

INGA SŁOWIKOWSKA

inga.slowikowska@poczta.umcs.lublin.pl

Maria Curie-Skłodowska University in Lublin, Faculty of Economics,

pl. Marii Curie-Skłodowskiej 5, 20-031 Lublin, Poland

ORCID ID: <https://orcid.org/0000-0001-7594-4557>

Millennials' perspective on multiple distribution channels

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Abstract

Theoretical background: The idea of multichanneling gained popularity in the late 1990s mostly due to the development of the Internet. Distribution changed from using single to several channels and integrating them, which allowed consumers to access multiple channels at every stage of the buyer decision process. Using multiple channels is referred to as multi-, cross-, or omni-channelling, depending on the level of channel interaction and integration. Transforming distribution from multi-, to omni-channelling can require important and expensive changes in the organization. In Poland, most of the retailers do not meet the requirements of omnichanneling, which leaves the consumers mostly with the experience of multi-, and cross-channelling distribution.

Purpose of the article: The purpose of this article is to explore the consumer journey of Millennials in multichannel shopping by examining the usage of distribution channels by Generation Y and preferences about the delivery of products bought online. The factors that can encourage them to choose online channel and click-and-collect delivery more often are also investigated

Research methods: To test the hypotheses, literature research and quantitative study was implemented using an online survey (CASI). The study involved a group of 266 respondents from Generation Y and was conducted in January 2019. Research results were also compared to the prior research found in the literature.

Main findings: Research results show that online channels are more popular for information seeking by Millennials but traditional stores are preferred by them for purchase decisions. There is also diversity in the channels used for purchasing researched group of products, which shows that integrating the channels in selected

aspects may provide a more positive buying experience and create loyalty. Aspects differentiating multi- and cross-channels from omnichannels, such as lower prices and special offers in online stores, can increase the usage of online channels. The popularity of mobile devices is not well used in distribution channels – it is more popular to use a store’s website on a smartphone than a mobile application to purchase a product. Generation Y is also more likely to use the effect of ROPO (webrooming) than reversed-ROPO (showrooming). The aspects well known for omnichanneling can increase the popularity of click-and-collect among Millennials.

Introduction

Generation Y, known also as Millennials, have grown up in the age of easy access to the Internet, which has had an influence on their shopping behaviour – especially in the area of customers’ awareness and expectations (Gołąb-Andrzejak, 2016). Modern technologies, such as mobile devices, are everyday tools for them, which help them not only to maintain contact with other people but also to make decisions during the purchase process. The fast development of new information and communication technologies, also influenced by the universality of the Internet, has had its impact on distribution channels. The use of the single channel or several channels not connected with each other has turned into expectations of integrated distribution channels – which started with multichanneling (Dahmen, 2004).

In this study, the customer-centred view of multichannel strategies is explored, and customer behaviour in distribution channels is investigated. The goal of this paper is to answer the following questions: Which channels are preferred by Millennials for research and purchase products from different categories? How do they use mobile devices in the purchase decision process? Is the multichannel strategy effective for them, or does it need changes? The answers to these questions will enable the development of distribution channels, especially those concerned mostly on Generation Y.

This paper proceeds as follows: first, the theoretical background of multichannel distribution is outlined, then the research approach is presented and the empirical results outlined. Next, prior research is presented compared to this paper’s own results on Millennials’ behaviour in multichanneling, and finally, conclusions with recommendation for practise are provided.

Literature review

The term of “multichanneling”/“omnichanneling” spread in the late 1990s and is used for the distribution model, where the retailer uses at least two distribution channels to sell the product (Balasubramanian et al., 2005). Multichannel retailing in the consumer purchase decision process focuses on how consumers benefit from the choice between multiple access channels at individual stages of the shopping process (Badrinarayanan et al., 2014). Multichannel distribution can be a challenge for many companies due to many aspects, such as difficultness of brand management,

complications in customer service, requirement of investments and at the same time the risk of dissipating the company's resources (Lembrych-Furtak, 2017).

Multichannel access to the offer results not only in the decision process in the scope of individual stages of purchase (searching-purchase) but also in the purchasing process (online purchase-pick up in store). Effective use of multichannel distribution require the joint management of individual channels and searching for synergy in their use – rather than perceiving them as a separate sales system. However, multichannel consumers are more loyal and profitable (Lipowski, 2015).

Beck and Rygl (2015), referring to Levy et al. (2013), described the different multiple channel retailing, categorized into multi-, cross-, and omni-channel. Selling products through more than one channel but without their interaction and/or integration is described as multichannel retailing. Cross-channel retailing means that the channels are partially integrated and/or the customer can trigger partial channel interaction and also refers to when there is full interaction and/or integration between channels but the retailer is not using all of the widespread channels. The distribution where the retailer is using all of the possible channels and there is full interaction and/or integration between them is called *omnichannel retailing*.

