

# Food Industry Response Strategies Under the Trend of Omnichannel Retailing

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**Abstract:** *In recent years, with the successful development of the Internet, the carriers of product information have become more and more diversified. Along with this, consumers' shopping channels are becoming more innovative. The development of mobile commerce and social media is growing stronger and stronger. Faced with the challenges of the changing market environment, the food industry is actively investing resources and seeking to transform in response to the advent of the new consumer norm. In this study, a case company was selected as the research object, and in-depth interviews were conducted with the person in charge to explore how the company implements the omnichannel retail strategy in response to changes in consumer demand. The study found that food companies' transformation strategy in omnichannel retailing can be based on four aspects: 1. Product side: differentiate products and enhance brand recognition; 2. Customer side: strengthen e-commerce, deepen social marketing, and optimize service; 3. Consumer experience: transform physical channels into experience museums, allowing consumers to deepen their perceptions and impressions of the product brand; 4. Online to offline (O2O): use the physical channel customer consumption data to do technical analysis as a reference for applying to the virtual channel interface and product modes. In summary, the future consumer market will be consumer-centric and based on big data. By exploring the case companies' orientation in implementing omnichannel retailing strategies, this study provides food industry players with insights on how to respond to industry trends in the new core elements of the consumer market in the face of transformation.*

**Keywords:** omnichannel retailing, online to offline, food industry

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## 1. Introduction

Taiwan's food industry is traditional in livelihood with fewer changes. Whether in terms of marketing model or consumption output value, it is less massive than the electronics industry for the whole economic market. However, food is the most indispensable and least affected by the economic downturn. As a result, the proportion of capital expenditure on marketing and production is deficient, and the industry sticks to traditional sales strategies and production techniques.

With the successful development of Internet technology, consumers' shopping channels are more complex and innovative. The previous production-oriented trend has changed to a product- and customer-oriented one. Consumers start to take the lead in buying and selling transactions and pursue an excellent online and offline shopping experience, leading to digital

transformation. Online shopping platforms are springing up, and the value of e-commerce production continues to rise year after year. This spread of the pandemic has accelerated the growth of e-commerce revenue. With the complexity of the consumer experience and the transparency of consumer information, it is no longer just the quality of the product consumers seek but also the richness of the service and content. The so-called eyeball economy has emerged through the boundless and innovative world of the Internet. Consequently, the food industry also faces dilemmas and bottlenecks in business strategies.

The trend of omni-channel retailing is changing the consumer market worldwide with a strong force, and Taiwan is certainly not excluded from it. Under the strong attack of this trend, the transformation and innovation of the food industry require a long-term layout. The industry must abandon the previous strategy of focusing solely on production and start the so-called retail channel marketing. For the industry, it is worth exploring product development, channel sales, brand positioning, and consumer experience. The case company of this study is currently a supplier of leisure food in Taiwan. It has specialized in the research and development of products for many years and has been favored by the world's leading brands as its OEM. In recent years, with its sensitivity and foresight to the evolution of the consumer market, it has begun to lay out its sales in online mobile commerce. Moreover, the tourist factories it operates are even more effective. This is in line with the phenomenon to be explored in this study.

Through in-depth interviews with key operators, considering the strategic development of the case company in the core elements of omnichannel retailing, and understanding the omnichannel retailing strategy implemented by the company, this study examines in various aspects whether the company's operation, product planning, and sales channels have an impact on the company's process. Based on the above arguments, the purpose of this study has three main points:

- 1) To discuss the development of the case company's omnichannel retail strategy in the face of changing consumer behavior and retail channel sales trends.
- 2) To explore how the case company implemented the omni-channel retail strategy and why it did so.
- 3) To explore the impact of the case company's business planning on implementing an omni-channel retail strategy.

## **2. Literature Review**

### **2.1 Omni-channel Retailing**

With the popularity of O-consumer, the Internet, and smartphones, a new omnichannel era has come. The term Omni-Channel originated in 2011 when Darrell Rigby published "The Future of Shopping" in Issue 12 of the Harvard Business Review. He defined it as: With the improvement of network infrastructure, the popularity of mobile devices, and the development of digital technology and other external environmental changes, digital retailing is changing. An integrated sales experience combines a physical storefront with online shopping information. Such a new marketing model shall be named Omni channel retailing. Levy (2013) defined omnichannel retailing as "a multi-channel retailer whose shopping channels provide consumers with a seamless consumer experience."



