

MULTICHANNEL RETAILING

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Tommi Similä

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TIIVISTELMÄ

Tämän tutkimuksen tavoitteena on selvittää, kuinka vähittäiskauppa on muuttunut kivijalkakauppojen aikakaudesta monikanavaiseen kaupankäyntiin. Tutkimus selvittää millaisia haasteita ja mahdollisuuksia monikanavainen vähittäiskauppa tuo kaupan alalle. Tutkimus auttaa kaupan alan toimijoita ymmärtämään paremmin monikanavaisen kaupan merkitystä ja saumattoman asiakaskokemuksen tärkeyttä. Tutkimus tarjoaa kaupan alan esimiesten kokemuksia siitä, miten asiakkaiden odotukset ovat kasvaneet myynti- ja asiakaspalveluhenkilökuntaa kohtaan. Yrityksen sisäisen kulttuurin merkitys ja tulevaisuuden trendit monikanavaisessa vähittäiskaupassa ovat osa tutkimusta.

Tutkimuksen teoreettinen viitekehys perustuu monikanavaiseen vähittäiskauppaan. Kvalitatiivinen tutkimus tehtiin semi-struktuurisina haastatteluina. Haastattelin viitti monikanavaisen vähittäiskaupan esimiestä viidestä pääteemasta: kivijalkakauppa ja myymäläkokemuksen kehittäminen, asiakaskäyttäytyminen ja asiakaspalvelu, monikanavaisen kaupan myynninjohtaminen, mahdollisuudet ja haasteet monikanavaisessa vähittäiskaupassa ja vähittäiskaupan tulevaisuuden trendit.

Tutkimuksen tulokset osoittavat, ettei perinteiseen kivijalkaan perustavaan vähittäiskauppaan ole paluuta. Monikanavainen vähittäiskauppa on äärimmäisen tärkeä liiketoiminnan strategia tulevaisuudessa, perustuen muuttuneeseen asiakaskäyttäytymiseen. Tulokset osoittavat, että yrityksen sisälle on rakennettava prosessit, jotka edesauttavat yhtenäisen yritysvision ja kulttuurin muodostamisen ehkäisten sisäisten sillojen syntymisen.

Avainsanat vähittäiskauppa, monikanavaisuus, kuluttajamyynä, myynninjohtaminen

Sivut 48 sivua, joista liitteitä 2 sivua

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ABSTRACT

The aim of the research is to find out how retailing business has changed from brick-and-mortar store era to multichannel retailing. The research investigates what kind of challenges and possibilities multichannel retailing brings for retailers. This research will help retailers to understand better why multichannel retailing is important and how valuable it's to provide seamless customer experience. Research provides experiences from store manager level about how customer expectations have increased about professional knowledge of sales force. The research investigates how important company culture is in multichannel retailing. The study seeks out for next future trends of retailing.

Theoretical background of the thesis is based on retailing and theory focuses on multichannel retailing. The empirical part was done by qualitative method and data was collected through semi-structured interviews. Five retail managers with work experience from multichannel retailing were interviewed from five main themes: brick-and-mortar store and development of in-store experience, consumer behavior and customer service, multichannel sales management, possibilities and challenges of multichannel business and future trends of retailing.

The research results showed that there is no return to traditional one channel brick-and-mortar store retailing. Multichannel retailing is a crucial business strategy for the future, and the main driver for this progress is changed customer behavior. Results were solid about fact that it's vital to build internal processes to business where all channels share the same vision and there are no silos inside of the company.

Keywords Multichannel, retailing, online store, consumer sales, sales management

Pages 48 pages including appendices 2 pages

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1 INTRODUCTION

Disruption in retailing has been rapid in past years. Digitalisation has changed customer behavior and online & mobile shopping is more popular from year to year. Consumers have more power to choose when, how and when to make purchases. Same time everyone is busier and that is why shopping is possible around the clock. Information on the internet is available better than before and that challenges retailers be found from the crowd. The power of social media and social commerce is increasing. Competition is harder because of globalization, but in other hand retail markets are international and possibilities are endless.

Retailers are adapting new channels next to brick-and-mortar stores to keep up with global competition. Online and mobile sales importance for retailers is vital because customers are seeking information with smartphones and from the internet. Customers are seeking more product information, availability and price information before making the decision where to make purchases.

Multichannel retailing challenges retailers and they should find out how to provide customer experience which is suitable for their customers. Customer loyalty is harder to maintain and regular customers are hard to keep coming back again because of hard competition.

The purpose of research is to find out how retailing business has changed from brick-and-mortar store era to multichannel retailing. The research investigates what kind of challenges and possibilities multichannel retailing brings for retailers. This research will help retailers to understand better why multichannel retailing is important and how valuable it's to provide seamless customer experience. Research provides experiences from store manager level about how customer expectations have increased about professional knowledge of sales force. The research investigates how important company culture is in multichannel retailing. The study seeks out for next future trends of retailing.

2 THEORETICAL FRAMEWORK

This paragraph combines all findings from the theoretical framework. First, there is a part about retailing history and then focus is the main theme - multichannel retailing. Chapter end to future trends of retailing.

2.1 History of retailing

Retail business has changed rapidly past years after digitalization changed customer's way to consume. Internet shopping with the computer or with the mobile phone is growing from year-to-year and made competition truly globally. But it's good to understand that radical changes have happened before in the history of the retail business. Retail companies who are adapting new ways to reach customers attention and trust are selling and surviving from change to change. History of retail helps to understand what kind of mayor time periods retail business has experienced in the past. Understanding past may also teach something relevant for companies to develop business to make the success from disruption of retail which is going on today.

History of retailing can be divided into three different eras: the mercantile era, the modern era, and the digital era. The mercantile era started when the banking system was developed and capital funding was available. Starting from industrial revolution to 21st century is known as the modern era. At the modern era quantity of production increased and mass production lowered manufacturing costs per unit. The modern era challenged retailing companies to develop cost management and think retailing more globally. The digital era has been going on for 15 years. (Niemeier et al. 2013, 9).

2.1.1 The Mercantile era

First retailers were traveling merchants at late of Middle ages, who travel to fairs and markets to sold goods which they have made straight to native people. At the 13th century retailers in Europe were already working as a middle man. First retailers bought goods from producers and then travelled around to sell well to customers. Retailing business expanded after silver production increased in the 13th century. That time retailing got the first touch of internationalization. (Niemeier et al. 2013,11).

Next came resident merchants who worked as purchasing agents after sea routes pioneers conquered new territories at the 15th and 16th centuries. Retailers didn't anymore have to spend a long time abroad purchasing goods and they could concentrate to selling. All these historical events

were the base for born of the whole sale and retail business. In the 18th century, England was global exported goods market place example tobacco was carried from America and fabrics from India. (Niemeier et al. 2013, 12).

At the 18th century in London and Paris product were already sold from shops and covered shopping arcades. Different kind of products was available and retailers knew even all customers by name so it was easy to offer a variety of goods to match demand. Some shops had product manufacturing attached to shop where they produced customized and ordered products from customers. (Niemeier et al. 2013, 12).

2.1.2 The Modern era

Industrial revolution launched in the mid-18th-century time-period when big changes started to happen and technological innovations followed each other. From industrial revolution started also different eras of retailing. Technological innovations changed customer behavior and shaped retailing. (Niemeier et al. 2013, 13).

Industrial development changed manufacturing capacity and craft production was replaced with automation. Mass production meant more quantity of products and cheaper production costs per unit. Mass production and manufacturing skills also made replica products possible, and this meant more competition from imported goods. Development of transportation made goods and information to transfer faster and example in Manchester fresh fish price decreased 70 percent because railways were built. (Niemeier et al. 2013, 14).

From London started to rise of specialist retailers, after the city had invested to infrastructure example to paving and lightning. New kind of urban centers was built for retailers which all the time increasing supply and demand made possible. (Niemeier et al. 2013, 15).

In the middle of the 19th-century textile retailers increased the size of their stores and stores got extra name "monster shop". From this kind of textile selling retail shop developed first department store to Paris. By 1870s Bon Marche in Paris was world's biggest retail business in sales among of monster shops. Bon Marche expanded awareness of goods by advertising in newspapers and retailers advertising also made the wider distribution of newspapers possible. (Niemeier et al. 2013, 16.).

Department stores became popular around the world when retailers copied format and department stores were also a landmark of modernity. Department store was competitive because of a large variety of products were available for good price. In technology and methodical development among retailing business department stores were pioneers, for example, they were among first to analyze sales with mechanical data-processing,

methods to do inventory control, promotional techniques and hiring practices. Frank Winfield Woolworth founder of first nickel-and-dime store Pennsylvania was the first modern retailer who exported retailing concept abroad when he opened the store in England 1909. (Niemeier et al.2013, 17).

In America 1983 Sears, Roebuck & Co. started first catalog retailing business. The company offered mainly watches and jewelry products. From mail-order, catalog business builds base for internet retailing business as we know it nowadays. This was frontrunner company and business model in using the centralized warehouse to keep stock levels and invested capital on right level compared to demand. (Niemeier et al.2013, 17).

In the United States, 1916 Piggly Wiggly opened first self-service supermarket. This first self-service model changed rapidly especially food retailing business. The staff could spend work time on filling shelves and managing store space to find fast moving products and placements for those to increase the speed of inventory turnover. Retailers got in self-service supermarket model instant feedback from products sales and to boost sales they developed assortment to meet demand. Efficient use of every store square meter became very important when customers pick products by them self. (Niemeier et al. 2013, 18).

Supermarkets have been in the very important role of developing new technologies and information-processes for retailing in past decades because fresh food product and efficient use of store floor demanded very careful planning. In supermarkets sales of fresh food got more important and it also caused companies to develop product chain and centralized distribution centers become common. (Niemeier et al. 2013, 18).

Category killers were established and came more common after cars came more popular because these stores were built on edge of cities. The focus in an assortment of category killer store was narrow compared to the department store. They focused on specific product range, example Toys “R” us focuses on toys and Best Buy focuses on electronics. Category killer –stores key competition benefits were cheap prices and wide product assortment in the specific product range. Technology development in retail business software supported category killer-stores to optimize capital invested to stock and monitor sales to make the business profitable. Gross margins were small because competition advantage came from cheap retail prices, and monitoring of sales was vital. (Niemeier et al. 2013, 19).

