customers and companies. Multiple channels appeared thanks to development of new technology help online retailers as well as offline to reach new customers and expand their markets. However, there are also a number of challenges, which retailers need to deal with when operating in multichannel business environment. Despite some negative attributes that confront retailers, the economic force of multichannel retailers is large. Poloian (2009, p.129)

Multichannel forced retailing to be more transparent. Not long ago retailers used to rely on barriers such as geography and customer ignorance to advance their positions in traditional markets. Modern technology removes these barriers. For instance, earlier ski resorts used to exaggerate the amount of snowfall to attract skiers. Nowadays, the information from skiers reporting actual snow conditions in real time through mobile apps, make it difficult for businesses and pressuring them to be honest. (Brynjolfsson et al, 2013)

3.6.1 Channel Integration

Integrating customer experience across various channels is considered to be one of the main biggest challenges for retailers (Piotrowicz and Cuthbertson, 2014, Wilson et. al, 2008). Today's customers anticipate getting consistent, uniform, integrated service and experience, regardless of the channel they use. Customers want to move seamlessly between different channels whether it is a traditional store, online store or mobile, regardless of their preferences and their current situation. Despite their wants, it is difficult for retailers to provide such an experience. (Piotrowicz and Cuthbertson, 2014)

Piotrowicz and Cuthbertson (2014, p. 8) underline that even if retailers have multiple channels, often their online and offline channels are treated separately and coordinated by different people and departments, which do not completely cooperate with each other. Piotrowicz and Cuthbertson (2014) give an example that this is often happens with online channel because IT personnel don't directly interact with customers.

According to Piotrowicz and Cuthbertson (2014) the lack of channel integration is often seen in pricing, promotion, marketing, brand building, supply chain management and customer experience provided across all channels. Sometimes company's two channels may even compete with each other. This reflects on the customers starting not to trust the company and check price online before buying offline.

In the best scenario when all channels are integrated, online channels should drive customers to the stores and encourage them to have face-to-face service. Besides, companies should provide transparent pricing through all channels.

Wilson et al. (2008, 112) agree that companies need to pay particular attention on how the customer makes a transition from one channel to another in order to make customer journey seamless. According to them drawing up detailed scenarios for common tasks the customer might want to perform and analysing them could be helpful. Wilson et al. (2008, 114) point out that "walking through" scenarios, stepping into customer shoes to make sure that the movement between channels is smooth, could help to understand where the disconnects are and how better value can be created for the customer.

Wilson et al. (2008) also discuss that in order to provide an integrated customer experience, companies need to have an integrated customer database linked across all channels as well as across products. There should be a unified view of the customer, so that all aspects of the customer interface can be coordinated.

Wilson et al. (2008) suggest that businesses need to investigate if their customers receiving consistent value experience though all various channels. It could be done by including in customer research questions, which would be helpful to check the multichannel consistency. The five main questions suggested by Wilson et al. are presented in the Table 1 below.

TABLE 1. Five killer questions to check multichannel consistency

Source: (Wilson et al, 2008, p. 119)

In addition to your other customer satisfaction questions, ask your customers to assess their agreement with the following statements on a sliding scale
• I have a consistent impression from (company), regardless of channel I use   • The information I get from (company) is consistent across all channels   • Regardless of the channel I use, people I deal with are informed about my past interactions with (company)   • I can choose among a range of channels while dealing with (company)   • Regardless of the sales channel I use to purchase from (company), I can use other channels to get information or help

Neslin et al. (2006) also emphasize the importance of channel integration. According to them well-integrated channels stimulate favorable customer behavior. If the company's products bought online could be picked up at store, it encourages online customers to use the physical store as well.

Another important question addressed in the issue channel integration is its cost. Pantano and Viassone (2015) mention that it is obvious that channel integration involves extra costs and resources for meeting customer expectations. New technologies to be adopted could be an expensive enterprise for companies. In order to decrease these disadvantages, retailers should consider establishing partnerships with more experienced online retailers.

