

NON-TRADITIONAL CHANNELS SUCH AS WAREHOUSE CLUBS, DISCOUNT STORES, AND MASS MERCHANDISERS ARE RISING



Market Situation

Since the inception, consumers prefer traditional channels such as convenience stores and local standalone stores to purchase staples and discretionary items. However, modernization and the introduction of new marketing strategies have resulted in the introduction of new non-traditional channels such as warehouse clubs, discount stores, and mass merchandisers. These channels have attracted consumers as they not only allow access to products from staples to discretionary items in a single platform but they are offering various value-added benefits to the consumers. Having said this, consumers shifting towards these channels as they offer the products at discounted prices, coupon schemes, cashback, and credit points.

Non-traditional channels have played a key role in prompting the millennials to dispose of their income by positioning the products with value-added benefits such as membership cards and coupon benefits. Emerging economies namely China and India are likely to be the lucrative segments on account of urbanization and favorable government policies to promote employment in private and public sectors on a domestic level. As a result, non-traditional channels are likely to increase their market penetration in the country destinations namely China and India.

Client Challenges

The client from the convenience stores has been facing the following challenges:-

- Consumer retention has been limited as a lot of consumers have shifted to other convenience stores and non-traditional channels
- Overall revenue growth has been stagnant over the past few years

Our Approach

Working closely with the leading convenience stores, we have identified the following opportunities to shift to the non-traditional channels and improve their business strength:-

Increasing Number of Traveling Consumers

Increasing consumer preferences toward travel have eventually opened doors for the travel retail market. The rising number of low-cost carriers has increased the adoption of air travel and the sales of products through the non-traditional stores present at the airports, and seaports among others. These stores are catering to shoppers while they're in transit. In recent times, various retailers and brands have started using travel retail to build their brands by targeting a focused audience. It is one of the highest-growth business channels. A wide network of travel agencies across the globe has helped in promoting tourism.

Rising Millennial Population

Millennials are defined as those born between 1980 and 1994. This generation is more inclined towards the use of luxurious products. Millennials have been described as the first global generation and the first generation that grew up in the Internet age. The generation is generally marked by elevated usage of and familiarity with the Internet, mobile devices, and social media. Between the 1990s and the 2010s, people from the developing world became increasingly well-educated and possess information about the products and services that are available and they can avail benefits from the same. The millennial population is more inclined towards purchasing products from retail stores as they understand the price differences and the benefits associated with the products, which in turn will prompt the buyers to prefer non-traditional channels as shopping mediums

Our Recommendations

Based on the indicators obtained from our research study, we have proposed the following series of initiatives to convenience store owners:

- Attractive labeling should be implemented
- Discounts need to be provided
- Coupon schemes and membership cards should be launched
- A choice of food service such as a vending machine of cold drinks and ice cream should be provided

Business Impact

The client has shifted to discount stores which has not only resulted in enhancing the profit margins but also increased the traction of the consumers at their end. As a result of positive feedback from the consumers end, the client has increased his product line and started selling the other product items.



Conclusion:

Non-traditional channels are capable enough of reducing the business cost. For instance, discount stores have exceptional flexibility to manage supply chain issues. These stores stock limited items and carry more-own goods which reduce cost and streamline the logistics and supply chain support. Over the past few years, discount stores have gained popularity as shopping mediums in developed markets including the U.S.