First true hypermarket was Carrefour in Paris, launched in 1963. Hypermarkets different from the supermarket with bigger size and amount of non-food items. In hypermarket turnover of non-food items were 25 to 30 percent of sales and in supermarkets, non-food sales were around 10

to 15 percent. 1988 in United States Wal-Mart included a wide assortment of fresh foods to their already existing category-killer concept. Wal-Mart united best practices from supermarket and category-killer concepts and this format started to collar United States grocery markets. (Niemeier et al. 2013, 20).

Wal-Mart's knowledge and developing of central logistic and distribution was key to success. They used valid sales forecasts to fill stores with right products on right time. Demand planning and sales forecasting were important information for business and Wal-Mart showed how utilizing data in retailing can be victorious. (Niemeier et al. 2013, 20).

2.2 Multichannel retailing

According to Levy and Weitz, 2009 "Multichannel business model is the format of business that uses two or more channels to serve its customers by providing value simultaneously through different channels". Multichannel retailing challenges all retailers and forces them to develop new kind of customer service and selling skills through variable platforms and channels to interface with customers. Customers are more demanding and they want good service and multiple shopping channels to meet their consuming needs. Multichannel can be described as all possible ways that consumer can contact a retailer or a retailer can contact the consumer. (Sonneck, P. et al 2010, 222).

Multichannel retailing means combination of at least two or more methods to sell products and services in business-to-consumers (B2C) environment. The multichannel model combines store, direct marketing, direct selling, online and all other electronic methods to make transactions globally. Many retailers use three or more methods to do retail business, an example from Hobby Hall it is possible to buy products from the physical store, order from online store or order from the catalogue with filling order voucher or calling to the service center to make orders from the catalogue. (Poloian, L.R. 2009, 3).

As mentioned in retail history chapter, non-food retailers have used catalog selling channel in past and may have combined catalog and brick-and-mortar store to sell well to customers. Nowadays multichannel concept is connected more to the combination of online selling channel through online and brick-and-mortar stores. (Sonneck, P. et al 2010, 221).

Taking multichannel retailing to digital era was easier for companies who had already experience of combining catalog and brick-and-mortar store. The online store was a natural way to develop multichannel retailing and give customer more way to make purchases. Retailers who offered multichannel shopping experience including an online store, catalog, and in-store for customers notices that multichannel customer spend more money than only single or dual-channel shoppers. (Fernie, J. et al. 2015)

Companies who started multichannel business understood how much more value to the customer it is possible to produce with the combination of channels. Customers could buy clothes from the online store and then go to in-store to change size or product if the first purchase was not satisfying. There is a possibility to increase sales when customers buy products from the online store and then pick bought items from in-store and sell more when customers come to pick up online purchases. (Ferne, J. et al. 2015)

There are different ways and reasons for retailers how to use different multichannel possibilities. Retailers can example expand product range in the online store which is not possible to sell from the store for reason that store space is too small or retailers can reduce invested capital to goods by selling more expensive goods only from the online order. Multichannel selling can make retail business global if the retailer chooses this as strategy and makes online store easy to use for abroad customer example starting with right language choices. (Sonneck, P. et al 2010, 221).

Figure 1 shows how many different channels and shopping possibilities consumers have the same type of products. Consumers want to make faster decisions basis of needs, and when consumers want to make independent and smart choices as an individual, it challenges retailers to provide right kind of channel in right time. It is difficult to place consumers to different channels because every shopping decision is made on the basis of different need and time. It is clear behind every decision made by the consumer is a convenience, because digitalization has given plenty of more ways to consume fast and easy even from the own sofa with a mobile phone. (Sonneck, P. et al 2010, 223).

Main branches of retail:								
Store formats/ channels	Food	Clothing	Multi-media	Entertainment electronics/ appliances	Household goods/ Home textiles	Watches/ Jewellery	Cosmetics/ Drugstore products	DIY
Discounter	x	x	x	x	x		x	x
Supermarket	x	x	x				x	
Shopping mall	x	x	x	x	x	x	x	x
Department store		x	x	x	x	x	x	x
Branch specialist store		x	x	x	x	x	x	x
Specialist trade store	x	x	x	x	x	x	x	x
Mail order		x	x	x	x	x	x	x
Newspaper stand	x		x					
Service station	x		x				x	
Tele-shopping		x	x	x	x	x	x	x
Internet shops		x	x	x	x	x	x	x
Internet auctions		x	x	x	x	x	x	x

Figure 1. Overlapping Usage of Various Store Formats and Retail Channels (Sonneck, P. et al 2010, 223).

Key drivers why retailers are moving to multichannel retailing are the internet, changing shopper behavior and business benefits associated with multichannel retailing. Many brick-and-mortar retailers have added the internet as one channel and it had been one key driver for retailers to adopt the multichannel strategy. Customer behavior has changed because customers adapted new way to make purchases from different multichannel channels. Reasons, why multichannel shopping came popular, is access to the wider selection of products and easiness of comparing prices between companies. Retailers can see many benefits in going to multichannel business. Multichannel customers have higher purchase frequency and they are spending more money than one channel customers. The multichannel retailer can find new customers with new sales channel and there is also a possibility to increase customer satisfaction with new ways to service customer in different channels. (Lewis et al. 2014, 6-9).

2.2.1 Consumer behaviour

Consumer behavior has changed after online shopping and smartphones have been coming more popular. The consumer wants to make shopping more convenience depending on the moment and anymore retailers can't make so easily profitable business offering goods and services only from a brick-and-mortar store. Multichannel retailing is key to make business advantage when the global world offers all the time increasing competition from abroad. Competition is global and consumers have learned how to make online purchases from abroad. Customer behavior is more individual nowadays, which makes it more difficult for retailers to make new and keep up old loyal customer relationships. (Sonneck, P. et al 2010, 222).

Change in consumer shopping behavior is the reason why retailers are developing multichannel business to answer for needs of customers. According to PriceWaterCoopers (PwC) Total Retail survey, 2016 customers uses different methods for making research about the purchase. In every product group, online research and in-store research are the most used method where customers find information before purchase. The example in consumer electronics and computers 47 percent of people uses online via PC and 29 percent uses an in-store method. (Pricewaterhousecoopers 2016, 12).

PwC's survey (figure 2) shows how big importance for retailers is that multichannel presence both in online and brick-and-mortar store are well done. Valid information about products is one important competitive advantage which retailers can use against other competitors. If the retailer is absent on online business and consumers don't find company when they make research about products it is more probably that this makes one more missed customer who will not enter in-store. (Pricewaterhousecoopers 2016, 12).

Digitalization changes information and according to PwC survey, traditional sources for research are having less input than new technologies. In every product group TV shopping and catalog/magazine got less share than online via mobile phone and online via tablet. This change also challenges traditional retailers to develop online services for consumers which work well also in mobile phone and tablets. Mobile and smart phones are trending also as a method to make a purchase. All digital methods in consumer research process change retailers marketing because traditional catalogs and magazines are not as popular as they were and marketing online needs to develop a different kind of employee expertise to companies. (Pricewaterhousecoopers 2016, 12).

In PwC survey next generation wearables got also answers, but share in every product group was only one to two percent. Digitalization will develop and new kind of method for consumers will develop when technology will develop more. In the future it might be that example fridge

will automatically fill missing groceries and in this case value of information what customers consume will be even more important that it is nowadays. (Pricewaterhousecoopers 2016, 12).

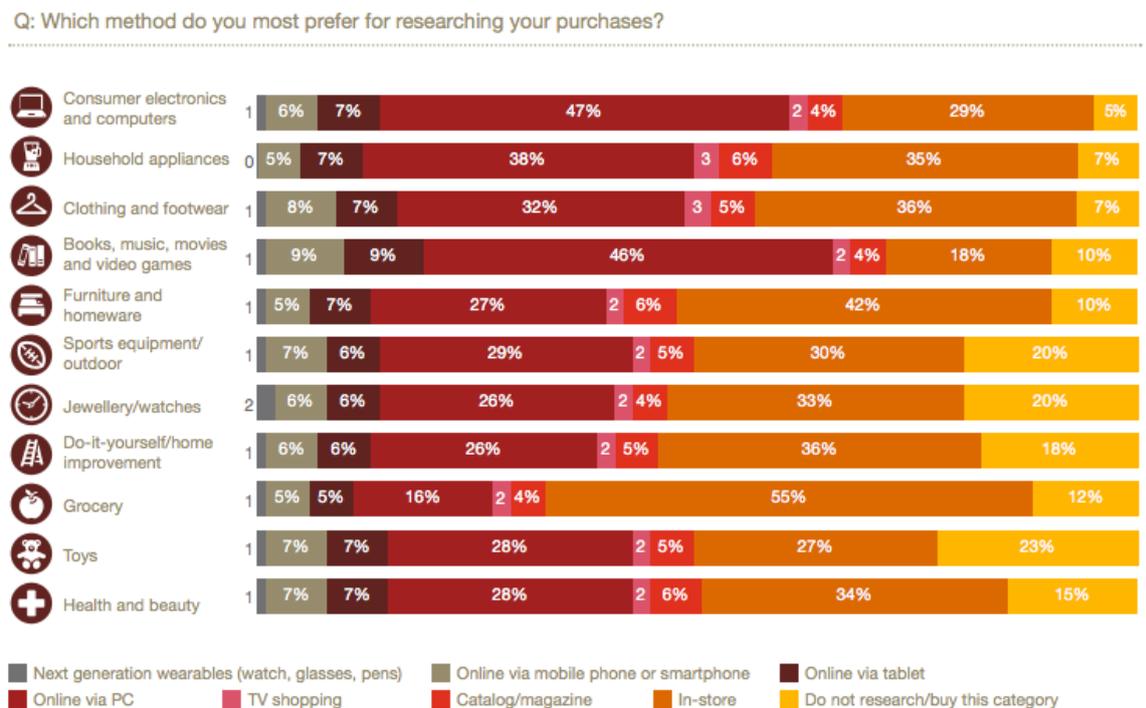


Figure 2.. How consumers research information about purchase. (Pricewaterhousecoopers, Total Retail Survey 2016).

2.2.2 Online channel

Online retailing has many similar terms, also known as e-commerce, electronic retailing, virtual retailing and e-tailing and multichannel retailers who has combined brick-and-mortar stores and online shops are referred as clicks-and-bricks. Mobile retail business is known as m-commerce and m-tail. (Ferne, J. et al. 2015)

E-Retailing means when goods and services are purchased for personal non-business use involving online and other electronic transactions. Difference between e-retailing and e-commerce is that e-commerce includes all goods and services sold on the internet from business and consumer sectors, business-to-business (B2B) and business-to-consumer (B2C). Mobile commerce (m-commerce) means transactions made by mobile phone, smart phone, tablet and other digital assistants which are connected to internet. (Poloian, L.R. 2009, 3).