**Figure 1: Consumption patterns under omni-channel retailing**

Source: EMBA Magazine, October 4, 2013.

In the MIT Sloan Management Review, three professors, including Erik Brynjolfsson, pointed out that the boundary between physical and online storefronts will gradually disappear, and the world will become a showroom without walls. The entire consumer market has entered the “Omni-channel” retailing era. They also proposed seven winning strategies for omni-channel retailing (EMBA Magazine, October 04, 2013):

**(1) Provide attractive prices and sorted content:**

Amazon's website successfully defines and executes this strategy. When consumers go to Amazon.com, the great prices and well-organized consumer information make shopping easy without being overwhelmed by all the products.

**(2) Harness the power of data and analysis:**

In the era of omni-channel retailing, the amount of information is skyrocketing. The consumer data and records collected from various channels are sufficient for sales to plan and develop marketing strategies and products that meet the needs of consumers. Therefore, it is essential to analyze and summarize valuable data from a lot of information for food and business strategy development.

**(3) Avoid direct price comparisons:**

Because of the smooth flow of the Internet and various information channels, it is effortless for customers to compare prices. Therefore, to avoid low-price competition, the retail company must reassemble the packaging or recombine various products to make it more difficult for consumers to compare the price of a single product. Furthermore, different versions of the same product (flavor, weight, etc.) can be introduced through various sales channels.

**(4) Learn to sell specific products:**

Different sales channels will have other consumer groups, and retailers will sell the right products according to the characteristics of each track. For example, online stores can

sell niche, lesser-known, and less popular items because consumers can search the Internet to determine if the product is in stock. On the other hand, physical stores would sell niche products at relatively high prices, so consumers are not willing to buy them. Compared with niche products that consumers crowd out in physical stores, hot products have their selling points.

**(5) Pay attention to product information:**

There are many sales channels, so the channel for consumers to obtain product information may differ from the channel for placing an order. Retailers who share and provide conflicting product information on their channels may cause customer complaints and further create a negative perception of the retailer. Therefore, retailers must integrate product information, unify content, and avoid confusion and conflicts.

**(6) Increase switching cost:**

The cost of switching from brand A to brand B is called "switching cost." Companies shall increase customers' switching costs to improve their customers' so-called brand loyalty, for example, offering loyal customers a VIP card that gives them services and gifts that their competitors don't have.

**(7) Embrace competition:**

In a consumer marketplace where the search is easy, and information transparency has increased dramatically, companies with poor products or services can quickly become unpopular online and affect goodwill. Retailers that sell high-quality goods and services at low prices will win in the new era of omni-channel retailing. The person in charge shall allow the company to compete with the world and force it to better prepare for competition in terms of goods and services to meet the needs of the new retail era and not be eliminated by the trend.

To realize a convenient and borderless consumer scene, food retailers and chain operators have been transforming and innovating in four aspects: product, service, production, and operation (Chou Yu-fen, 2022).

**(1) Product: Start from design thinking and produce customer-oriented products.**

The food cycle is relatively short, and consumers' preferences change rapidly. Therefore, the primary way to profit is to launch new products and win consumers' favor continuously. With the advancement of technology and the advent of the omni-channel era, the industry already has complete customer consumption data. After further analysis of data and starting from design thinking, the company will be able to develop "customer-oriented" products.

**(2) Service: Optimize services and enhance social marketing.**

"Omni-channel" has become the mainstream trend in the global retail and chain channel industry. According to a study by PwC Taiwan, 39% of consumers use mobile devices such as cell phones and tablets to make online purchases every week or every day. In comparison, 42% spend money in physical stores. Obviously, online shopping has become a daily shopping routine for consumers. "Brand shopping app" can bring the most resistance-free consumer experience. Launching brand apps and optimizing them has become the direction of the industry's efforts.

