Managing Channel Conflict during the Development of Online Retailers in Albania

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Abstract: The study investigates how online retailers manage channel conflict created from development of online selling and marketing platforms in the Albanian market. A case study research method applies to generate understanding of the main channel conflict within consumer electronic marketing channels, taking in consideration retail stores, e-commerce website and social media platforms. The study provided information in three main sections including an overview of the possible online marketing channels that the firm can have apart the e-commerce website, the main influences of electronic marketing channels adoption and the process of avoiding the channel conflict. The case study results mentioned the main conflict created relates in selling top products within different channels meantime the stock of these products covers only the physical stores. Main implications of this study relates to managing channel conflict in terms of stock management within physical and online retailers through using social media and e-commerce platforms for information and physical store to close the sales transaction.

Keywords: Web 2.0; Electronic Channels; Social Media

JEL Classification: M31; M15

1. Introduction

Retail industry in Albania has seen several developments in the last 20 years. Shopping malls, retail chains and new sales structure has evolved recently, presenting new challenges for this industry. This evolution has brought to light the need to better interact with the end consumer through different sales channels. Development of Web 2.0 concepts, such as e-commerce and social media platforms helps retailers to better understand and interact with their customer outside of their physical store. This would lead as well to a big increase in the business opportunities in terms costs, managing the online presence and selling with lower prices. Due to such benefits, in the strategic point of view business would agree to develop these channels, but in tactical physical stores would not agree to support this development for as long as some of their customers would shift to online sales.

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This paper uses the case study design research method. The study conducted in one of the biggest consumer electronic retail chains of Albania. The main objective was to understand how this retailer manages the conflict within their physical and online retail chain. All the gained information provides data to understand which the main points are, where the conflict would arise and what would be the long and short-term solutions. All this information should develop the electronic marketing channels, without creating damages to the traditional distribution methods. The study aims to analyse the B2C market structure, without taking in consideration the B2B structure.

2. Literature Review

Retailing through physical stores was the only selling channel that the customer had to buy the desired goods and services. Technological development and internet access enabled the use of a new channel for the sale of the company's products. While the two channels operated separately and independently from one another, the importance of combining retail sales via the internet with the ones realized in the shop relates to the development of consumer experience (Otto & Chung, 2000).

E-commerce is one of the most used words when it comes to the electronic marketing channels. We can provide a wide range of definitions regarding this concept, but the main one is to the support that this development has brought to the business. This defines e-commerce as the strategic deployment of computer-mediated tools and information technologies to satisfy business objectives (Hoffman & Novak, 1996). Electronic marketing channels use the Internet to make products and services available so that the target market with access to computers or other enabling technologies can shop and complete the transaction for purchase via interactive electronic means (Rosenbloom & Reynolds, 1999). This definition provides clear point to consider e-commerce on of the potential electronic marketing channels tools that business can used to develop further their distribution channel and structure. All marketing channel systems must perform three fundamental tasks: the exchange of goods, the exchange of money, and the exchange of information (Ehrens & Zapf, 1999). E-commerce platforms presents a wide usage of these tasks, taking in consideration that the basic engagement with the customers in the online e-commerce sites, is arrange through providing the information regarding different product, which the customer commits to buy. Later on, the customer undertakes the exchange of money and goods within the platform, by conduction a typical e-commerce selling process.

Every day there is an increasing of the relation between sales and the internet. We can see a growing trend in retail sales via the Internet or otherwise known as internet retailing or e-tailing. According to the authors Grewal, Iyer and Levy (2004) "any other technological innovation has received so much attention on the part of retailers, manufacturers, consumers and the general public as was dedicated to retail via the Internet or e-tailing. Indeed, no other form of competition does not endanger so many traditional form of retail as retail sales via the Internet". These developments have found a considerable support on the principles and functionalities offered by Web 2.0. This concept is the business revolution in the computer industry caused by the move to the Internet as a platform, and an attempt to understand the rules for success on that new platform (O'Reilly, 2005).