Online channel retailing means selling products from online stores. Online buying is done by computer, tablet or mobile phone. Online shopping is

increasing everywhere in the world and according to PwC survey 7.1 percent of consumers makes online shopping daily and most active online shoppers are in China where 2015 already 19.6 percent shopped daily online. (Pricewaterhousecoopers 2016, 6).

Before online shopping there was order by mail which is similar than online shopping, because both can be done outside of physical store. As mentioned in history chapter catalogue shopping started in the beginning of 80's. There are still many companies who markets online channel assortment with posting catalogues to consumers. But it is common that catalogue is more pre-purchase method and final shopping action is done in online store. Ikea is good example of company who sends seasonal catalogues to customers and directs customers to online shop. (Ferne, J. et al. 2015)

Online shopping came first popular in United States, because internet connection was common there. In United States already 80 percent of households were connected to internet 2001. (Ferne, J. et al. 2015) Internet economy is massive opportunity, because online store can be global store easier compared to physical store. By 2016 there were 3 billion Internet users globally, which means approximately half of population is already online. Internet users amount has risen rapidly when year 2010 1.9. billion people were connected online globally. (Boston consulting group 2012, 6).

EMarketer estimates that year 2020 54,6 percent of population is connected to internet which means that there will be 4.17 billion users. Same time smartphone user digits will increase, from 2.1 billion year 2016 to 2.87 billion users in year 2020. This means that there will be billions new internet and smartphone users who have not yet bought online and are potential customers for all online stores. (EMarketer, 2016).

Mobile shopping has increased very much past few years, example in China 2015 65 percent of people shop with mobile phone monthly when global average was 28 percent. Mobile shopping has big growth potential and purchasing development has rapidly came more popular, because 2014 only 18 percent of Chinese and 12 percent globally has done mobile shopping. In China 2015 12 percent have never made mobile shopping and in global 46 percent have never done mobile shopping. (Pricewaterhousecoopers 2016, 7).

2.2.2.1. Online channel benefits

Customer experience is very important when consumers do online shopping and that is why retailers must follow trends and adapt new technologies to online stores the same time when the market develops. Example increasing mobile use to make online shopping forces retailers to make online stores user-friendly to a small screen and make shopping

possible without technical issues. Online stores obvious benefits are 24/7 opening times, which gives customers the freedom to make purchases whenever they want and how they want. (Ferne, J. et al. 2015)

In online store retailers have limitless shelf space which gives competition advantage to the physical store. Retailers can make selection wider and bring total new product categories to sale, where maybe normal store don't have space. It is more contract question and how to arrange logistics with suppliers, technology makes possible that online store doesn't have big storage at all even online store has tens of thousands of items. It is possible to connect data systems with suppliers that transfer customer orders straight to wholesale company's storages. But this is strategical question and retailers can choose what is best for an individual company. (Ferne, J. et al. 2015)

The online store is an important channel with customer communication. Online store makes wider information available than in the physical store. Online retailers can provide deeper information of products to the customer and add videos of products. Videos can have additional information how to use the product or what product looks like in use. Online retailers have seen positive opportunities with the customer to customer communications value when customers are making the purchasing decision. It is common that customer can rate products and give freely write ratings about products. (Ferne, J. et al. 2015)

Up-to-date information is important when customers are looking for information about products online before making purchasing and provided information also effects to google search results and it is important for marketing point. Online retailers who have tens of thousands of products available in online store may need help with product information and one option is to make co-operation with manufacturers to get them provide up-to-date product information.

Benefit for the online store is customer service, off course depending on how much retailer investment to good service. When customer service is well executed, the customer can contact online store easily and ask more information of products, ask about delivery status, make complain and give feedback. Contact can be done by e-mail, calling, filling contact form or real time chat. Chat option has become popular in past few years and many companies in Finland give daily on specific service time online chat where customers can contact with an online store. Social media is also a good tool for an online store, but social media will be explained in the own chapter. (Ferne, J. et al. 2015)

In Finland, Verkkokauppa.com publish yearly statistics about products where customers have made the most number of claims per year. That is an example of very open communication from the online retailer to customers and gives a very trustful opinion of the company. Claim statistics

may also decrease claims when customers avoid buying products with a bad reputation. Verkkokauppa.com has also active customer-to-customer communication and online store contains many ratings made by customers. This kind of open way to approach customers increases the value of customer communication in the online store. (Tivi, 2016).

2.2.2.2. Social commerce

Social commerce (SC) can be explained according to Koncar et al 2015, 9 “as a subsystem of Internet retailing that involves using social media and online media that supports social interaction and user contributions, to assist in the online buying and selling of products and services”. On the other hand mobile phones and internet also known as m-commerce have a significant role in multichannel retailing combined with social commerce. Mobile phone and the internet collect individual data of person interest and location and this is a great possibility for the retailer to provide personalized marketing for customers. Figure 3 shows how big are roots of social commerce and how all online actions are connected to each other. (Koncar et al 2015, 9).

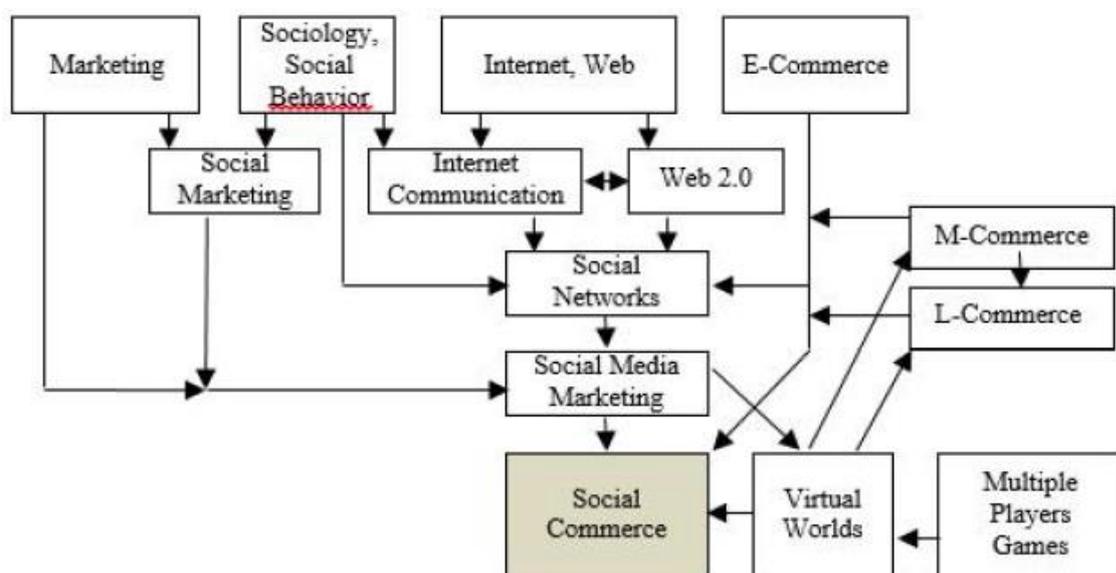


Figure 3. The Major Roots of Social Commerce (Turban et al. 2015)

Social commerce is a new stream in e-commerce where consumers make new content in different social media services example YouTube, Facebook, Twitter and LinkedIn. Companies are empowering consumers to make more content by providing possibilities to help customers to give ratings and recommendations for products and services. In the future companies will adapt social commerce to more important business strategy role. The interaction between customers and companies can increase awareness of company's products and services and help them to

get more sales with help of real customer recommendations. This significant change where consumers are generating content for companies changes power from sellers to customers. With this power, customers can influence what is the business position of the company in the market. For companies understanding importance and power of social media can help when the company wants to increase powerful multichannel business with making supportive social media climate around the company. (Hajli, N. et al. 2015, 351.)

One key factor how to make social commerce benefit for the company is to gain trust from customers. Customers must trust to the platform and trust can be improved example with good information quality, transaction safety, and word-of-mouth referrals. For increasing sales information is the key. Customers who are looking for more information from social commerce platform makes more likely also purchasing. For companies, this means that company who evaluates easy access information by providing easy access search engines, channels of information and information exchange processes can increase purchase intentions. Familiarity and social presence are important factors and customers want to feel that they belong to the group. (Hajli, N. et al. 2017, 139.)

Social commerce provides possibilities for an international retailer to increase sales in the multichannel retail environment. According to Boston Consulting Group, research developing countries are adapting social media when they start to use the internet. The is massive markets raising example in India, China, and Russia where people are adapting social media in larger scale among when internet penetration is increasing.

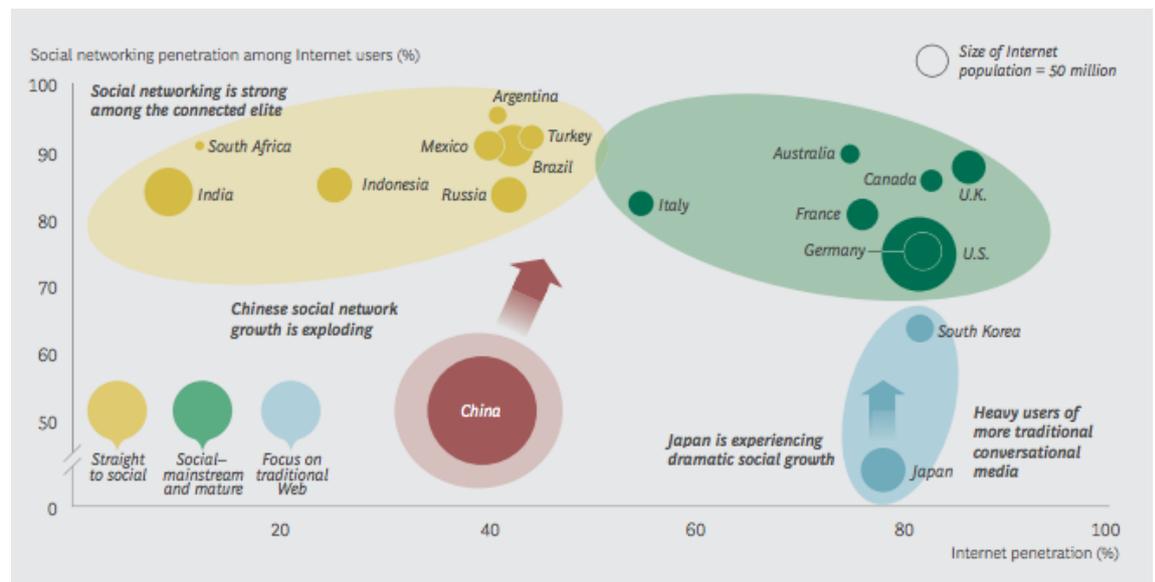


Figure 4 . Developing countries are going straight to social media (Boston Consulting Group. The Internet economy in the G-20, 2012)

2.2.3 Brick-and-Mortar stores

Disruption in retailing challenges traditional retail business where companies have survived for decades with same formula to increase sales: open new stores. Online business has taken revenue from physical stores and more than half of consumers uses online to research purchases. Multichannel retail business is one way to answer on customer needs, but brick-and-mortar stores need to find a solution how to develop the use of real estate they have. (Herring et al. 2014, 1.)