Modern retailers have to integrate new technologies not only in their stores but also through the whole supply chain in order to satisfy the needs of multichannel consumers. On the one hand, they are challenged to invest in rapidly changing technologies, on the other hand, the technologies help them to reduce their operational costs and at the same time to improve customer experiences and to reach more customers. (Pantano, 2015)

The channel integration gives companies a possibility to provide new type of experiences for their customers. Physical store square meters can be divided more to serve the customers for multiple purposes, not only for selling the goods.

3.6.2 Changing Role of Brick-and-Mortar stores

As discussed in previous paragraphs, Brynjolfsson et al. (2013, p. 24) also agree that brick-and-mortar stores offer a unique opportunity for customers to touch and feel products. As for the online stores they attract customers with wide product selection, low prices and content such as product ratings and reviews. Nowadays customers might come to the physical store to see the product and to touch it. After browsing available options they might compare prices online by using their smartphone applications and if the online price is lower they will probably end up by buying product online not even leaving the physical store.

Brynjolfsson et al. (2013, p. 24) state that multichannel retailing and new technologies are blurring the distinctions between brick-and-mortar and online stores, "turning the world into a showroom without walls". According Brynjolfsson et al. (2013, p. 24) retail industry moves toward a model geared toward helping customers, rather than concentrating only on transactions and deliveries.

Piotrowicz and Cuthbertson (2014, 8) emphasize that future role of brick-and-mortar stores are unclear. According to them the brick-and-mortar stores might transfer to a "hub", the place, which would integrate all sales channels. The store could be used as a place to provide a personal experience that will attract customers, regardless of the channel used. The integration of online and offline channels includes "click and collect", the possibility to order, receive and return products in store using own mobile phone or self-service technology provided in store premises.

Piotrowicz and Cuthbertson (2014, 8) also mention that the role of in-store technologies is growing. In order to attract customers retailers could offer for customers such in-store technologies as interactive screens, "magic mirrors" and for the store personnel tablets, which could be used in-store to show customers an extended product offering from online shop. "Virtual" products in kiosks can also widen store offering, especially the quantity of non-food product lines in food stores, as customers demand wider product choice in the traditional store similar to the choice available online.

Levy and Weitz (2008) and also notice that by blending store with internet-enabled kiosks, retailers expand assortments offered to customers, as size of the brick-and-mortar store is the main constraint for retailers. These types of kiosks can be used by store personnel as well as by customers for up-to-date information about products, their availability in stock and price reductions.

According to PWC (2013) the statement about that stores will become mainly showrooms in the future is exaggerated to some extend. Judging by their global survey results 23 % of respondents still research consumer electronics online and then buy in store compared to only 2 % who do it just the other way round. Similar results are applicable also to other product categories.

PWC (2013) emphasize that there still will be a place for the store as a showroom, at least for online pure players. As an example PWC (2013) give the American online men's clothing retailer Bonobos, which set up a "guide" store in Boston, where customers can make up appointments and try clothes on and then order them online.

3.6.3 Channel Cannibalization

Many authors agree that channel cannibalization is another obstacle for multichannel retailers to overcome (Lu and Liu, 2012; Marketsaurus). Channel attracting the most of the customers tends to dominate the distribution system.

When customer acceptance of one channel exceeds a certain point, this channel cannibalizes all retail sales and dominates the distribution system. In other words, when one channel has a more significant customer preference in the multi-channel distribution system, the supplier has more motivation to adopt differential pricing mode. Lu and Liu (2012) report that not all companies have the same level of motivation to engage in a differential pricing mode. The main advantage of differential pricing is that it enables supplier to charge higher prices in the online channel and to gain more profits. Not all companies can take advantage of selling at higher prices, as it is sometimes difficult to implement.

In this case, the retailer could make more profits by starting to use a differential pricing strategy. But the retailer selling through conventional channel prefers uniform pricing, as he may lose much to the online channels. The retailer must maintain high customer acceptance of conventional channel. For instance, when customers prefer the conventional channel, the retailer becomes more powerful relative to supplier gaining more profit from the transactions. This explains recent trends in some industries. An increasing number of consumers buy books and music from online channels that causes traditional bookstores to go bankrupt. (Lu and Liu, 2012)

3.6.4 Channel Migration

As it has been mentioned already, new technologies and the Internet make it possible for customers to easily browse for information about products and their cost during the shopping process. As Levy and Weitz (2012, p. 74) indicate, searching on the online channel and then buying in brick-and-mortar store is a common behaviour for customers. About 50 percent of shoppers switch retailers when they transfer between channels. (Levy and Weitz, 2012, p. 74)

Levy and Weitz (2012, p. 74) define the behaviour of customers when they collect information about products on one channel and then making purchases from competitors as channel migration. It goes without saying, the retailers are eager to prevent the migration of customers between channels. They want to make shoppers look for information and completing purchasing on their channels. However, the low cost of searching on the Web increases the possibility for channel migration. For this reason, keeping the customers on their channels is considered as one of the main challenges in multichannel retailing.

