

DOI: <https://doi.org/10.24297/ijmit.v16i.9131>

E-Commerce And Showrooming: How Retail is Changing

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Abstract

Distribution channels are undergoing a radical change. The success of the online channel and digitalization driven by a few leading companies in recent years has dramatically changed the way people live and change their purchasing patterns. New technologies have multiplied the points of contact; broadband connection has increased the number of always-on consumers and, at the same time, has developed online shopping.

What are the implications of digital technological innovations? Will the physical store continue to play a key role? Will online shopping be able to offer an engaging and exciting consumer experience?

For example, showrooming is becoming a common practice. It consists in obtaining all relevant information about a product at the point of sale and finally, buying it online. This practice is often used in order to save money since online prices are known to be lower than in retail shops. It is also driven by the customer's need to touch a product before buying it. More and more retailers are dealing with this phenomenon of being a storefront, providing information, letting people touch products and eventually making fewer sales.

Keywords: e-commerce, multichannel, omni-channel, online-offline retailing, showrooming.

Introduction

The integration of e-commerce with physical channels creates opportunities and synergies: companies can offer multiple services through different channels and for different target segments. Electronic retailing is creating greater customer value in terms of additional services and additional points of contact.

To face these technological improvements, many retailers have developed multi-channel strategies by including new touch-point channels in their assets through which companies can interact with consumers (Verhoef, Neslin & Vroomen, 2007). Retailers started to manage the customer experience and integrate the retailing-mix levers of all distribution channels in order to manage the new logic of competition and establish a lasting relationship with consumers (Neslin et al., 2006). Major retailers became multi-channel and the most dynamic ones are focused on online-offline integration and omni-channel (Rigby, 2011), aiming to provide consumers with more engaging, convenient and seamless experiences.

Reference literature

In the reference literature, it is assumed a clear distinction between physical and online channels but the recent integration of channels has led to the study of the multichannel first and then to the omni-channel (Verhoef, Kannan & Inman, 2015). However, the new paradigm has different meanings: it can refer to a survival strategy, a unique seamless operation or a consumer service that is available anywhere and anytime (Fairchild, 2014). Nowadays, consumers consider sales and marketing channels as one and as a seamless shopping experience, regardless of the type of channel used (Herhausen, Binder, Schoegel & Herrmann, 2015). Indeed, omni-channel consumers simultaneously use many or all available sales channels during the purchasing process, such as online channels, mobile devices, and physical stores. Omni-channel retail conceptualizes the integration of all digital and physical channels (Rigby, 2011; Frazer & Stiehler, 2014). Therefore, omni-channel management offers a synergistic approach to the management of contact points to optimize the consumer experience. Often the terms "multichannel" and "omni-channel" are considered synonyms. However, in the reference literature, omni-channel retail is considered a new paradigm. It is considered a group of activities involved in the sale of goods and services through all activated channels altogether with complete customer interaction and full integration controlled by the retailer (Beck & Rygl, 2015). Since 2010, cross-channel and, especially, omni-channel strategies have become more widespread and, at the same time, the research on the challenges of implementing them has been started (Brynjolfsson, Hu & Rahman, 2013; Lewis, Foster & Whysall, 2013; Strang, 2013). Researchers



sought to explain the challenges retailers face (Herhausen et al., 2015) and to analyse the implications for supply chain partners (Brynjolfsson et al., 2013). Resources aim to create a unique and personalized shopping experience. New omni-channel strategies are focused on more sustainable, integrated and creative use of technologies. Desai, Potia and Salsberg (2012) defined the new frontier as Retail 4.0. In the omni-channel context, virtual, physical and digital worlds are integrated and focused on hybrid solutions. For example, the consumer can buy a product online and pick it up in-store; the customer can choose a product in-store and if it is not available, he/she can order it online; they also can buy a product online and return it to the store. Retail 4.0's physical stores are increasingly connecting online and offer their customers various forms for searching information online: tablets, interactive kiosks, mirrors and walls, virtual fitting rooms, mobile apps and live chats. The creation of the unique shopping experience is one of the priorities for fashion and luxury brands retailers who are forced to implement an omni-channel approach and manage the physical and digital dimensions of phygital retail (Armstrong & Rutter, 2017). Increasingly informed and omni-channel consumers have become more appreciative of the experiential and emotional dimension of the shopping experience. After the seasons dedicated to opening physical stores, retailers started to venture into new virtual spaces. The challenge for retailers is to manage all contact points and ensure a unique brand experience in line with brand values. Indeed, digital transformation is represented not only by e-commerce but it also by a dynamic website, social media presence and app development. Digital in-store integration is another priority for fashion retailers. To keep playing an important role for customers and avoid cannibalization, physical stores should evolve from a simple point of sale to an environment where customers can get a satisfying shopping experience.