According to Business Insider in figure 5 shows how development for brick-and-mortar stores is going in the US. In the beginning of 2017, it is estimated that over 3 500 retail stores are closing. Retail stores which are closing are from many different chains involving department stores JCPenney, Macy's, Sears and Kmart. When closing of stores are happening in so big scene it means that some shopping malls are also having trouble with rent incomes and perhaps forcing some malls to close doors too. The reason for closing is related to change in customer behavior and increasing popularity to make purchases online. Some retailers are renewing their business strategy by closing brick-and-mortar stores and going to online business example Bebe from the US. Some chains example Sears and JCPenney are closing stores which are less profiting to cut expenses. Consuming behavior changed popularity to go to physical stores and in the US has been estimated that between 2010 and 2013 visit to malls declined by 50 percent. (Peterson, H. 2017).



Figure 5 . Number of retail stores closing in The United States early 2017 (Business Insider, 2017.)

Based on figure 5 number of closing stores it is concreted to understand how big disruption really has been in retailing business in physical stores. For retailers who are having problems with changed operational environment, Herring et al 2014 recommend a five-step approach called STORE. STORE by Herring et al 2014 is explained as following:

- Start by redefining the role of the store.
- Tailor categories accordingly.
- Optimize the portfolio using forward-looking analytics.
- Reinvent the in-store experience.
- Execute systematically across all channels.

Multichannel retail business physical store has different kind of role than before. Company is recommended first to evaluate what role physical stores have in multichannel business and what purposes store has for serving customers. Different reasons why stores matter to customers can be convenience, efficiency, inspiration, instant gratification, discovery of information or service, entertainment and social interaction and experiencing brands and products. Multichannel customer can example want efficiency by picking up online order purchases or customers are looking for knowledge from salesperson which is not in online store. (Herring et al. 2014, 4.)

Different sales channel makes tailoring categories possible. Company can evaluate which products or products group are better to sell in specific channel. Example expensive slow moving niche products might be better to sell only online to give space in store for fast moving products. Some product group has more value for customers when they can test products before buying, example televisions and therefore this kind of products might be best also to sell from physical store. Tailoring needs understanding of customer behaviour and their needs. (Herring et al. 2014, 5.)

Optimizing business with forward-looking analytics can save company's costs and can help to find new solutions to increase sales. Geospatial analysis is tool for retailer to collect data how store is located at specific area and is there possible overlapping with different stores or possible areas which are not covered at all. Geospatial modelling helps company to make decisions about opening new stores and closing those which are not profitable. Customer behaviour changes more rapidly than before and trends changes and that is why forecasting of future performance is needed as retailers might have long rent contracts which can be hard to end before. (Herring et al. 2014, 6.)

Reinvent the in-store-experience needs to do keeping mind what is role of multichannel business in company. Customers values similar experience in every channel and in-store-experience can increase customer satisfaction or also do the opposite. Nowadays technology can provide new kind of solutions which can make better in-store-experience, example company can invest to digital tools which helps salespersons to have all necessary information about products available. Mobile phone applications can help customers to locate product and automatic payment methods can make purchasing faster. (Herring et al. 2014, 7.)

Last step for retailer in STORE model is execute systematically across channels. Technology development and fast changes in customer behaviour emphasize fact that retailer has to do needed changes with fast executing time. Piloting new ideas quickly and finding out what is good idea and which is not is relevant. Changes can't have ten-year project plan, usually 12 month project plan and three years high level road map is suitable for hectic retail business. (Herring et al. 2014, 8.)

According to Pricewaterhousecoopers Total Retail Survey 2016 (Figure 6) there is still lots of customers who uses in-store method for purchasing products. Percent value changes between products groups but example 52 percent of answerer uses in-store for purchasing in consumer electronics and computers. Total Retail Survey confirms Herring et al. theory that there is still need for brick-and-mortar stores and customers values them, retailers just need to evaluate which kind of store-mix and multichannel sales strategy is best for their customers.

Q: Which method do you most prefer for buying your purchases?

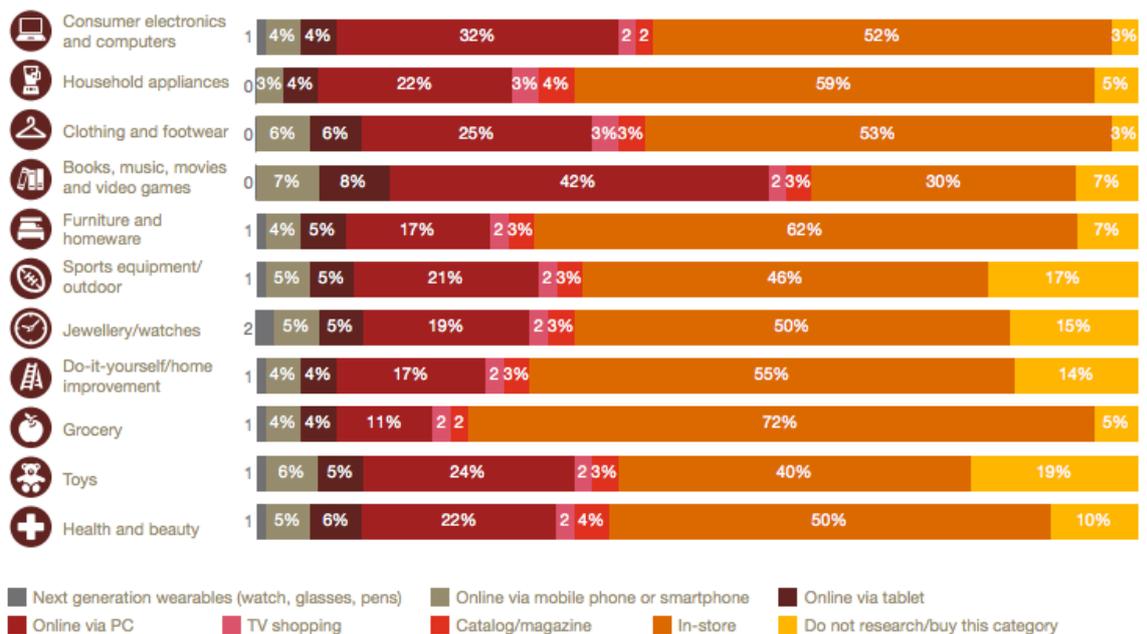


Figure 6 . Which method consumers uses to make purchases. (Pricewaterhousecoopers. Total Retail Survey 2016).

2.2.4 Challenges of multichannel retailing

Multichannel retail business has been developing rapidly past years when digitalization has been developing and use of internet and mobile devices has increased. Multichannel retail business models are developing based on needs of customers and from pressure from global competition. Multichannel retailers are adopting new variations of channels example when mobile phones came more popular for online shopping retailer can provide shopping experience where the product is bought from the mobile online shop and picked up from a brick-and-mortar store. Right kind of multichannel business model choices can bring more value to customers and increase customer satisfaction and or lower costs to create value for the company. Customer relationship can develop if the retailer can combine channels the way that they support each other and makes customers to use channels seamlessly. (Yrjola, M. 2014, 93).

Multichannel retailing can bring new kind of challenges to the company. Customers use naturally different channels and devices and this may cause that customers buy from competitors, because customers also easily can change shop and channel while looking for best price. Customers can seek for service and advice from a brick-and-mortar store and after service go online and seek for the best price for the product. This kind of customer behavior is known as “showrooming” or “research shopping”. This challenge retailers to find right kind of multichannel integration for customers and really makes important how to increase customer loyalty and how to build strong customer relationships with customers. (Yrjola, M. 2014, 95).

Customer experience integration challenges retailer to create a similar experience for the customer to every provided channel. Multichannel is a complex manifold, but for the customer, it should look like one company and prices and services should be similar. It is common that customers are seeking for information and prices about products and services from online before going to the offline store to make a purchase decision. There is a possibility to customer experience disappointment if example prices are not valid anymore in offline store or availability information provided online is not accurate. If the customer is disappointed to the retailer in one channel it may cause that customer changes retailer to different, because customer sees the multichannel company as one company. (Yrjola, M. 2014, 96).

The company may have different strategies depending on channel, example online store has an own marketing campaign which is not in the offline store. It is recommended to estimate carefully how this kind of marketing actions are taken, because customers may get confused if same product has a different price in a different channel. Understanding importance of gathering real-time customer purchase information from every channel is important for maintenance of well integrated customer

experience. Customers can have problems with purchased products and then customers contact company, but from that channel which they feel best for them. If information is not available in all channels, customers can again feel disappointment and be confused about the experience. Customers need to get the same kind of service and experience through all channels provided to increase customer satisfaction. (Yrjola, M. 2014, 97).

Multichannel retail challenges also company's organization with possible internal conflicts. Depending on chosen strategy of company online channel might be integrated into other channels functions or a large number of retailers chose to use decentralized governance models. In decentralized governance model company separates offline store functions from other channels functions. Separating governance in a multichannel company based on channels might give a competitive advantage when every organization can concentrate to own channel and make actions more efficient in the own business field. Separation can cause challenges still in the organization when everyone is working on own silos without understanding the other channels. Own channel thinking in the organisation can cause problems with employee's motivation and attitude. The company should think how to maximize the total value created by business and not only in one channel. Chosen governance model should motivate employees and managers to work for the whole company (Yrjola, M. 2014, 99).