Levy and Weitz (2012, p. 74) propose two ways of out that could help reducing the channel migration. Firstly, retailers could offer uniquely relevant information based on proprietary data the retailer has gathered about the customers. Secondly, in order to decrease channel migration the retailers should promote private-label merchandise that can be purchased only from the retailer.

3.6.5 Direct to Consumer

For a long time retailers have been considered as the centre of the shopping universe for customers. However, the centre is moving towards manufacturers. Nowadays more and more consumers are shopping directly from manufacturers and many do not distinguish between retailers and their favourite brands anymore. According to global research result more than a third of global consumers have already bought products directly from brands or manufacturers. (PWC, 2013)

Chaffey (2007, p. 41) also discusses that the distribution system in retailing has changed along with the development of the Internet and how it has opened companies a possibility to bypass distributors and trade directly with customers. This confronts retailers with certain types of difficulties.

According to Levy and Weitz (2012, p. 69) the action when a manufacturer sells directly to customers bypassing retailers is called disintermediation. The retailers regard disintermediation as a challenge because manufacturers can establish a retail site on the Internet and receive direct access to their customers. However, as Levy and Weitz (2012, p. 69) state, most manufacturers lack the skills to sell directly to consumers. According to them retailers are much more experienced than manufacturers in distributing directly to customers. Nevertheless, more and more brands and manufacturers establish their own retail sites and win customers to their own side, as they attract them with lower prices and more choice. Figure 4 illustrates the reasons why customers buy directly from manufacturers.

FIGURE 4. Reasons consumers buy directly from a brand or manufacturer
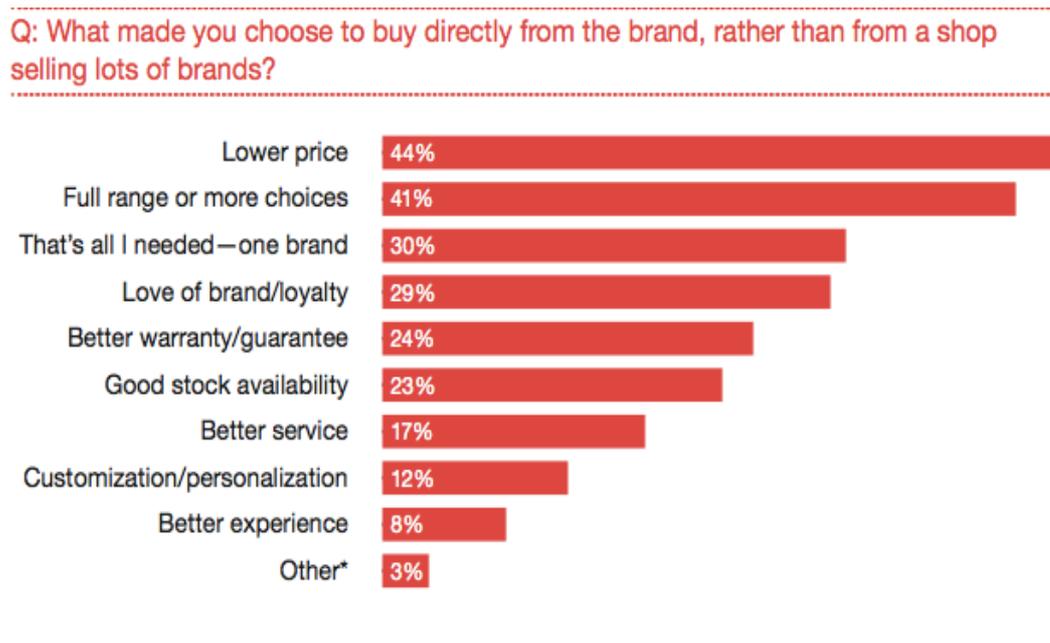
Source: PWC, 2013

