Catering to needs of in-store, online customers boosts marketing effectiveness, revenue

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Online retail sales totaled $75 billion in the second quarter of 2014, according to data from the U.S. Census Bureau. As consumers shop more using the Internet and cell phones, retailers must adjust their marketing strategies to reach these consumers. In a recently published study, a University of Missouri researcher found that consumers' preferences differ when they are shopping in a physical store compared to shopping online. Catering to shoppers' online and in-store preferences can increase the effectiveness of traditional marketing tactics such as direct marketing and enhanced customer service, the researcher found.

"Non-traditional shopping channels, such as online and mobile, are exploding, and retailers need to consider the best ways to market their products in these new channels," said Detelina Marinova, Frances Ridge Gay MBA professor and associate professor of marketing in the MU Robert J. Trulaske, Sr. College of Business. "More and more research shows that trying to take marketing strategies used in traditional, in-store retail environments and apply the same strategies to new retail environments, such as websites, might not work. Our research clarifies what works in stores versus online."

Based on an analysis of data gathered from a major national pizza franchise, Marinova found that spending lots of money on both direct marketing and improvements in service quality decreased the effectiveness of each as marketing strategies. However, these strategies

were more successful when retailers tailored their service environments to satisfy the different preferences of in-store and off-site shoppers. A well-designed store was more important to customers who were physically served in the store, whereas efficiency was a higher priority for customers shopping outside the store.

"It's intuitive that efficiency and cost matter to consumers online, and design perceptions matter more to customers visiting stores," said Marinova. "What we didn't know before we completed this study is that when retailers cater to consumers' preferences and invest in creating certain perceptions of the service environment, marketing efforts are more successful and revenues increase."

Marinova said her research also is of practical importance to managers.

"If online customers already perceive a service as efficient and high quality, continuing to invest in direct marketing should have beneficial effects for the company's revenue," she said. "In contrast, when online customers perceive a service as inefficient but high quality, direct marketing investments are likely to have diminishing returns. In general, managers should make decisions about marketing investments based on their customers' perceptions of the service and the service environment."

Provided by University of Missouri-Columbia