2.2.5 Multichannel sales management

The sales manager has four main duties: selection of the sales force, training the sales force, motivating the sales force and controlling the sales force. Sales management is defined by AMA (American Marketing Association) as: "The planning, direction, and control of personal selling, including recruiting selecting, equipping, assigning, routing, supervising, paying and motivating as these tasks, apply to the personal sales force". (Chunawalla, S.A. 2008,2.)

Sales management, demands for sales force and store managers has changed when retailing has changed. In a traditional brick-and-mortar store, personal selling means communication between salesperson and customer to the purpose of explaining, informing and demonstrating to make a sale. To the retailer, it is important to have sales force strategy which supports sales staff to match retailer benefits to customer's needs. Products define a minimum level of the sales force and customer service what customer's needs to make purchases. In the grocery store, the sales force is not so vital when customers are used to self-service. But in non-food products, salesforce is important to assistance customers to make purchases example in technically complex products, expensive products and product categories where pricing is negotiable like in car business. (Cox, R. et al. 2004, 169.)

Salesforce and sales managers who can develop work related skills and continue learning will survive from big changes. Technology can't totally replace sales force in the future. But to be successful salespeople must adapt new roles in serving customers example learning more about their customers' businesses and taking responsibility for customer profitability and helping customers create long-run competition advantages. Sales managers role is developing more from one-on-one coaching and motivation of field sales force to training, motivating and supporting the hybrid sales force. (Anderson, R.E. 1996, 30.)

Combining personal selling and marketing activities together is one of the most important things in retailers marketing and sales management. Some companies treat sales force and marketing individual departments which may cause among them poor communication and uncooperative culture. Companies who can understand and treat sales force as marketing and vice versa can achieve more satisfied employees and customers towards better sales. For better communication between sales force and marketing, there is many possibilities example intranet where all information can be shared in real time. (Anderson, R.E. 1996, 28.)

Multichannel communications have growth and this has given more possibilities for companies to engage with customers in time which is most suitable choice for customers. Customers move now freely and independently between different channels from online to offline. This challenges internal and external communication and sales management. Multichannel marketing is marketing communication where a retailer offers goods or services to the customer via two or more synchronized channels. Multichannel marketing and sales process needs to understand each other and how it can change roles of sales managers and sales forces. Well organized multichannel marketing with help of example mobile assistant application based on navigation can reduce sales persons work as a guide. (Cummins, S. et al. 2016,8.)

2.3 Future trends of retailing

Mobile payment in the online shop is not yet popular in Finland and virtual reality shopping is a futuristic idea. In China and U.S. mobile payment is rapidly growing and example Starbucks has made mobile application and payment already a success story. Alibaba launched Virtual Reality (VR) shopping 11th of November 2016, which opens new markets and possibilities for foreign brick and mortar store companies to enter the foreign market on VR. This chapter show how fast mobile payment is developing and describes how VR shopping looks like through headset.

2.3.1 Mobile payment

The year 2016 19,4 percent of U.S. smartphone users used a mobile phone for paying. 38.4 million Americans over 14 years old uses mobile wallets example Apple Pay or Android Pay. EMarketer estimates fast grow in following four years, the year 2020 33.1 percent of smartphone users in U.S. uses mobile paying for transactions. This year mobile payment in U.S will grow to USD27.67 billion with almost 200 percent grow from 2015. Next year mobile payment transactions in U.S. will more than double to USD62 billion. By 2020 mobile payment transactions are estimated to grow over USD300 billion in U.S. (eMarketer.com. 2016)

Starbucks has made a success with combining mobile payment and loyalty program for customers. In U.S more than 20 percent of transactions are paid by the mobile application. Starbucks offers incentives to customers with different special offers to hook customers to use a mobile application and became the frequent customer. If mobile payment sales are going to increase as eMarketer estimates this will increase Starbucks sales in future. (Silbert, S. 2015.).

2.3.2 BUY+ by Alibaba Virtual Reality (VR) shopping

Alibaba launched at Single's day online shopping event 11th of November 2016 new virtual shopping experience – Buy+. The customer can buy virtual reality (VR) headset for 15 cents and slip the mobile phone into the headset. This mobile phone and VR combination in Alibaba's Buy+ application is a gateway to virtual shopping world. Virtual reality glasses prices are cheap nowadays and application development around VR is rapidly growing all around the world. (Wang, H. 2016.)

Alibaba Group published video to demonstrate virtual shopping experience on 20th of October 2016 in twitter. In the video, a person puts VR headset on and then on next shot he is virtual living room. On the wall of the living room are several posters from different cities in the world, example New York and Sydney. Green spot on the middle of the screen in virtual reality makes choosing option possible. The person in video chooses a poster of New York and enters in an old American car in street to the center of New York. He chose in the video to enter into legendary department store – Macy's. (www.twitter.com. 2016.)

In Macy's customer service person greets virtual reality customer and then person continues at alleys of Macy's. Customer stops in front of a table which includes clothing accessories and handbags. The customer is interested about the handbag, and he takes one bag for a closer look. The customer wants to buy a handbag and he can use mobile payment application Alipay to purchase the product in seconds. Mobile payment

connected with VR makes shopping fast and easy. (www.twitter.com. 2016.)

VR shopping experience brings whole new possibilities from online shopping. Companies who don't have example brick and mortar store in China can access to a market with VR stores. This gives opportunities for retail companies all over to the world to enter into global market. The popularity of "Pokemon Go"-application shows how much possibilities Online-to-Offline (O2O) can offer. Alibaba is creating new reality game which aims to be as popular as Pokemon Go. Future will show how online activities can be translated to offline shopping (Wang, H. 2016.)

2.3.3 Singles' day shopping event

Single's day 11th of November also known as "Double 11" day started in Nanjing, China in the 1990s to celebrate singlehood. Single's day has turned to be world's largest online shopping day thanks to Alibaba. Alibaba started to make Single's day shopping event from 2009 with 27 merchants. Today over tens of thousands of merchants, buyers in millions and total sales in billions describe how massive event is possible to create in seven years. (Alibaba press release. 2016)

11th of November 2016 Alibaba made new sale record and sold USD 17.8billion of gross merchandise volume (GMV). GMV Sales increased 32 percent compared to Single's day in 2015. This one sale day shows how rapidly mobile buying is increasing on e-commerce sales, already 82 percent of made this year on Single's day in Alibaba platforms was made by mobile purchasing in Alipay. Mobile buying increased from last year when mobile buying was 69 percent of total sales. (Alibaba press release. 2016)

Alipay processed over 1 billion transactions on Single's day and more than 657 million delivery orders placed on Alibaba's China and international marketplaces. The year 2015 transactions were made in over 200 countries, for this year this figure was not available. (Lee, A. 2016)

2.3.4 Amazon prime

Amazon Prime is regular customer program for different Amazon services. Amazon Prime is paid by the monthly or yearly based fee which varies from depending which country customer lives. The example in The United States yearly membership fee is 99 dollars and in United Kingdom yearly fee is 79 pounds. With Amazon Prime membership fee customer gets many valuable benefits compared to the non-prime customer. Prime members get fast and free shipping depending on purchased product, an example in the US for over million products same-day delivery in selected metro area.

Other services what Amazon Prime membership provides are Prime Video, Prime Music, Twitch Prime, Unlimited photo storage and early access to lightning deals. Different services are also available in different countries example Audible audio series in the US. (Amazon, 2017).

Amazon Prime is rapidly growing retail loyalty customer program in the whole world. Morgan Stanley's analyst Brian Nowak estimated in February 2017 that there are about 65 million Prime members worldwide based on Amazon annual report. Amazon itself doesn't publish accurate information about members but based on revenue and average yearly fee it is possible to estimate members total amount. In the year 2015, estimated Amazon Prime members amount was 46 million which makes almost 20 million new Prime members in the year 2016 to the total membership of 65 million. Retail subscription services revenue has increased from the year 2015 4,467 million dollars to 6,395 million dollars in the year 2016. The increase in revenue correlates with a number of memberships. (Eugene, K. 2017).

Amazon Prime is an interesting retail company which has developed new digital services to give added value to e-commerce customers. Creative companies who can adapt new technologies and give customers what they really need can increase revenue and profitability even in harder retail business times. Amazon Prime has done remarkable sales increase with Prime members compared to non-prime customers. According to Morgan Stanley, research Prime members spend average 4.6 times more than non-prime members. The research estimated that 40 percent of Prime member spend over 1 000 dollars annually versus 8 percent of non-Prime customers. Both of mentioned facts about Prime members shopping habits tells about how big sales increase with good loyalty program with real added-value to the customer can do for company's sales. (Eugene, K. 2017).

In the US retail business has been in big disruption in past years. Hayley Peterson writes in Business Insider that in first quarter of 2017 more than 3 500 retail stores will be closed in the US. (Peterson, H. 2017) How Amazon Prime then can be a good example of successful retail business in a time of disruption? In figure 7 is explained based on information provided by Yahoo Finance 2006 and Google Finance 2016 how Amazon in market value is bigger than most brick-and-mortar retailers together. Amazon is going on opposite direction with common retail business development in the US, raising from small business to biggest business in ten years. (Visual Capitalist, 2016).



Figure 7. How value of these companies has changed over the last 10 years. (Visual Capitalist, 2016.)

Future of Amazon looks interesting when a number of Prime members keeps on increasing in all countries and new innovations to make retail business are on news repeatedly. One best competition benefit for Prime users has been fast delivery but according to Amazon delivery might get even faster in the future when drones might be delivering packages to customers dropped by parachutes. Drone delivery by parachute is known as Prime Air and first test delivery has made in the UK in the December of 2016. In the US legislation at moment doesn't allow drones flying without direct supervision of Human. (McFarland, M. 2017)

Amazon is developing Virtual reality (VR) shopping application in the future according to Amazon recruiting. Alibaba was first in virtual reality shopping in November 2016. Virtual reality has already found place widely from entertainment use, but still, this is the almost untouched territory in the retail business. Amazon could make a new revolution in ways of shopping

in virtual reality and giving customers total new experience of buying, but as mentioned this develop is already going in China and future will show how fast virtual reality grow and go popular. (Roettgers, J. 2017).

3 RESEARCH METHODOLOGY

This paragraph explains what method was chosen for research and how empirical data was collected and analysed.

3.1 Research method

According to Burns and Bush (2010), qualitative research is “collecting, analyzing and interpreting data by observing what people do and say”. A qualitative method was chosen to find new and detailed information about the subject. Based on theoretical study five main themes was chosen for research: brick-and-mortar store and development of in-store experience, consumer behavior and customer service, multichannel sales management, possibilities and challenges of multichannel business and future trends of retailing.