Use of the term Web 2.0, has led many authors to ask about the differences between Web 1.0 and Web 2.0. Although authentic literature about changes of these two definitions do not exist, O'Reilly himself points out that what is not included in the Web 2.0, is considered part of Web 1.0. This include concepts such as web pages that are static and not characterized by interactivity. There is an ownership of the applications and users of the pages themselves cannot change them. In the today world these development includes more and more customer experience as a main factor of developing internet and social media platforms (Ng & Wakenshaw, 2017). Online platforms can further develop customer experience through the usage of instant reward programs and bonus premiums (Minemma, Bijmolt, & Non, 2017), which can be applied much easier than the traditional physical store.

However not all retail networks can benefit from the retail sales via the Internet, because they cannot use all the potential of Web 2.0 concepts. In this regard, authors Jain and Ganesh (2007) have proposed a scheme, which shows the level of adjustment of retail networks in the form of retail sales via the Internet by making a categorization of the main forms of retail.
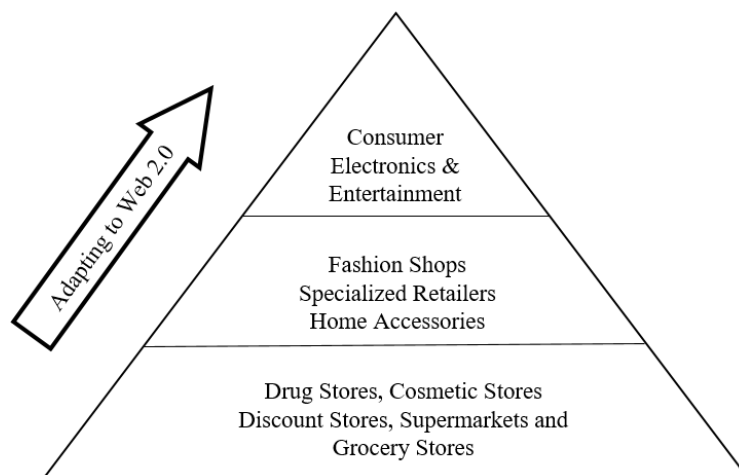
Figure 1. Adaption of Web 2.0 for retail sectors – Jain & Ganesh (2007)

The development of e-commerce platform increases the exchange of products, money and information. All these exchanges provides potential conflict with the distribution channel. Channel conflict is a situation in which one channel member perceives another channel member to be engaged in behavior that prevents it from achieving its goals (Webb & Didow, 1997).

Different studies regarding channel conflict has provided different reasons regarding the disagreements within the channel member research. We can define as three primary causes of conflict: goal incompatibility, domain differences, and differing perceptions of reality (Stern, El-Ansary & Coughlan, 1996). Very often, the goals of a given channel member are not compatible with the goals of other channel members. Incompatible goals may result from many different issues, including profit margins, competition from alternative channels, and access to product supply. All these issues provide a general background to create conflicts within the channel members in short and long term operations.

Differences in the domain definition among channel members may cause as well conflict within channel members. The four critical elements of a channel domain are the served population, the territory to be covered, the performed functions or tasks, and the technology employed (Stern, El-Ansary & Coughlan, 1996). Different perceptions of reality often result of a poor communication among channel members are also important sources of conflict. This is because they indicate that there will be discordant bases of action in response to the same situation.

3. Research Methodology

The aim of this research is to generate understanding of main channel conflict within the consumer electronic marketing channels, taking in consideration the retail physical stores and the e-commerce website. The research objectives are to explore patterns of interaction, orchestration and effect that enacts by channel members, during their daily operation within the distribution channel of the consumer electronic retail chain.

To present a revelatory case a single case study design will be used (Yin, 2003). Qualitative interviews and secondary sources used to gather data and information from a single case study organization. A case study is appropriate when researching "the complex processes of contemporary marketing management" such as relationship marketing and online marketing communications (Kapoulas and Mitic, 2012). The purpose is not to generalize to any population but "to a real world that has been uncovered" (Easton, 2000).

The study conducts within a well-known retail business in Albania, which have a consolidated position in the market. Business taken in question was the market leader of their sector. The case company is a successful Albanian consumer electronic retailer with at least 15 years of operation. It has 14 stores and concessions as well as an e-commerce site. The study conducts in May 2015. In order to avoid incomplete and vague information, we did the interview in the company of the interviewer, providing relevant explanations about different points of the study.