As Figure 4 illustrates the main reasons behind customers buying directly from manufacturers are their lower prices, wide range of products and brand loyalty. In order to overcome this challenge, retailers need to make much more efforts to create competitive advantage for their customers. They need to have wide product choice, better warranty programs, voucher/coupon programs through the web site and other kind of promotions. (PWC, 2013, p. 29)

3.6.6 From Multichannel Retailing to Omnichannel Retailing

For businesses the next step after multichannel is an omnichannel retailing. Webcredible (2012) defines omnichannel as doing multichannel properly. Piotrowicz and Cuthbertson (2014) state that the omnichannel retailing aims to deliver a seamless customer experience regardless of the channel. While multichannel retailing implies a division between the brick-and-mortar and online store, in the omnichannel customers move freely between online store, mobile devices and physical store all within a single transaction. In omnichannel retailing the channels are managed together and customers perceive interaction not with the channels, but with the brand.

In order to ensure a smooth and consistent brand experience retailers need to remove barriers within channels and give possibility for customers to have cross-channel services as "click and collect", "order in-store, deliver home", "order online, return to store". In other words, channel integration is essential (Piotrowicz and Cuthbertson, 2014). Despite the changes and emerging trends, the omnichannel is perceived as challenge by most retailers, as the most of them succeed to provide only some aspects of the omnichannel. (Webcredible, 2012)

4   EMPIRICAL STUDY

The fourth part of the present research is the empirical study. The empirical study presents the results received from the interviews and answers the research questions of the study. The data obtained from the interviews with Finnish retailers are classified into below-written sections that are related to the main types of challenges discussed in the theoretical part of the thesis and the ways of overcoming these challenges by Finnish retailers.

4.1 The data of the Study

4.1.1 Channel Integration

One of the questions addressed in the study was the challenge of channel integration. As it has been mentioned in the theoretical background of the study channel integration is an important aspect of multichannel retailing, as retailers need to ensure a seamless experience for customers regardless of the channel they use.

All the interviewed companies admitted that the channel integration is a continuous challenge for them. The retailers felt that their multiple channels are integrated only to some extend.

The interviewees were asked whether they had an integrated customer database across all channels and products. None of the interviewed companies have an integrated customer database across all channels and products. All retailers interviewed admitted that their online channel is not integrated with their sales system and Enterprise Resource Planning (ERP) system, which means that sales personnel needs to manually place online store's orders into their ERP system. For implementing this manual work all retailers have to have sales assistant. One of the retailers stated that their company is on the point of integrating their sales system with their ERP system.

According to one interviewee the channel integration is regarded as challengeable as product information and all other necessary information should be consistent in every channel in use. For this reason, all employees of the company should keep track of their products across the channels in order to keep information up-to-date, which is quite burdensome for the company and requires additional resources.

One of the interviewed retailers indicated that channel integration from the technological point of view is possible for their company. All company's resource planning systems and channels could be moved to one operating technological platform, but it requires significant resources. Besides, from the retailer's point of view their sales volumes from the online channel are not big enough to put this into action at the moment.

All interviewees pointed out that they have "click and collect" service, when the products bought online could be picked up in store. According to the interviewees their online channel with the help of "click and collect" service stimulate customers to come to the physical store and encourage for having face-to-face interaction with the sales personnel. One interviewee emphasized "click and collect" allows sales personnel for cross-selling and increasing share of wallet of the company".

According to the interviewed companies all of them manage to provide consistent customer experience across all channels they have. It was pointed out that it is done with the help of a good customer service available through all channels. Two retailers out of three mentioned that consistent customer experience is implemented in their companies by means of transparent pricing strategy across all channels.

Retailers were also questioned about the combination of the channels that synergize best with each other. All retailers emphasized that they were quite satisfied with the online and offline channels' synergy they had at the moment of the interview. However, according to one interviewee it would be good, if their online store were fully integrated through all supply chain system.