Data for the theoretical study was collected from e-books, articles and online sources. A semi-structured interview was chosen for data collecting method to get richer and detailed answers compared to the yes-no type of survey.

Semi-structured interviews are used to bring more depth to collected data. Data collected from interviews can be corrupted if interviewees don't clearly understand the question. Personal interviews can counteract the problem where interviewees could give not honestly answers. (Hirsjärvi et al. 2013, 195.)

Research aim was to get more knowledge about disruption in retailing and how multichannel retailing has been developing. Interviews as data collection method supported thesis topic to find new ways to approach disruption and reasons why retailing is having so many difficulties. Open interview question gave change for interviewees to speak deeper about themes.

3.2 Data collection and analysis

Research data was collected from semi-structured interviews. First I carefully chose question for all five research themes and in the final version, there was 35 question for interviews. After question for research were ready I contacted all interviewees one or two weeks before the interview and I arranged the time for the interview. When I booked interview times I explained the subject of research and five topics where the question will be about.

All five interview was made in February 2017. All interviews were recorded with free android phone application called ACR. I followed semi-structured question model for every interview. Allocated time per interview was from one hour to one and half hour. Every interview was held in given time frame. Contacting possible interviewees in advance was important for the success of having peaceful time for interviewees to focus on answering questions.

For interview's I contacted persons who have been working in multichannel retailing in the manager role. Four interviewees worked as a store manager in non-food retailing business in Finland and on interviewee worked as department manager also in non-food retailing. All interviewees had experience of manager role in the company which had brick-and-mortar stores and online stores. All interviewees had long work history in retailing. One theme which raised from the theoretical study was sales management and that demanded that interviewees must have manager work experience.

After interviews, I made data analysis. I transcribed recorded interviews in word text. In the first stage, I wrote separately all interviews as an individual file. Every transcribed interview was from four to six page as a word file. A total number of word pages was 26. Next stage was to separate collect data from every interview to themes. I collected from every interview all data per theme and then I had five-word files, one for each theme. Then I analyzed data from every theme and wrote empirical study and conclusion based on empirical and theoretical studies.

4 EMPIRICAL STUDY

4.1 Brick-and-mortar store and development of in-store experience

All interviewees were working in brick-and-mortar stores variable manager roles in multichannel retail business. All interviewed employer's companies combined offline and online stores. Mutual functions which were made in the store were the click-and-collect type of delivery where the customer bought products from the online store and had the option to pick up purchases from chosen brick-and-mortar store. Another important multichannel function was a possibility to make online orders in store with or without the help of sales staff. Depending on interviewees store, customer's possibility to buy goods from online store selection was organized different ways. Two interviewees pointed out that they had specific online store spot including computer only for browsing online store collection or making online store purchases.

All stores didn't have special online store spot and this emphasized sales staff's activity and skills to help customers to use online store from sales staffs work computers. Tablet computers were in few stores to wide product selection in sales situation if the customer was interested from wider selection or product which was temporarily ended. Interviewees answered mutually about how important channel offline store was between customer and online store when customers returned online purchases or if there were claim situation with products. Many customers appreciated more face-to-face customer service more in difficult situations.

To question about how to develop and increase in brick-and-mortar store possibilities to sell an easier selection from online store interviewees had new ideas where technology is relevant. Customer experience is very important and chosen strategy must be very fast and easy to use for customers. Sales staff should have the possibility to close the deal with the customer there was customer is, is it in between shelves or far away from work spot of staff. This means that sales person needs wireless sale solution and access to online store everywhere, example with a tablet or big mobile screen. One interviewed pointed out how customers can make online purchases very easily and comfortable from home sofa and same kind of feeling about easiness should be in store too.

One interesting idea was to fill the store with many smaller online store browsing possibilities with integrated product selection. Idea was to add online store selection close to this product group where customers physically are and show an example from reading products EAN-code all possible variations and colors of product available from online store selection. Important for all ideas and strategies is that buying is easy and closing of deal happens easily already in the store, otherwise customer

might forget idea about the purchase or end up at home to different stores customer after price comparison.

All interviewees pointed out the importance of brick-and-mortar stores product availability information in the online store. Customers seek information about products with the computer and the mobile phone and real-time updated inventory increases stores sales. All interviewees stores had updated inventory about stores availability and experience about good and negative sides. Product information turns against store staff if there are technical problems and information is not right. Customers can come from a long distance to seek for a specific product and if promised product is not available the whole thing turns against the company with big customer disappointment. It is common to request customers to call in store if online store if the availability of product is low. Customers trust that information is accurate and this is also an important measurement of company's reliability.

It was important for retail managers that if the company chooses strategy where product availability is transparent for customer's, investments to technological systems and quality of information must be done wisely. Multichannel retail business can otherwise have a bad reputation already among sales staff if online store continuously causes negative customer feedback where employees can't solve with own behavior.

Question about mutual marketing campaigns in multichannel business raised up the importance of common customer experience in every channel. All interviewees answered same way about how important it is to have similar marketing actions in every channel in same time. Customers can easily mix up campaigns which are a valid example only in online store and this causes again negative customer feedback and raises gap between channels. Marketing is nowadays everywhere: internet, social media, radio, television and paper. If the company wants to attract customers and be seen from the crowd, in multichannel environment works only mutual campaigns. It is not wise to teach and underestimate customers with too difficult marketing messages.

Interviewees also commented about similar pricing in all channels. From brick-and-mortar store managing point similar pricing in all retailer's channels is easier to handle and again increases customer satisfaction, although interviewees commented about online store harder price competition between retailers. But similar product prices in all channels makes multichannel retailer more trustfully and for customer more solid experience in all channels.

4.2 Consumer behaviour and customer service

For the multichannel retailer, it is important how customer experiences different channels. In optimal situation it doesn't matter what channel customer uses when having contact to the retailer, an experience is similar everywhere. In real day to day business, there are factors which make differences to channels. Interviewees said that it is very important for the retailer to understand how consumer behavior has changed when the use of the online channel and mobile phones has increased significantly. For prosperous retail business, it is valuable to provide similar customer experience no matter what has used the channel. Customers may not understand if channels are working independently and customer don't care what kind of logistic or technological environment is behind the brand.

Customers appreciate good and easy service, which means that all possible transactions between customer and company can be done in one place. One interviewee shared consideration about how in their company offline and online store were different units. This caused situations where a customer who bought a product from the online store could not return the product and get money back from the online store if the product didn't fit. This customer behavior highlighted the way how customer understands multichannel company's meaning, it doesn't matter from which channel purchase is made. Multichannel product pricing and marketing raised again to answers and importance to understand the rapid change in customer behavior. Similar pricing, marketing and common customer service goals for whole company were in answers.

Question about how customer service was organized in the whole multichannel company got similar results. Online store had own service call center mainly for information regarding online store purchases. The role of brick-and-mortar store was for handle all kind of request regarding offline store transactions. In-reality customer who deals with brick-and-mortar store wanted service for all question, no matter which channel was used for the first place. Quotation from interviewee whose company had separate customer service: "Customer service was not clear wholeness. Customer service should have been more uniting, the customer didn't know how to contact company and level of service were poor. It was not nice to make customer run from place to place."

The problem was also shared responsibility inside of the company, which caused that nobody takes real responsibility and really care about the customer. Shared responsibility can see as nobody's responsibility according to the interviewee. To question about how would you develop customer service in multichannel retail company interviewees shared thoughts about building clear service strategy to the whole company. Customers want service 24/7 and customers to want to choose ways how to connect company. More information available is better and the

possibility to connect fast with chat or similar service increases the quality of customer service. Customer service can be seen a competitive advantage and interviews pointed out high value of topic.

Answers about developing included model where all data about purchases and transactions between customer and company is available in online store and offline store in same wideness. Invest to good multichannel customer relationship management (CRM) system makes possible to take care of customer inquiry without making the customer to spend valuable time with different customer service contacts. The best model is based on customer needs and the basis of service is a customer. One answer that customer service has not been able to develop as fast as and customer behavior has changed, and if the company can be built from the beginning role of customer service would be now much higher.

Customer service should be available as around clock as possible. Customers are living differently, some of them are working on a night time and companies who can provide service when customers need it are having competition advantage. Many multichannel companies who operate in Finland are providing surprisingly narrow customer service times on daytime and customer service reached by email, chat or another way can be closed on weekends. According to interviews retailers should think customer service as value and re-think operating hours based on when customers seek information or need help. Developing ideas for companies can be an example more innovative service channels example WhatsApp and snap chat. If retailer wants to make service as advantage, they have to be ready to invest and be more creative.

4.3 Multichannel sales management

Interviewees shared thoughts about how multichannel retailing has given new kind of challenges from managing sales staff. Customer expectations about professional knowledge of sales persons have increased and same time disruption of retailing has forced companies to reduce staff expenses and decrease amount of staff. Managers named also problems with sharing right kind of vision about multichannel benefits to staff. Sales staff are usually very proud of own product group and sales responsibility. Online sales can sometimes see as a competitor, even own company's online store.

For store staff online channel might have been problem, because same time sales from physical stores have decreased and popularity of online store has increased. This caused that retailers cut expenses from the store by cutting working hours and taking less staff for seasons. Interviewees explained that this caused negative circle when customer expectations were not fulfilled anymore in the physical store and store staff didn't get anymore enough time for customer service and sales work.

Multichannel retailing challenged sales management, because in multichannel environment old ways to measure how staff performed was not working anymore. Sales are important to measure by a person, this makes evaluating easier but how to measure sales per person when sales are divided into different channels. It is impossible to say anymore how much is actual sales per person when customers are making a final purchase decision in various channels. The sales person can make very good work and recommend the right product for the customer, but the customer can go home and do purchase there. When the customer uses different channels for buying sales staff feels that they can't anymore reach sales objectives and same time retailer cuts expenses, because stores can't reach goals anymore.

The disruption came so rapidly that maybe retailers were not ready to seek alternative ways to use staff basis of customer needs. It's possible to use already existing professional sales and customer service staff and transfer their working hours to this channels where customers are seeking for service, an example of social media or online store chat service or call service. Development of sales management in retailing could say stopped when multichannel and online sales increased, because of new kind of challenges. Interviewed said that retailers should always remember that customers evaluate who company as one brand and if customer experience in the physical store is not in needed service level the same opinion is easily about all channels.