In order to maintain the confidentiality of the business, we remove the name addresses and other sensitive data from the study. We did the interview with key management persons of the marketing department, who had knowledge about marketing, managerial and technological processes. They could provide useful insight regarding the possible channel conflict within the company distribution structure. Interviews started by discussing experiences of managing the traditional marketing channels of the retailers before exploring experiences of success and failure in the electronic marketing channels, focusing mostly on the e-commerce site and social media communications. The respondent discussed three topics such as the influences of electronic marketing channels adoption, the planning processes in avoiding the channel conflict, and the e-commerce channel structure.

3.1. Limitations and Further Research

The aim of this exploratory research was to generate a substantive understanding of retailer channel structure and channel conflict between the traditional channel structure and the e-commerce development site, and due to the nature of the chosen research methodology, we cannot generalize the findings that emerge from this study to a wider population.

There is a plan for future development of this research by moving beyond a single revelatory case and studying those who we consider a wider sample of retail chains online pioneers, comparing between the mass market and the luxury sector, in order to develop the emergent theoretical understanding of this subject area.

4. Study Results

Study results divides in three main section. First section includes an overview of the online presence. In the second section, we present the influences of electronic marketing channels in terms of adoption and avoidance of channel conflict. In the third section, we see how the company enacts in the e-commerce channel structure.

4.1. Online marketing channel data overview

The brand presence in online marketing channels is across the Facebook, Twitter, Google+, Instagram and LinkedIn platforms. The key social media platforms for the brand are Facebook and Instagram, with approximately 95,000 and 3,770 followers respectively in May 2015. Even though the firm has opened earlier Twitter, Google+ and LinkedIn, still they could not become as popular as Instagram. This relates with the penetration of this social media sites in Albania.

Table 1 highlights the main themes across social media, in the period 1st of May until 31st of May 2015. Much of the content is visual, with typical themes relating to new products, competitions, promotions and store events. In general, the same content sends to all platforms but there is visibly greater engagement on Facebook with activities spanning the boundaries between the social and the retail space, including activity related to store-openings and events as well as customer service content being present in this platform.

Table 2 - Key themes for retail chain activity on social media platforms

Theme	Facebook	Instagram	Twitter	YouTube	LinkedIn	Google+
Product-based	●	●	●	●		●
Store-based	●	●		●		
Price-based	●	●	●	●		●
Public Relation	●			●	●	
Competitions	●	●	●			
User-Generated Content	●					
Customer Service Response	●					

As per the information presented in Table 1, the online marketing channels used by the retailer are providing mostly the exchange of information, but are lacking the exchange of products and money. There is a small attempt to use Facebook for the exchange of products.

4.2. Influences of electronic marketing channels adoption

Electronic marketing channels adoption presents big challenges. At the first stage of the development, local stores managed most of the things. Each store used the electronic channel to present their own stock. Not all the efforts were coordinated to serve to the overall channel strategy. This situation created the first biggest issue, which relates with the absence of the organized direction.

As each of the store was having its own mindset they were unaware of the damages created in the overall marketing channel structure. According to the marketing manager of the company "Every day a higher number of customer were complaining about the information published online, in terms of stock availability. Each store was promoting the products he had on stock, but the customer when they were entering in the website they couldn't realize that the stock belongs to one store and not to the other". This kind of situation created many misunderstandings and a misleading offering for the companies' online customers.

The need to create a new structure regarding the online e-commerce website inside the retailer channel structure emerged. They opened a special position for managing the e-commerce channel structure, who was in charge for all the tasks regarding product exchange and payments operations. The marketing coordinator had the duty to adapt the general marketing channels strategy to the electronic marketing channels. According to the online marketing channel coordinator "at the beginning it was quite difficult to set up a real online marketing channel due to the lack of knowledge and data". Centralization of marketing channels efforts enabled consistency in the information and product exchange across the channels. The firm could manage to have a unified structure of sharing the information and exchanging the products. All the information provided was accurate and in line with the firm strategy.

The main duty of the online marketing coordinator was to develop the e-commerce website. One of the main points used from him, relates with presentation of the same products presented in the traditional retail channel, by giving some additional discount to the e-commerce purchases. The online marketing coordinator managed the transaction process for the online payment. They provided the store pick up option as well for the orders made online, but delivered inside the store.