Despite the advent of omni-channel retail, recent studies show that stores have stayed the main contact point for consumers (Granata, 2021). The increase in online sales favours in-store purchases, which confirms studies on the emergence of two such opposite phenomena as showrooming e webrooming in an omni-channel context (Verhoef et al., 2007). Normally, those who buy products online, even when it comes to luxury goods, do so for comfort, convenience, a wider range of products or the opportunity of personalising their purchase. On the contrary, those who prefer purchasing in traditional shops, mention the possibility of touching the product before buying it, as they are afraid of buying counterfeit goods or they are buying luxury goods for the first time. However, online shopping statistics show that the implementation of an omni-channel approach is crucial for retailers. Basically, e-commerce as a remote selling technique has also changed. Moreover, e-commerce is becoming more and more integrated with offline sales, social media, smartphones, showrooming, digital channels and so on.

The Showrooming Phenomenon

Consumers today are interested in omni-channel; they do not leave physical shops and make their own decisions, using online and offline. Currently, people are "always-on", which means they are constantly connected, wherever they are. The Internet, evolution of mobile phones, the success of social media and social networks have changed consumer behavior. The customer journey is no longer linear. So, in terms of luxury industry, omni-channel consumers have become more informed, more sophisticated, they have less time and yet expect a wider choice of products available any time and in any place (Piotrowicz & Cuthbertson, 2014). Luxury segments have also become more focused on price, promotion and better service. The simultaneous use of online and offline channels makes it easier to compare products and promotions (Brynjolfsson et al., 2013; Strang, 2013). As a reason to buy luxury goods, ostentation has become obsolete compared to positive experiences. The postmodern consumer increasingly makes purchases based on the advice of family, friends and colleagues. Since 2010, the role of the influencer has risen in status, gaining official recognition in the fashion industry, as an example. Many consumers use the web to find the product but then buy it in a physical shop. On the other hand, many people try products in shops because they want to check the quality, the shape, etc., but then they prefer to buy them online because of the lower prices. This phenomenon occurs in certain sectors or industries. Such industries as fashion, electronics and mechanical engineering interact well with this combination of online and offline distribution channels (Granata & Scozzese 2019).

Thus, in order to avoid the showrooming phenomenon, some companies started introducing real digital fitting rooms defined as virtual ones, so that consumers can evaluate the products they are about to try. The virtual fitting rooms are equipped with a display with an invisible camera behind the mirror. Using the augmented

reality technology and standing in front of the mirror, customer has an opportunity to try the whole assortment, take selfies and share photos and comments on social media via QR-code. The QR (Quick Response) code is a new type of the traditional barcode allowing retailers to store more data and once it is scanned with smartphones or mobile devices, retailers can access the content of the code quickly and easily, showing the consumer a way to communicate interactively and more engagingly.

In the new century, the Internet and digital technology are no longer distrusted and even became a part of people's everyday life. For instance, fashion and luxury brands started slowly introducing an approach to the online channel, adjusting it to concepts of traditional offline shops. The disruptive growth of the Internet, mobile devices and smartphones combined with the widespread connectivity of online users who wanted to actively participate in the purchasing process, urged companies to invest in digital. Fashion brands have started to focus more on their own websites, to convey a coherent image, to introduce such innovative services as virtual mannequins and fitting rooms, online sellers, 3D technology, click and collect, e-commerce websites, social media, mobile apps, and live chats. Today, fashion retailers are starting to extend their digital presence through fashion apps and Facebook, Instagram and Pinterest pages where companies post photos and videos of new collections, fashion shows and backstage with the aim of creating a story and involving consumers in the world of brands (Granata & Scozzese, 2018). Thus, the problem of exclusivity arises.