In this company case, it often happens that the sales personnel finds that they are out of the stock of the products purchased online and they need to contact customers and explain to them that products are not available. Another interviewee indicated that in their case the synergy of offline channel, personal selling with the support from the online channel works best for their company.

4.1.2 Changing Role of Brick-and-Mortar stores

One of the questions addressed in the research was about the role of brick-and-mortar store. All interviewees agreed that the role of the brick-and-mortar stores is changing and has changed to some extend since the advent of the Internet. According to them along with the development of online channels the sizes of brick-and-mortar stores are becoming more and more smaller and they resemble more showrooms than physical stores.

In retailers' point of view the number of customers visiting physical stores is decreasing as new channels make it possible for customers to see products from the screens of their computers, mobile phones or tablets. Nevertheless, the main role of the brick-and-mortar stores remains the same. It is the place where customers come to touch and feel products and also receive personal assistance, which are one of the most beneficial features of the physical store.

In addition to the fact that the store plays the role of a showroom, all the interviewees pointed out that their stores serve as "click and collect" point, that is when the product is bought online could be collected in store. In this case the store is used for a definite purpose of collecting the purchase and these customers coming to store well know what they want and how much products cost.

All interviewed retailers emphasized the importance of physical store's location when it is used for above-mentioned purposes. According to interviewees the central location of the brick-and-mortar store is very important at the moment, because before making purchasing decision either online or offline many customers come to see products.

Besides, "click and collect" service requires the physical store to be close and accessible to the customers.

The retailers surveyed were also asked about the product offering in their channels, whether it is limited in stores or if it is differentiated. All the three retailers answered that they have almost the same product offering both in online and offline channels. However, retailers pointed out that the brick-and-mortar store allows them selling products, which wouldn't have been sold online. This product category includes such complicated IT products for selling of which sales person's input is needed in order to assist customer in his decision making process.

Pricing in multiple retailing channels is one of the largest challenges the retailers face. For this reason, the interviewees were questioned about their pricing strategies in their online and brick-and-mortar store. Two out of three respondents answered that they have the same pricing strategies in their multiple channels.

In their opinion, implementation of the unified pricing strategy makes their business much more easier and transparent. One retailer stated that small products such as cables and others are more expensive in their brick-and-mortar store, because customers get personal assistance when buying these products and it costs money for the retailer. This type of pricing strategy confronts retailer with the challenge, since having browsed for one and the same product both in online and physical store, customer finds that the product is cheaper online. In case the customer comes to the store and claims that the product he or she wants to buy is cheaper online, the retailer has to sell the product for the same price in the online store.

Another question addressed in the research was about the retailers' vision on the future role of the physical stores. Retailers were asked of the stores would be used more like showrooms. Two out of three retailers confirmed that their physical stores already serve more as showrooms nowadays. One of the retailers was satisfied with the fact that their store serves the function of a showroom, because showroom requires less floor space than the traditional store and there is no need for large inventory that is also one of the largest challenges for retailers.

Another interviewee pointed out that in his opinion in the future there would be more shop-in-shops, where retailers in cooperation with manufacturers would try to provide unique services and experiences for their customers.

4.1.3 Channel Cannibalization

The retailers were also questioned about the challenge of channel cannibalization - the process when one retailing channel attracting most of the consumers and it cannibalizes sales. Most of the interviewees didn't consider channel cannibalization as a challenge for their business. In their opinion, their channels are supporting each other. The online channel is supporting their offline channel and brings more customers to their businesses.

One of the retailers mentioned that online channel cannibalization is regarded as a challenge only by some of their sales personnel, because online store takes away sellers' customers. In this retailer's case channel cannibalization is not considered as an obstacle for their whole retailing business.

Another retailer admitted that their business doesn't face the challenge of channel cannibalization. The retailer explained that the company has a transparent pricing strategy in all retailing channels that allows preventing this problem.

When the retailers were asked about the ways of avoiding channel cannibalization one of them suggested that solid pricing strategies should be implemented. Another retailer suggested making productisation differently in various channels and afterwards pushing these products from their "own" channels using advantages of each channel.

4.1.4 Channel Migration

Channel migration was considered as major challenge in multichannel retailing by all interviewed companies. All retailers agreed that the behavior of consumers, when they search products and even try or test them in one channel and then decide them to buy from competitors' channel, often takes place in their IT field retailing.