Interviewees saw that there is much to do in companies with attitude questions and confrontation between online and offline functions. It is important that director board can build right kind of vision for employees about actual benefits of all channels to customers and employees. The importance of multichannel business should be already done well in introduction stage when a new employee starts to work in the company. The company should make a clear presentation about why the company is working in multichannel and how all different departments are supporting each other in order to make a successful business. Interviewee told that when different channels continue working in silos, it is impossible to provide seamless customer experience and manage sales staff profitably.

From sales person's point of view, multichannel retailing also increases professional requirements. In the digital era, all employees must be familiar with computers and different software. Digitalisation happened rapidly and interviewees shares concern about that companies haven't spent enough time with teaching all needed skills for employees. People who have a longer career behind in retail sales had problems adapting computer use, and this really challenged managers. Lack of computer skills and change in business environment caused more attitude problems and how to solve the issue that customer service is still in good level.

Culture issues were mentioned in many answers. Managers answered about how important it is to build a culture where continuously learning and developing is possible. Attitude problems increased when speed fast too fast, and there was not the time to really learn new skills and same time online store takes more share of sales. The wrong kind of culture and different channels working in own silos are a dangerous combination for business.

Good practices about selling online stores selection from brick-and-mortar store were seamless and easy on paper, but in reality, there are several challenges for managers. First of all earlier mentioned attitude and lack of computer skills are a start. Then there is business development and new solutions for multichannel business, which usually needs testing and time when it is fully ready. But in-store environment it is very important that sales persons can operate with customers without continuous problems example with new software. Sales staff who need to solve customer's needs and if they have same time uncertainty with own skills can't perform expected sales results.

Question about measuring online sales and developing of market share on an area where brick-and-mortar store was operating showed solid fact about the lack of information. Managers felt that they needed more data and figures about how whole market area's sales were developing in the whole company. Companies where interviewees worked used a different kind of indicator how to measure sales performance example mystery shopping or customer service surveys. Interviewed felt according to answers that performing measuring in multichannel retailing is very difficult with tools used today. Sales performance measures sales and when sales are divided between channels it is difficult to store level to execute well from the manager's point of view. Sales figures were still not updated to multichannel business.

Interviewees answered that better sales data could motivate more to develop multichannel sales because now only online sales take time but it is hard to measure success. Rewarding based on sales and different bonus salary methods for store staff needs the revolution because now there are not enough good motivation drivers for store staff in the multichannel retail business.

How to sell more to customers who pick up purchases using click-and-collect method is a highly valued topic for store managers. Different stores had a different type of sales competition for staff how to motivate sales persons to sell more. Practices varied between stores, but usually, a method was to give a different type of coupon with good short time discount to attract customers to make impulsive purchases. Some stores used marketing material to attract customers, the example they gave marketing paper for all customers who picks deliveries from the store. Overall impression about cross-selling in multichannel companies was that

this is still developing business and there are not many digital tools which help companies to make best possible sales from click-and-collect customers. There is already development in the market that stores are pointing out a separate click-and-collect place outside of the store, but future will show what is the best option. Fast service for click-and-collect customers is important now and future, but the store is media where retailers want customers to enter to get them make more money for business.

One concern which was mentioned in interviews was time issues. Multichannel gives company possibility to wide product selection very large and it is essential for staying in competition against global companies. But wide selection of products means more special information about products and this challenged store managers to find time for sales persons to develop a professional level of knowledge about wide online product selection. The amount of detailed product information is massive and when customers expect high level of knowledge about products from sales staff it is challenging to manage.

Multichannel marketing challenged store manager's duties if campaigns were not mutual in all channels. Sales person contacted frequently customers who insist on making purchases on the same price from the offline store than online store sold in an online campaign. Usually, sales persons have natural willingness to make as many deals as possible and satisfied customers are a goal for sales staff. When marketing in multichannel retailer divided channels, sales person still want to make it better for customers. Company's policy about selling products from the offline store with online store prices based on online campaign challenged store manager and ways to create an environment where sales persons can independently read customer situation and make own decision to increase customer satisfaction and sales.

4.4 Possibilities and challenges of multichannel business

Interviewees answered the question about challenges in multichannel business with two main theme: how to build a multichannel culture to the company and how to build a similar message about business in all different channels for customers. Culture issue was discussed widely already in a topic about multichannel sales management, but interviewees raised this topic again in one of the biggest challenges in retailing multichannel. Culture connects all different departments inside of company and managers asked for more concern from the board of directors to that.

Store managers felt that delivering the message to own employees about the importance of multichannel strategy is very important, but also challenging. Increasing understanding about benefits what multichannel

retailing can bring to sales staff can increase work satisfaction and lower attitude problems inside of the company.

Two interviewed described very detailed how challenging it is for the store manager to continue working several years with the same kind of technical issues related to multichannel processes inside of the company. Interviewed department manager answered about how important back office support is for agile development projects. She told about technology development project which aimed to make online store orders much more faster and easier for the sales person to close in a brick-and-mortar store. In the beginning of the project, the department had good support from the main office, but when there was time for real agile development for pilot project everything stopped. She told that brick-and-mortar store didn't get enough support from back office regarding fixing need issues in the pilot.

For future retailing agile development projects which happen customer surface needs more support from business partners, according to interview. This answer highlights issue about the culture where there are separate companies in an inside of the company. More speed with developing projects and more professional persons to work with technology development may give better territory among store staff to claim multichannel business vision to way to work. Interviewees answered that companies had many promising development projects going on based on good ideas, but in the reality result of success, projects is not showing results what customer appreciates.

Interviewees mentioned also common economic situation as a challenge in retailing which caused less traffic to stores and forced companies to reduce sales staff. Reduces and popularity of online stores happened on same time and physical stores lost credibility among customers when the level of customer service decreased, because of lack of staff. Less customer traffic raised priority to get other sales channels such as the online store to work well. The online channel got more investments and physical stores got less and this encouraged customers to use more online channels and compare prices because stores didn't give anymore added value for customers.

The Economic recession increased consumers awareness about prices and because online shops make price comparison very easy, cheap price is attractive competition advantage for retailers. Interviewees were concern about value-added tax (VAT) and how this effects to global competition. VAT is high in Finland comparing to many European countries and interviewees felt that this is unfair for global competition when prices are an important factor in markets.

Especially in Finland logistic challenges were mentioned in interviews. Same time global competition is challenging domestic markets in Finland store managers and customers are surprised how fast parcel deliveries

comes from abroad. It is possible that online order from abroad example Spanish logistic center can be in two days in Finland at home address. But Finnish companies deliveries from a logistic center located in Finland can take more time. Mentioned situation is a good example of challenges what kind of technological and logistical multichannel companies are facing in everyday business.

With right kind of business vision and company culture, everything is possible. Global competition is tough in retailing, but if the company can highlight somehow Finnish identity and make that advantage in domestic markets. Interviewed mentioned that even in non-food consumer business domestic products have a good reputation and same way with Finnish companies. Customers see domestic companies in better option when service needs to do in face-to-face. Multichannel business possibilities are big if services are built for customers and customer experience is in the center of developing process.

4.5 Future trends of retailing

To question about future of retailing interviewees shared a similar opinion that retailing will keep changing and there is no returning back to simply one channel business via brick-and-mortar stores. Customer behavior has changed and technology development will continue. Customers are more and busier all the time and that is why customer experience will be one of the most important factors of successful business in the future. Companies which can adapt new technologies and which have skills to transform business rapidly have the best chance to survive.

The worth of excellent customer service and customer experience is priceless in the future. Brick-and-mortar stores role in purchasing path will keep on changing and what already happened is development where customers seek service from sales persons, but afterward, they go home and make online purchases after prices comparison. Interviewees mentioned that companies which can connect multichannel retailing and add more value for personal customer service and close deals better have strong future outlooks. Need for personal face-to-face service will take care of the need to have physical stores in the future.

Globalization interviewees saw also increasing in the future. Big international retailing companies example Alibaba and Amazon will conquer more markets and this will be challenging for smaller domestic companies. Globalization and big companies entering to Finland were one challenge mentioned about what kind of challenge Finnish markets will still have more in future. One interviewed manager saw globalization for one important development case for Finnish companies. Finnish companies usually are concentrating on selling products and services only in Finland and this way of approach gives competition advantage to global

competitors. In the future retailing should see as the global business from the beginning.

According to interviews, brick-and-mortar stores will not fully disappear, but the meaning of physical stores will change. The era of big department stores and markets will fade and store sell area will decrease. Same time when store sizes get smaller product range and item numbers will increase. This development in the future happens when companies use other channels than brick-and-mortar store to show a full selection of products. Multichannel makes possible to show in physical store products which need more testing or touching before purchase decision and sales staff have new technology to show all product range to customers which are not available immediately. This kind of future scenario also means that customers must get used to fact that all products are not available on same second.

Brick-and-mortar stores bonds financial capitals and especially if store network is largely invested capitals to storage is naturally very high based on a number of sold titles. Development if the future in multichannel retailing will first of all lower amount of capital invested to storages when central logistic storages will get more common. Seamless logistic actions combined with future retailing where physical stores are more showrooms where customers can see products, but courier will deliver purchases afterward to home from the central logistic center will increase turnover.

Retailers must think more in future about the profitability of products because increasing global competition will decrease profits based on price competition. Interviewees saw that retailers will increase the selection of own brands and own products. Own products will cut one middle expense batch and will help retailers to increase profits. Retailers own brand and products can also be success stories in future and well-done brand marketing can make retailers brands also popular for other retailers purchasing agents. This kind of scenario can also make retailer as a global brand, but this means a lot of expertise about manufacturing and branding. But everything is possible in global multichannel world where online sales are the important channel to reach new markets.

There has been a discussion about how retailing will change to the way that companies provide more experiences in stores than before. According to interview, this kind of scenario did not get support. Retailing is more about selling and buying and interviewees believed that consumers seek emotional experience somewhere else. Good customer service anyway is experience and investing to service will be important also in the future.

Biggest future trends according to answers were changed in payment methods and technology changes example virtual reality. Mobile paying has increased already and in the future mobile paying will be much popular. Mobile paying makes transactions easier and faster. Easiness of

mobile paying makes possible to use virtual reality as shopping platform in the future. The border between consuming and entertaining will fade away when customers can enter to virtual reality and buy also physical products from there. But this will take still much time and it's hard to forecast for how many virtual reality users will use online shopping in the future.