However, fashion buyers who choose between online and offline still want to see, hear, touch and try the product and immerse themselves in the atmosphere of the store. In the fashion and luxury industry, the physical store will continue to play the main role. Digital disruption can potentially transform this industry completely, forcing it to interact with the consumer in increasingly innovative ways that are rich in experience, fascination, empathy and curiosity.

Results and Discussion

Nowadays, the issues for companies are not only whether to implement digital distribution or not, but what kind of distribution strategy to choose. The integration of physical and digital processes still remains a challenge. In any case, the physical store remains the main point of contact. In the new context, it is crucial for retailers to renovate their concept stores by implementing innovative in-store technologies so that the physical shop can evolve from a logistics center to an experiential place. The challenge is to build an omni-channel approach that does not affect the experience, to bring the consumer closer to the brand in a more sophisticated, engaging and interesting way, offering them a seamless customer experience.

The digital technologies to be introduced in-store in an omni-channel perspective are different. Among the most implemented ones are interactive kiosks and totems, interactive screens and showcases, virtual fitting rooms, digital signage, location-based services and beacon technology.

The in-store implementation of various innovative technologies represents a challenge and a turning point that paves the way to technology and digital, while maintaining the centrality of the traditional physical shop. This should evolve into a world where consumers can feel truly pampered and satisfied both in-store and online, thanks to a host of digital tools at the point of sale that allow them to combine shopping, experience, personalization, uniqueness, fun, innovation and tradition (Moretta Tartaglione & Granata, 2019).

Conclusions

Omni-channel retail is mainly driven by technological innovations that enable deeper channel integration, cost reduction, wider and easier access to information, access to big data and ultimately allow retailers to develop more effective and targeted promotions. In addition, the development of the Internet in a service-dominant logic perspective has enabled retailers to create more value for the customer in terms of additional services by offering different services on different channels, moving from a condition of information scarcity to a condition of information democracy (Sawhney & Kotler, 2001). Moreover, the power of mobile, the increasing penetration of mobile devices and the resulting dependence on smartphones have significantly changed consumer behavior, decision-making and the way they live and work in general. Retailers have realized the importance of mobile as a sales channel and have started to manage mobile with the aim of meeting the different needs of their consumers in an omni-channel approach. We tried to understand, what could be the new challenges that

retailers will face when they decide to implement an omni-channel strategy. According to the reference literature, the ultimate goal of an omni-channel strategy is to create a satisfying and seamless customer experience by combining the benefits of digital and physical channels. However, along with interesting opportunities, the integration of online and offline also brings dangerous threats. In addition, the possible phenomenon of cannibalization between channels is among them. Moreover, implementing an omni-channel approach requires organizational and operational changes, especially in the supply chain, as well as high investment costs. Omni-channel retailers will have to innovatively manage various activities such as shipping services, logistics, sales tools, return policy, promotional activities, performance measurement and management of retailing-mix levers (Zhang et al., 2010). In addition to organizational changes, omni-channel retailing requires huge investments in technology and the involvement of qualified IT staff in the re-engineering of its business processes (Frazer & Stiehler, 2014). Thus, there will be always a tendency to integrate the two types of channels, i.e. physical and online. Only via this distribution method, it will be possible to reduce the sales impact of physical stores in favor of online sales.

In particular, it will be necessary to renovate the physical store by implementing innovative in-store technologies that will enable the optimization of the physical channel. Finally, the ultimate goal of responding to consumer demands in the best possible ways and thereby increasing customer satisfaction has prompted omni-channel retailers to conduct their business from a customer-centric perspective.

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Conflicts of Interest

The authors, Granata and Scozzese declare that there are no conflicts of interest.

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