

The Price of Friction in Multi-Channel Retail: Insights for Retail Operations Managers

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Cite as:

Banerjee Aneesh, Gottschalk Sabrina, Ries Joerg (2022), The Price of Friction in Multi-Channel Retail: Insights for Retail Operations Managers . *Proceedings of the European Marketing Academy*, 51st, (107732)

Paper from the 51st Annual EMAC Conference, Budapest, May 24-27, 2022



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Abstract

Manufacturers are making use of multiple channels to sell their products. These include their own retail stores, own online stores, independent retail stores and independent online stores. In such an environment, manufacturers are able to control important channel characteristics such as experience and friction on some channels while on others these are mostly in control of the intermediary. However, as channel characteristics and product pricing influence the consumers' channel decisions as well as the profitability of the channel, the identification of suitable channel strategies requires understanding consumers' channel choices as well as the operational implications of the required fulfilment approach. Using a choice-based conjoint design, we show that customers' utility is affected by price and friction and, to a lesser extent, by experience. We find evidence that with increasing price and friction, consumers tend to abandon channel ownership rather than channel format.

Keywords: *retail channels; friction; channel switching*

Track: Retailing & Omni-Channel Management