The channel migration of customers is especially challengeable for smaller IT retailers, because large retailers can afford to sell the same products for cheaper prices. Besides, large retailers' product range includes such products, which smaller retailers cannot afford to offer to their customers. In one of the retailers point of view, consumers in the beginning of their purchasing process use smaller local companies for getting personal assistance and for consultation purposes, but then finally decide to make purchase from larger retailer, which is not even providing consultation service and proper support. Unfortunately, it often happens that customers end buying the product from foreign providers. Thus, small-sized Finnish retailers make losses, while revenues of leading overseas providers are significantly growing.

When asked about the ways of preventing customers from switching to competitors all interviewees agreed that the only way out of this problem is to differentiate themselves by providing unique customer experience, which competitors unable to offer. In IT field it could be done, for instance, by providing a high-level customer service and support from highly knowledgeable personnel. In retailers' opinion multichannel customers are very price-sensitive and if any retailer provides the same products for lower price they migrate to other providers easily.

4.1.5 Direct to Consumer

Another issue addressed in this study was the question of direct to consumer. According to all interviewees the process when the manufacturer sells directly to customers bypassing retailers confront them with significant difficulties.

All interviewees admitted that the manufacturers they are cooperating with are selling directly to the customers via online channel. These manufacturers include such companies as Dell, Lenovo, Adobe and Apple. One of the retailers mentioned that they are selling these manufacturers' products either for the same price or for a little bit lower price as manufacturers' do. In case of Apple products the price is not a large challenge, but the time of delivery. Apple delivers the products bought from their online store in shorter time than the retailer is able to deliver. From the customer's point of view the time of delivery is crucial and the product's price could be a bit higher but the time of delivery should be shorter. In this case, the retailer needs to convince customer why he or she must buy from the retailer under question, not from the manufacturer.

When asked about manufacturers' discounts in their online stores, most of the interviewees admitted that fortunately it doesn't happen often. One interviewee remembered only one case when the manufacturer offered products for considerably lower price than the retailer could sell. In the end the problem was solved after persuasive negotiations with the manufacturer.

The interviewees were also asked if the retailers get support from the manufacturers for instance by placing dealer locators on their Web site. The interviewees stated that the manufacturers often provide dealer locators on their Web sites. None of the interviewees considered it significantly helpful for attracting new customers to their business.

When it comes to the question of preventing customers from buying directly from manufacturers, retailers admitted again that there is not much could be done to prevent this phenomenon.

Alongside with the development of new technologies retailing is evolving all the time and it becomes global and accessible for the customers from everywhere. It was suggested by the retailers that the price level of local retailers should be attractive to the customers. In addition, as mentioned before it is of great importance for the retailers to provide high-level customer service and additional services to their customers in order differentiate themselves. As one of the interviewees said, "Finnish retailers need to be local and close to their customers".

5 CONCLUSION

5.1 Research Findings

In this research the author of the thesis attempted to reveal the challenges Finnish retailers face in their multichannel retailing businesses. The researcher tried to find out what are the Finnish retailers' ways of overcoming multichannel challenges they have. Five major challenges that retailers encounter in their multichannel business environments were identified. The five challenges studied are as follows: channel integration, changing role of brick-and-mortar stores, channel cannibalization, channel migration and direct to consumer.

As research results suggest Finnish retailers operating in ICT sector provide their products by means of two retailing channels: brick-and-mortar stores and online store. Retailers find the channel mix they have at present as optimal. In retailers' point of view the multichannel provides more value to their customers, because multiple channels allow them to be closer to their customers all the time. Online store gives possibility to reach customers located in outskirts of the country.

Multichannel retailing opens up many possibilities but also confront retailers with many challenges. According to research results channel migration, direct to consumer and channel integration are regarded as the major challenges the Finnish retailers face.

All of the retailers interviewed reported that their retailing channels are somehow integrated. Nevertheless, in their opinion their companies managed to provide a seamless customer experience across all channels. It should be noted that all the interviewed retailers had only three retailing channels in use. Most of the retailers pointed out that they managed to provide a seamless customer experience by implementing transparent pricing strategy and by proving "click and collect" service to the customers.