**(3) Production: Intellectualize the supply chain, subverting the production model.**

At the production level, technological advances have allowed companies to enhance management at the production stage. For example, most operators purchased hardware to store data in the past, but now they rent cloud space from Amazon, Microsoft, Google, and other companies. This transformation has also upgraded the traditional retail supply chain to "intelligence." More importantly, the benefits of upgrading the supply chain are improving the efficiency of a particular production chain and benefiting from higher-level corporate goals and strategies. In the past, the supply chain often required trade-offs in cost, service, productivity, innovation, etc. Nowadays, with the aid of technology, the industry can directly obtain the most optimized results.

**(4) Operation: Carry out the strategy and implement appropriate internal and external management.**

Internally, the transformation process must be led by the leaders themselves. In response to consumer demand for new and innovative products, products must be rapidly iterated and updated, and the organization must also be adjusted. The approach is to control the number of people within a specific range, reduce communication and communication costs, and improve individual and team productivity. Externally, the evolution of science and technology has caused rapid changes in the external environment. Companies with the idea of developing all technologies, products, and services on their own no longer meet the needs. One standard method is selecting suitable M&A targets according to the enterprises' short-, medium-, and long-term goals.

In the face of the new normal in the consumer market, it is necessary to transform and innovate in four major areas: products, services, production, and operation. The purpose is to cater to the trend of the new situation, be consumer-oriented, lock in "human needs," and win the favor of consumers.

## **2.2 Online to Offline (O2O)**

A physical channel refers to a store formed by using a physical storefront. Peterson et al. (1997) considered that the physical channel has three functions: distribution, transaction, and communication, which are briefly described as follows.

**(1) Distribution:**

Consumers can obtain products directly in the store, which increases consumer timeliness because there is no waiting time. As physical stores now face consumers, their inventory and packaging can promptly meet their diverse purchase needs.

**(2) Transaction:**

The primary purpose is to make the transaction of goods more convenient and to eliminate the risk of consumer transactions.

**(3) Communication:**

The primary purpose is to make the transaction of goods more convenient and to eliminate the risk of consumer transactions. Consumers are usually accustomed to inspecting or touching the product in person, or they can receive information directly from the salesperson for immediate delivery purposes.

The virtual channel refers to the purchase, sale, or exchange of products and services through the virtual trading channel of the Internet. The virtual channel can also reduce costs, obtain

customer information, and increase service quality (Kalakota & Whinston, 1997). Cass & Fenech (2003) noted that in addition to the convenience of online shopping, consumers' sensitivity to product prices and shopping orientation have gradually become important. Therefore, how to take advantage of the virtual channel will be one of the problems faced by enterprises in the future.

In recent years, e-commerce has developed rapidly. In the face of the prevalence of online sales and the increase in operating costs, staff salaries, and store rents of physical stores, the traditional retail industry has been dramatically impacted. Although some scholars believed that physical channels would be replaced, it was observed that although consumers would use the Internet to search and compare products, some would still return to physical channels for shopping. This means that both channels have their value to consumers. Therefore, enterprises can adopt different marketing channel strategies at the same time and integrate virtual channels with existing physical channels to maximize business opportunities. Both of them have complementary functions to make the channel more complete.

Ogden et al. (2005) argued that the future of retailing will rely on a multi-channel strategy of traditional sales and electronic forms and develop interactive relationships with customers through channel integration to provide products, information, and consumer services (Rangaswamy & Van Bruggen, 2005).

### **2.3 Food Industry Overview and Challenges**

The food industry in Taiwan began to sprout from the 1930s to 1940s. After decades of development, food processing technology has gradually matured. In recent years, the quality control and certification system have been improved, and the food manufacturing industry has been systematized, so the quality of processed foods has started to be valued and lead the Asian countries.

There are more than 7,000 food factories in Taiwan, hiring 150,000 employees. The food industry accounts for 4.8% of the overall manufacturing output, making it the eighth-largest manufacturing industry in Taiwan. According to the Ministry of Economic Affairs, the output value of Taiwan's food and beverage manufacturing industry was about NT\$630.3 billion in 2019 before the pandemic outbreak, increasing to NT\$634 billion in 2020, an increase of 0.59%. By 2021, the food industry continued to grow steadily despite the resurgence of outbreaks in Taiwan since May. In addition to changes in consumer dietary trends in 2021, according to a report by Food Manufacturing, an American food industry media, 70% of food industry experts in the United States believed there would also be significant changes in supply chain trends. The food industry must capitalize on three new trends. First, consumers are concerned about food processing, so the industry faces a technical dilemma of keeping quality and having fewer additives.