After many years of adding new channels to the retail mix, the next few years are going to be focused on integrating these channels into the omnichannel experience. The future competition in the retail industry will be mostly concentrated on the holistic consumer experience, rather than on individual products, by achieving and sustaining a consistently high quality of interactions at all customer touch points, developing the seamless omnichannel strategies demanded by customers and reinvesting in the physical stores with the use of digital technologies (von Briel, 2018).

Lipowski and Bondos (2016) presented the main areas of discrepancy between the theory and reality of omnichanneling, such as: interchannel differentiation of offer prices, underestimating the expectations of customers in the field of multichannel service and lack of the ability to maintain quality standards for all of the customers, implementation of a strategy of redirecting customers to channels preferred by retailers with forced or/and punitive migrations, the elimination of selected channels at individual stages of the purchasing process, the incomplete use of the functionality of customer contact channels, and launching new channels without concern for the level of customer service in new channels and without integration between channels.

There are only a few reports about the omnichannel strategy in Poland, according to which (e.g. Czerpak, 2017), most of the retailers are not succeeding in integrating their channels fully because they perceive online and offline sales as two separate channels. In most of the examined companies, the loyalty programmes are not integrated into different channels. Most of them also do not provide online reservations of an in-store product or in-store return of an online purchase. Only half of the researched brands offer the click-and-collect option and less than half allow online visibility of in-store product availability. It is also very common that there are differences in prices and product offer between offline and online channels.

Research methodology

The quantitative study consisted of a set of closed questions and was conducted by online survey (CASI) in January 2019. The method used in the study resulted mostly from the character of the sample. The group of 266 respondents from Generation Y are students of the Economy Department at Maria Curie-Skłodowska University and were introduced to the subject of multichanneling. The article presents four hypotheses:

H1: Millennials are more likely to seek information online than offline.

H2: Millennials more often buy in traditional stores than via telephone, Internet or mobile channel.

H3: Millennials are using websites more often than applications for product purchase on mobile devices.

H4: Millennials prefer delivery to home or parcel locker over the click-and-collect method.

For the purposes of this article, distribution channels are sometimes divided into online (Internet, mobile) and offline (traditional store, telephone) channels, which was explained to the researched group. Six categories of products were chosen for this study that are often bought by this group of consumers: groceries, clothes (including accessories), shoes, cosmetics, mobile devices (phones, smartphones, tablets, accessories) and books, along with music and movies.

Results

The findings show that consumers from Generation Y are much more likely to seek information about a product and its parameters (57.52%), reviews, opinions and tests (81.58%) as well as compare products (61.28%) and prices (59.02%) online than offline, but slightly more than a third of them are using online as well as offline ways to find information about a product and its parameters, or for comparisons. Even though Millennials prefer to use the Internet to look for information, they usually choose traditional stores over other channels when it comes to purchase products (Table 1), which might be affected by seeing them as much safer than online chan-

Table 1. Preferred channels for purchase products from different categories (in %)

	traditional store	telephone	Internet	mobile	not buying
clothes	66.54	3.01	27.82	1.88	2.63
books, music, movies	33.46	0.75	45.49	3.76	16.54
mobile devices	54.51	3.01	35.34	1.88	5.26
shoes	68.42	0.38	25.56	2.26	3.38
cosmetics	55.64	0.38	29.32	1.88	12.78
groceries	87.97	1.50	1.13	1.50	7.89

Source: Author's own study (n = 266).

nels (63.15% of respondents). They also agree that products that are available online should be available to buy in a traditional store (77.07%) and that loyalty programmes should register both online and offline purchases (64.66%).

The factors that would encourage those consumers to buy more often in online channels are: lower prices than in traditional stores (92.11%), special offers and discounts (91.35%), faster delivery (80.83%), earlier access to promotions and products (77.82%), the possibility of a quick pick up of the order in store (73.68%) and providing information about current inventory (72.18%). The use of new technologies to facilitate the purchase of clothing and shoes online (such as foot scanner) could make 59.40% of them buy those products more often using the online channel. Millennials are more likely to experience the ROPO effect (research online, purchase offline), also known as webrooming, than reverse-ROPO (research offline, purchase online) known as showrooming, especially when it comes to products categories such as clothes (34.59% vs. 13.91%), mobile devices (49.25% vs. 22.93%), shoes (32.33% vs. 19.55%) and groceries (15.04% vs. 4.14%). They sometimes prefer to use only one channel for seeking information and making a purchase – especially when it comes to cosmetics and groceries (Figure 1). Even more important, it is clear to see the diversity in channel use for researching a purchase for most of the product groups.

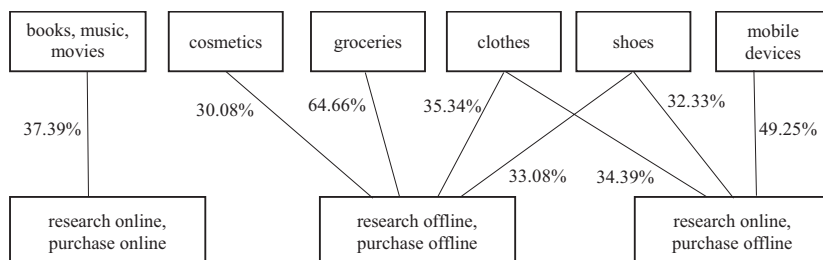


Figure 1. The most popular consumer journey of Millennials in the purchase decision process

Source: Author's own study (n = 266).