Consistency was another issue that addresses to the online marketing coordinator. According to the marketing manager: "the daily transactions of the firm in the e-commerce platform should have a consistent way of doing, making it easier to understand the process by the final customers". Through the consistency, the company managed to have a proper frame of providing the products, of using the payment processors in the right way and of responding to the final customers regarding the exchange of information. At the beginning consistency was a key challenge taking in consideration the lack of knowledge and experience with such

marketing channel. Following the first year, the company managed to try out different procedures, methods and additional features that later on become a proper guide to provide products and payment facilities to the final customer.

The last observed part of the e-commerce marketing channel relates to the real time information. According to the marketing manager, "The main reason that the firm decided to have an internal online marketing coordinator, was related with the need to provide real time information regarding the products and promotion. Going every day, store by store, choosing products and gaining store insights would help in the overall establishing the e-commerce platform".

4.3. Avoiding the channel conflict

Marketing department had created some specific tool to address the need for customer differently in the online store and the real store. Even though the Online Marketing Coordinator noted that store managers and sales team, were complaining regarding the discounts customer would take in the e-commerce platform.

One of the main challenges in avoiding the channel conflict relates with the exchange of products. Normally the e-commerce site provided information regarding the products, which were on stock in the traditional retail stores. They provided to the customers some relevant information in the e-commerce platform about these products. In some cases, order received and paid through the online store, would result in the collection of products from the retail store.

This was creating a conflict within the two channels, because they were selling the same product. Some of the general conflicts relating to this part were the complaining regarding the missing target for the traditional retail stores, because of out of stock situation.

One of the main categories, which was creating the biggest conflict through the traditional retail stores, and the e-commerce site of the retailer was the smartphones. Taking in consideration, the marketing done for new coming product in the online sites this created a big conflict within the channel structure. The physical stores were claiming about this. They argued about the opportunity to sell first the new products. Through the online booking system, customers could by novelties online in a much safer way. A practical case was about one campaign that promoted recently online for the new model of Samsung. They mentioned that all this promotion, created an obstacle in the buying behavior of the customers. Now they were waiting novelties and they wanted to buy these novelties online more than through the store.

The possibility to share the information online and providing the possible tools to the customer to arrange all the transactions in the e-commerce site was creating disagreement within the two channels.

At the beginning, physical stores, were providing more information and making more marketing regarding the online store. With the increase of the competition within the two channels, they diminished their information about the online store and emphasized more the benefits of touching and experiencing the product in the retail store. They started to train their sales team even more to provide a different customer experience and sales expertise in comparison with the e-commerce platform.

5. Conclusions

Development of retail industry in Albania has seen big increase in the last 20 years. Retail industry, is turning into a sector that employee a considerable number of people. This is an industry were marketing concepts find a wider application and where technological developments hugging a faster pace. In the context of developing retail networks via the Internet, in the case of Albania still there are many things to do. E-commerce websites are the main promoter of the retailer in the online world. They provide all the needed tools in their hand to create and manage a selling process through the exchange of product, money and information with the final customers.

The study provided information in three main section including an overview of the possible online marketing channels that the firm can have apart the e-commerce website, the main influences of electronic marketing channels adoption and the process of avoiding the channel conflict.

In terms of the study, apart the e-commerce website presence, the firm was present mostly on the Facebook and Instagram social sites, as two of the most trending sites in the Albanian online world. The firm Facebook Fan Pages provides the most of the relevant data for the conduction of the study. All the data relates to the exchange of information, meantime it has not done the exchange of products and money through these online marketing channels. E-commerce is the only possible solution to provide all three exchanges. The retailer e-commerce platform was operating providing information regarding the stock situation in the retailer physical stores. These was the main point of creating the conflict within the traditional retailer chain and the e-commerce site. This issue relates mostly with the increase of the sellout of some specific models that both parts could sell quite easy.

The second most important conflict that these two channels were presenting relates with pre-order of new technological product, such as smartphones. Traditional retailer claimed that all the new product sellout was going firstly through the e-commerce platform leaving them as a second choice in the eye of the customer. One possible solution would be the separation of product categories between the two retail channels.

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