Retailers indicated that integrating all multiple channels required that all personnel of the company were involved in the operation. In order to have all channels integrated and provide consistent product information to customers, retailers need to promote "multichannel" culture throughout the whole organization. Retailers expressed the wish to have one integrated IT platform from which all channels could be operated, but as one of the retailers indicated at the moment of the interview their business wasn't big enough to start this enterprise and they need to weigh if it is worth the effort to start implementing. In other words, multichannel integration requires additional resources from the retailer and engagement of the whole company.

As consumers' usage of the Internet enabled devices is rapidly growing, the question about changing role of brick-and-mortar store and its future was raised. All retailers admitted that the role of brick-and-mortar store has already changed and changing all the time as customers use online channels to find information about products and make purchases. The store size is decreasing, so decreasing is the number of store visitors as well.

In retailers' view nowadays brick-and-mortar store plays the role of showroom, where customers come to browse for products before making purchasing decision. Besides, physical store is increasingly used as a "click and collect" point. Nevertheless, the role of physical store is changing, it remains the place for customers to come, see, touch and feel products.

In addition, it is the place for customers to get necessary advice and assistance from sales personnel, which is very important especially in ICT retail sector. In future the retailers need to use more efficiently every single square meter of their brick-and-mortar stores by providing additional services to the customers in order to increase customer satisfaction. In other words, retailers need to enhance their customers' store experiences.

As a result of the research it appears that Finnish ICT retailers do not face the challenge of channel cannibalization. In the retailers' point of view none of their channels is attracting most of the customers. Retailers felt that their retailing channels are supporting each other. The online store stimulates customers to come to the store and bring more new customers to their businesses. The implementation of transparent pricing strategy in all retailing channels allows preventing the problem of channel cannibalization.

Retailers' answers revealed the significance of the channel migration challenge. The retailers interviewed expressed a unanimous view that multichannel consumers' switching behavior to competitors is challengeable for their businesses. As the Internet opens up all boundaries, big players can easily incline price-sensitive consumers to their side. Smaller providers' services are used for personal assistance and show-rooming by the customers and in the end purchases are made from other retailers.

In order to deal with the channel migration challenge, retailers need to differentiate themselves in such a way that they stand out of the crowd. Besides, it was pointed out that retailers need to provide unique customer experiences, which competitors unable to provide. ICT retailers should be able to provide a high-class customer service to their customers so that their customers stay loyal and satisfied.

Direct to consumer was also regarded as a large obstacle in retailing business by the interviewed companies, as more and more manufacturers are starting to sell their products directly to consumers bypassing retailers. Research results showed that this mostly affect retailers in such a way that manufacturers are able to deliver their products ordered online in shorter time as retailers can. Modern multichannel customers are very demanding and want to have their products anytime and everywhere.

Despite the fact that retailers could sell their products for a little bit lower price, time of delivery matters for customers. Retailers need to convince their customers to buy products from them; otherwise they make purchases directly from manufacturers. In order to win customers to their side, multichannel retailers' price levels should be attractive and they need to provide excellent customer service to their customers, which manufacturers are unable to provide.

In conclusion, the study results show that Finnish retailers need to be flexible and able to quickly adapt new technologies in order to offer seamless customer experience across the variety of multiple channels. Besides, they need to organize their whole business in such a way that the whole organization supports multichannel strategy. As the competition in retailing is growing, retailers need to differentiate themselves and try to enhance their customers' experience in order to overcome multichannel challenges.

5.2 Managerial Implications

The author of the present study endeavored to utilize the knowledge related to the theories and concepts of multichannel retailing, including the concepts of multichannel consumer behavior and multichannel challenges. The study revealed the challenges Finnish companies face in their multichannel retailing.

The retailing companies will benefit from this study as the thesis provides insights on the challenges the retailing business faces in Finland. Based on the information presented in the given research companies would be able to make proper decisions on their multichannel offerings. With the help of information on multichannel retailing provided in this study, retailers can take advantage of the benefits and overcome the limitations of multiple channels to provide seamless customer experiences. The knowledge provided in this study could assist businesses in creation of sustainable competitive advantage and building multichannel strategy.