The use of smartphones in the online buying process is almost on the same level (82.70%) as laptops (89.8%), but only 64.66% use mobile applications to purchase the product – even if the vast majority of researched Millennials (80.8%) have a mobile application for at least one shop. They usually use them to get acquainted with the offer, find information about the product, compare prices or use their loyalty account (e.g. display the club card). For slightly over half of those who do not use mobile applications, it is usually because they do prefer the other channel, but for one third of them the reasons are: lack of trust for mobile applications and the fact that shops they do like do not provide mobile applications, or else the use of them is not comfortable. Due to the mobility of smartphones, more than half of the researched students had at least once situation when, while shopping in a traditional store, they compared prices or researched additional information on smartphones.

However, the most common problems for them when it comes to purchasing *via* a mobile device is not adjusting the shop's website to mobile devices (61.3%) and feeling uncomfortable filling out a form (47%). For one third of respondents, it was also no mobile application, problems with payment and too many operations that they had to do while shopping. Even more importantly, the store's website being unresponsive on mobile devices may discourage 64.66% of researched Millennials from making a purchase.

The preferred delivery option for Generation Y is home delivery (46.6%) and delivery to a parcel locker¹ (32.3%) over click-and-collect (19.2%). The aspects well known from omnichanneling, such as the possibility of payment on delivery, filing a complaint or free return of the product in the store, as well as delivery time of 1–2 days, would encourage them to use click-and-collect more often. In addition, 85.71% of them think that while buying online, pickup and returns of products should be possible in the traditional store.

Discussions

Most of the prior research from the consumer perspective of multichanneling is focused mostly on variables such as relationship and loyalty (e.g. Chiou et al., 2017), impulsiveness of behaviour (e.g. Rodriguez-Torrico et al., 2017), decision-making styles (e.g. Eriksson et al., 2017) or promotions' effects on purchase behaviour (e.g. Blom et al., 2017). Research that is focused mostly on Millennials is also very often based on services (e.g. Lipowski, 2017, Pozza et al., 2017).

Comparing this paper's research results to the findings of other authors shows some differences as well as similarities. According to Jaciow (2016), Generation Y more often uses the offline channel to research and purchase groceries (80.3% vs. 64.66%) and cosmetics (45.4% vs. 30.08%). However, for the shoes and clothes, the results are on a similar level – although shoes and clothes were combined into one category (37.5% vs. 33.08% and 35.34%). This difference in the two groups of products is caused by the higher popularity in research-purchase online (groceries – 3.1% vs. 5.64%; cosmetics – 10.6% vs. 19.92%), research offline-purchase online for cosmetics (7.1% vs. 16.54%) and research online-purchase offline for groceries (12.3% vs. 15.04%). This shows that for these two categories, there are significant changes in the methods of research and the purchase process.

Comparing this paper's results to the results of Kaczorowska-Spychalska (2017), it is clear that Millennials frequently look for information about a product online so they can buy it in a traditional store, and they prefer direct delivery by courier companies, which confirms this study's findings.

¹ In Poland known as *Paczkomaty* provided by InPost company.

Conclusions

The majority of hypotheses in this research are confirmed – Millennials are more likely to seek information online than offline but they more often use traditional stores than other channels for purchase. Although a large majority of them use mobile devices during the decision buying process, they more often use a store's website than its mobile application. They also more frequently prefer delivery to home or to a parcel locker by a courier company than the click-and-collect option.

The research has also produced other results regarding the Millennials' perspective on multiple channel distribution:

- offline channels are still seen as much safer than online channels;
- there is a strong diversity in channels used for purchasing in most of the group of products;
- the factors that could encourage them to buy more often in online channels are: faster delivery, earlier access to promotions and products, the possibility of a quick pick up of the order in store, and providing information about current inventory;
- they are more likely to experience the ROPO effect (webrooming) than reverse-ROPO (showrooming);
- even if they still prefer to research and purchase groceries and cosmetics using only the stationary channel, they use the research offline-purchase online for cosmetic and research online-purchase offline for groceries in earlier research results;
- mobile applications of stores are used mostly for using loyalty accounts and researching: to get acquired with the offer, find information about the product and compare prices;
- the most common problems for using mobile devices in purchasing are: an unresponsive store's website and feeling uncomfortable filling out a form;
- aspects known from mischannelling might increase the interest in the click-and-collect option, especially the possibility of payment on delivery and filling out a complaint, or the free return of a product in a store.

Applying preferred changes and changing the aspects that are rated negatively may help develop distribution channels concerning Millennials, which can increase their use and create loyalty. Due to the rapid development of multi-, cross- and omni-channel distribution, it is necessary to conduct a number of further studies using a more divided group of respondents.

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