5 CONCLUSIONS AND KEY FINDINGS

The purpose of research was to find out how retailing business has changed from brick-and-mortar store era to multichannel retailing and what kind of challenges and possibilities multichannel retailing brings for retailers. Both research's theoretical and empirical parts emphasize how thesis about multichannel retailing was current theme. The pace of disruption in retailing keeps moving more rapidly. According to research sources, retailers are closing brick-and-mortar stores more than ever in the past. Research about multichannel retailing focused on five main themes which were selected after theoretical research. Main five themes about multichannel retailing were: brick-and-mortar store and development of in-store experience, consumer behavior and customer service, multichannel sales management, possibilities and challenges of multichannel business and future trends of retailing.

Research findings show that there is now large store closing activities in the market. Customers can make purchases and compare prices easier than before, but there are still many reasons for brick-and-mortar stores to exist in multichannel business strategy. For the beginning, retailers need to re-evaluate the role of brick-and-mortar stores and why physical stores are in business strategy. The first business reason according to research is higher revenue possibilities because multichannel customers spend more money and they have higher buying frequency than one or dual channel customers.

Customers are busier than before and they want that everything happens faster and easier than before. Brick-and-mortar store competition advantage against online retailers is time because customer usually can have purchase immediately with them after buying it. But problem is that customers are too busy to go from store to store and find the right product and compare prices. Multichannel retailing can resolve this issue with providing informative online solutions where customers can see updated inventory details about all products. Then customers can make purchases on online channel and choose how they want the product to be shipped or alternative way is to pick up online purchases from the physical store.

Brick-and-mortar stores can also give experiences to customers and there is still product range which needs touching and seeing before buying. Personal face-to-face customer service from sales staff is also advantage. Customers have access nowadays thanks to the internet to a wide amount of information provided by manufacturers, retailers, customer reviews and so on. Sales persons can still give professional knowledge about products and recommend right kind of products based on customer needs. Personal service is highly valued in situations where the customer has issues which they can't solve themselves. Good example about customer issues where

service is important are claim situations or if customers bought the wrong kind of product.

Interviewees answered about how the physical store should be an as easy place to get service and buy products as it is buying from the online store at home sofa. In-store experience needs to be reinvented and find out why physical stores exist and what added value customers can get from brick-and-mortar store which fulfills retailers multichannel retailing strategy.

Research finding of consumer behavior and customer service highlighted fact about speed how everything has changed. Customers have learned fast and well to use new technology which has challenged retailers. Customer purchase path from searching information to making final decision and purchase has changed totally in past five years. The consumer uses now more and more mobile and internet to find information and retailers who are not visible in online searches are forgotten. If you are not online, you don't exist could say on this issue. Retailers who have possibility and understanding to provide accurate information online for customer's needs are still among the choice list. Providing information is of course only just a start, consumers are using smartphones and other internet-connected equipment to make purchases more every year globally. This has changed also competition environment fully global. Consumers are fast learners and buying goods abroad has been a new reality already for a long time. But this raises a question about retailers focus, can all retailers see how global shopper customers are nowadays?

The worth of excellent customer service and customer experience is priceless in the future. Brick-and-mortar stores role in purchasing path will keep on changing and what already happened is development where customers seek service from sales persons, but afterward, they go home and make online purchases after prices comparison. Research emphasized that companies which can connect multichannel retailing and add more value for personal customer service and close deals better have strong future outlooks. Need for personal face-to-face service will take care of the need to have physical stores in the future.

Customers are more individuals than before because possibilities to choose where, when and how to consume and endless. Customers are using 24/7 shopping options and this is a challenge. Retailers should invest in Customer Relationship Management (CRM) systems to provide seamless customer service experience for customers. Individual customers are used to using freedom to choose how to interact with companies. For multichannel retailer's this means that level of service should be excellent on every channel and customer should be able to serve same way in all channels. Good and well executed CRM makes possible to reach customers information in every channel inside of the company. Interviewees highlighted how the customer chooses how to interact with the retailer. If retailer's internal processes are not working, the customer might need to

run and call from place to place to get things solved. In multichannel retailer who values customer service as competition advantage, understands to execute processes where the customer can choose a channel. First customer service person who customer contacts in any channel take full responsibility of the customer and have needed tools to handle customer from beginning to end with fast and efficient way.

Multichannel sales management research emphasized how customer expectations about professional knowledge of sales force have increased. Earlier was mentioned that customer has access nowadays to a wide scale of information. Customers' expectations that sales force knows more than they are facts nowadays in business-to-consumer sales. Technology development also challenges sales force, because there are more software solutions which need user knowledge.

There are several issues for the multichannel sales manager who is responsible for physical and online store actions. How to keep sales force professional knowledge and IT-skills on needed level to handle sales work is first relevant question according to research. Multichannel retailing came rapidly to companies and this caused problems which can still be unsolved inside of the company. According to interviews in rapid change, speed companies have issues with building company culture which connects all departments inside of the company. Silos were born inside and even different channels might see as competitors inside of the company.

Sales manager in the multichannel company needs wide professional skills to teach and train sales force for new technology and cross-channel sales skills. Culture building towards unite company and seamless customer experience must come from the executive board. Research revealed that there are still things to develop with cross sales skills and multichannel reporting. Interviewees were not satisfied with how they can measure their store or team success in sales because effecting on online channel sales was not measured in an area of operation.

Research findings show how much possibilities there are for multichannel retailers. It is estimated that there will be over 4 billion new internet users in the of the year 2020. For online stores possibilities are endless, shops can be open 24/7 and markets are global. Online stores provide a channel for wider and deeper information with possible to add product videos to help customers to make purchase decisions. Social commerce (SC) is a possibility for companies to grow a number of followers and get real recommendations for products. Social media as a marketing channel is vital for companies to get visibility from competitors. Customer to customer communication is relevant on social media and in the online store because consumers find support for purchase decision from real users and their reviews.

Multichannel retailing has many challenges. Global competition is harder and customers are less loyal. The important question is how to build strong customer relationships and increase customer loyalty? Social commerce can nowadays easily turn against the retailer because publicity is harder to control in social media time. Technology isn't problem free and customer are not interested about retailer internal processes, that's why customers should not be facing multichannel technical issues.

Research findings about challenges for retailers were common economic situation in retailing which caused less traffic to stores and forced companies to reduce sales staff. Reduces and popularity of online stores happened on same time and physical stores lost credibility among customers when the level of customer service decreased, because of lack of staff. According to research the Economic recession increased consumers awareness about prices and because online shops make price comparison very easy, cheap price is attractive competition advantage for retailers. Based on interviews there is concern about value-added tax (VAT) and how this effects to global competition. VAT is high in Finland comparing to many European countries and interviewees felt that this is unfair for global competition when prices are an important factor in markets.

Earlier already was mentioned about how research pointed out technological and also logistic challenges were mentioned in research. Same time global competition is challenging domestic markets in Finland and customers are surprised how fast parcel deliveries comes from abroad. It is possible that online order from abroad example Spanish logistic center can be in two days in Finland at home address. But Finnish companies deliveries from a logistic center located in Finland can take more time. Mentioned situation is a good example of challenges what kind of technological and logistical multichannel companies are facing in everyday business and how important is to give more value for customers to keep them satisfied when international competition is hard.

Smartphones have an important role in the future of retailing. It has been estimated that alone in the U.S. mobile paying revenue reaches USD 300 billion by 2020. Mobile paying has already started to come more popular and development will continue in the future. Retailers which can adapt new technologies and which have skills to transform business quickly based on customer needs have the best chance to grow. Amazon is a good example of the retailer who has developed customer experience for demanding customer needs. The market value of Amazon has increased on same time when traditional retailers have opposite progress. Global companies example Amazon and Alibaba are growing because they have understood how customers behave and how they want to consume. In the future, virtual reality will develop online shopping experience towards physical store experience, and both Amazon and Alibaba are already among this progress.

In conclusion, research showed that there is no return to traditional one channel brick-and-mortar store retailing. Multichannel retailing is a crucial business strategy for the future, and the main driver for this progress is changed customer behavior. Customers have more options to consume than ever before, global shopping markets can be reached only a few clicks away from home sofa. Multichannel retailers should execute strategies where customer experience is in the center of all planning. It's better to build internal processes to business where all channels have the same vision and there are no silos inside of the company. Multichannel retailing means more channels for the customer to interact with the company, but for the retailer, there is only one retail company. All actions, from marketing to customer service should have the same message to avoid customer disappointments. Customers are not interested in internal processes and back office actions, that's why the company should invest that all technology is working well. Retail manager's role is to build and keep up company culture, which values all channels towards seamless customer service experience.

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APPENDIX 1: INTERVIEW QUESTIONS

Background questions:

1. What role and what company you worked for?
2. What kind of company it is?
3. How many different units there is/was?
4. What kind of sale channels your company used?

Brick-and-mortar store and develop of in-store experience:

5. Did you handle online store functions in physical store or were they different units?
6. And if you did what functions was made in store?
7. How you helped customer to make online purchases from store?
8. Did you have online store spot for customers or how customer purchased from store?
9. How did your sales team help customers to use it?
10. How would you develop this method?
11. Did your company have updated inventory details of products in online store?
12. What challenges inventory details bring to sales team?
13. How did you have marketing campaigns on every channel, possible any similar campaigns?
14. What challenges multichannel marketing gave to store management?

Consumer behavior and customer service:

15. How did customer experienced brick-and-mortar store and online store, as one multichannel company or company with different individual sales channels?
16. What kind of service customers appreciated?
17. How customer service was organized in your company?

18. How would you develop customer service?

Multi-channel sales management:

19. What kind of challenges multichannel bring to manage store's salespersons?

20. What kind of store vs online store attitudes your sales team had?

21. How did you check online sales with your sales team?

22. How did you measure online sales made by your sales team?

23. How would you develop measuring?

24. How you motivated sales person to sell from other channels?

25. How your sales person cross-sold products for people who came to store pick up online purchases?

26. Did your company invested to product information on online store and if did what kind of feedback you got for customers and sales persons?

27. Did your sales team used online store information as additional sales speech information?

28. How did your sales team use digital assistant for cross sales or check inventory details?

29. How you would develop sales management for multichannel company?

Possibilities and challenges of multichannel:

30. What was biggest challenge working in multichannel company?

31. What kind of challenges global competition gave to your retail business?

32. How would you describe disruption in retailing on your work career?

Future trends of retailing:

33. How you see that multichannel retailing is going to change in future?

34. How you see global retail will be in future?

35. How you see that customer behavior changes in future?