5.3 Future Research Challenges

As it has been mentioned already, the concept of multichannel retailing is wide and it involves many different issues and not all aspects were included in the scope of the study. The author of the thesis identified some topics for future research on the implementation stage of the study.

One research challenge could be to study the concept of multichannel from the perspective of the consumers. Understanding multichannel consumers and the difficulties they encounter in their customer journey could help retailers to keep up with rapidly changing multichannel retailing environment. This type of the study would provide a deeper understanding of the concept and will benefit companies in providing a seamless customer experience across all multiple channels.

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APPENDICES

APPENDIX 1: Interview guide

General questions:

1) Would you kindly introduce yourself, tell your position and main responsibilities in your company?

2) What multiple channels does your company offer and what is your optimal channel mix?

3) How do your multiple channels provide more value to your customers?

4) What are the key benefits in providing multichannel offerings?

Channel Integration:

5) How do you succeed in integrating all your channels? Are your multiple channels integrated with each other? Do you have "click and collect", for instance?

6) How do you manage to provide consistent customer experience across all channels?

7) Do you have an integrated customer database linked across all channels and products?

8) What channels synergize best with others?

Changing role of the physical brick-and-mortar store:

9) Has the role of your brick-and-mortar store changed after the appearance of new technologies? If yes, in what way? If not, why not?

10) What is the role of your brick-and-mortar store now? How would you describe it?

11) What could you say about your product offering in your brick-and-mortar store compared to online store? Is it limited or is it differentiated?

12) What is your pricing strategy between your online channel and traditional offline channel?

13) What will be the role of physical store in the future? Do you believe that the brick-and-mortar stores will be used more as showrooms in the future?

Channel cannibalization:

14) Are any of your multiple channels cannibalizing other channels? If yes, in what way?

15) How to avoid channel cannibalization between different channels?

Channel Migration:

16) Do you find channel migration as a challenge? If yes, in what way?

17) How do you prevent migration of the customers to competitors' channels?

Direct to Consumer:

18) Is the manufacturer you cooperate with selling the goods online directly to consumers? If yes, how do you feel about it?

19) How do you cope with the problem that manufacturer is presenting the whole collection online and that you can offer only limited product selection?

20) How do you feel if the manufacturer offers large discounts in their online store?

21) Do you get support from manufacturer? Does, for example, manufacturer provide dealer locator in their online store?

22) What are the ways of preventing customers from buying directly from the manufacturers?

23) Are there any other challenges you encounter in your multichannel retailing?

24) If there are challenges, how do you solve these challenges?

APPENDIX 2: Descriptions of the interviewed companies

Soluto Oy

Soluto Oy is a privately owned Finnish company founded in 2004. Soluto Oy offers IT products and services in B2C and B2B fields and operates nationwide in Finland. Currently company employs 14 people. The turnover of the financial year 2014 was 1,9M€.

Soluto Oy serves their customers through the small store in connection with their office in Helsinki. Besides, Soluto Oy operates through their online store by means of which they deliver computer hardware to the whole Finland.

The owner of the company and CEO in the same face, Jani-Petteri Pohjonen, was interviewed for this research.

Varimport Oy

Varimport Oy is a privately owned company founded in 1993 in Finland. The company holds a status of Apple Premium Reseller and selling Apple products both for consumers and companies. The turnover of the company in financial year 2014 was 6,7M€.

Varimport Oy has three brick-and-mortar stores in the following cities: Helsinki, Tampere and Turku. In addition to their brick-and-mortar stores their online store serves customers located all around Finland.

Mrs. Gitta Kauppi, board member of Varimport Oy, was interviewed for this research. Mrs. Kauppi's main responsibilities in the company include monitoring of online store sales and product offering and also selling of Apple products.

PH Solutions Oy

Powerhouse is the operational name for PH Solutions Oy. The company was founded in 1994. At present company employs four people. Powerhouse operates in Finnish IT B2C and B2B business and represents manufacturers such as Apple, Lenovo, Dell, HP, Adobe and Microsoft. The turnover of the financial year 2014 was 2,4M€.

The owner of the company, Jukka Räikkönen, was interviewed for this research. Mr. Räikkönen is responsible for strategical development of the company, sales and other administrative issues. Company has small store in Helsinki and company's online store serves customers 24/7.