Traditional product design thinking cannot fundamentally solve diverse consumer needs, so it must incorporate essential thinking and introduce clean labelling. The trend is to strengthen the handling of food materials, create customized manufacturing services based on geographical advantage, and develop refined and less-added products. Second, there is a trend to create imaginative scenarios, customize and add value to the consumer experience, and use technology integration to influence the food industry to meet the needs of a diversified society and healthy diet. Third, the most significant impact on the food industry in the future may come from the effect of cross-domain technology after the introduction of intelligent technology in the channel, and the diversified needs derived from it, such as rapid and flexible product

development and manufacturing needs. In the Internet of Things age, the innovative application of intelligent technology has room for improvement in all segments of the food industry chain. Consumer satisfaction is directly proportional to the freshness of the food. The layout of logistics will become a significant trend in the food industry. Online consumption has become the mainstream mode, regardless of whether the pandemic tends to slow down in the future. The general trend will be the food industry opening up online and offline sales channels.

### **3. Research Methodology and Design**

#### **3.1 In-Depth Interviews**

There are many different types of interviews. Regarding the research process, the primary classifications are structured interviews, focused or semi-structured interviews, unstructured interviews, and group interviews (Minichiello et al., 1995). As for the quantitative-oriented or qualitative-oriented semi-structured interviews, researchers primarily use broader research questions as the basis for the interviewer to conduct the interviews. The interview guide or interview form is usually designed before the interview begins and serves as the framework for the interview. Still, the words and order of questions can be limited. The most important thing is that the content must be consistent with the research question, and the type of question or discussion method should be more flexible. Thus, the comparability of the interview may be reduced, but it has the advantage of providing a more realistic picture of the interviewees' perceptions and feelings.

#### **3.2 Research Design**

This study was designed based on the literature and secondary data related to the case. The detailed interview questions are as follows:

- 1) Will changes in consumer behavior and retail sales trends affect the development of the company's omni-channel retail strategy?
- 2) How did the case company implement the omni-channel retail strategy, and why did it do so?
- 3) What is the impact of the case company's business planning on implementing an omni-channel retail strategy?

### **4. Case Questions Analysis**

The case company was established in 1998 and initially focused on producing "traditional Chinese wedding cakes." In 1999, given the gradual westernization of traditional cookies, the company expanded the Chang-Pin factory and invested in automated production equipment. Further, the company transformed to devote itself to cookies' research, development, and production. The company has a professional research and development team with highly acute dialysis and analysis capabilities for commodities. The company's production process is designed to standardize the operation and introduce the essential requirements of ISO and HACCP so that consumers can eat and buy with peace of mind. Through continuous research and development, the case company, TAIWAN YOU GOOD, maintains its technological leadership, which leads the gourmet pastry culture, becoming a professional OEM with the best reputation and quality in the food baking industry in Taiwan.

Moreover, to be closer to the market and consumer needs, the company established the Taiwan Yougood School of Cookies Tourism Factory to open up a brand segmentation market channel for sales. In recent years, the company has devoted itself to implementing a full-channel retail

strategy and operation in addition to the professional OEM business. Furthermore, it has a very high status, and achievements in the construction of tourist factories and local public welfare are highly recognized by consumers and have indicative significance.

#### **4.1 Will Changes in Consumer Behavior and Retail Sales Trends Affect the Development of the Company's Omni-Channel Retail Strategy?**

Senior executives indicated the company was initially a professional foundry. However, from the introduction of modern retail channels in Taiwan to the current trend of online to offline retail, consumer habits and the overall environment were entirely different from the previous economic model. The company's business strategy, including sales methods, product development, etc., should be changed in line with the market and consumer behavior.

Traditional food suppliers had been product-oriented, and the market had been passively following the marketing of product patterns. However, as the entire retail market took on a completely different mode due to changing consumer behavior, suppliers and retail methods needed to follow the trend to change the game's rules and respond to the coming trend.

#### **4.2 How Did the Case Company Implement the Omni-Channel Retail Strategy, and Why Did It Do So?**

According to the chairman's view, due to the popularity of the Internet, the consumer environment around the world has significantly changed, and the way consumers buy goods was not limited to the traditional physical channels but replaced by more virtual online channels and the consumption patterns were becoming more and more diverse. With the smooth flow of mobile commerce, consumers have more transparent information about products, and the cycle of preference for single items is getting shorter and shorter. Based on the above factors, the company began to make changes in product development and channel sales practices and strategies to meet the needs of consumers better, to be in line with the impact of this trend on business strategies:

##### **(1) Product development:**

In the era of omnichannel retailing, the development of new products has become one of the reasons for the profitability of enterprises. Especially in the snack food category, how consumers choose the items they are willing to pay for from the dazzling array of brands is the crucial point of product development.

##### **(2) E-commerce and community management:**

In the omnichannel era, online marketing and social networking sites are more critical. This different marketing approach has flourished in the years since the outbreak of the pandemic. Before the pandemic outbreak, the company started the so-called e-commerce and established the company's official online mall and live broadcasting as other types of marketing. Whether it is Facebook, IG, or other social media, these are the channels for the company's brand to maintain an interactive relationship with consumers, creating another wave of business opportunities. In addition, the company also launched the brand's APP. Through this sales initiative, the company could obtain switches from the consumers and return on investment with fewer resources.

##### **(3) Personal consumption experience:**

In the past, the focus of consumers' consumption was only on the satisfaction of the product itself. However, under the trend of omnichannel retailing, consumers pay more attention to the personal consumption experience with the multiplier effect of technology



applications. In response to this change, the company started to set up a tourist factory. A series of hand-made practical experiences and the application of AI technology allow consumers to upgrade shopping into an entertainment activity in addition to eating food. Rather than a standardized display on a shelf, the custom-made products of a tourist factory can give consumers a sense of happiness and satisfaction. The big data collected through the consumption habits of visitors to tourist factories can also provide a basis for product development, and the products developed can be more closely aligned with the needs of consumers.

According to the chairman of the case company, we can conclude that under the catalyst of an omni-channel retail marketing strategy, food companies are moving towards diversification, intelligence, and customization in response to product development, community management, and consumer experience. The food companies are fully oriented to consumer needs and obtain big data through the community and tourist factories, then feed back into product development.

### **4.3 What Is the Impact of the Case Company's Business Planning on Implementing an Omni-Channel Retail Strategy?**

The company had been using OEM as its primary business strategy for a long time, but the return on investment for OEM could have been higher after all. In recent years, the world has seen a wave of intelligent technological marketing, also known as omnichannel retailing. In response to this trend, the company comprehensively reviewed its business strategy, started operating an online e-commerce business, and established a tourism factory in 2014. The number of visitors to the park in a year was nearly one million, bringing the company a turnover of NT\$300 million. In addition to the increase in revenue, the information collected from the physical stores was analyzed and applied to product development, increasing the company's development success rate by more than 30%. Moreover, through the live broadcast and e-commerce sales, the self-owned brand developed by the tourism factory grew year by year, so the company's operation achieved the coexistence of OEM and the self-owned brand. The analysis results of consumers' big data were also supplied to upstream clients to exchange information, making clients more dependent on the company and increasing switching costs.

## **5. Conclusions and Recommendations**

### **5.1 Conclusions**

This study mainly explores the food industry's strategy in response to the trend of omni-channel retail strategy. Through an in-depth interview with the person in charge of the case company from three perspectives, we understand how the case company carried out comprehensive transformation and innovation under the trend of omni-channel retail development in the retail industry.

Changes in consumer behavior do affect the implementation of omnichannel retail strategies. In response to the new retail trend, the case company has been committed to transformation and innovation for many years. It has taken active strategic actions in product development, technological e-commerce marketing, and consumer experience. From the previous focus on OEM to the current comprehensive channel retail marketing, the company is better able to meet the needs of consumers and the entire channel retail.

In 2014, the company started to build a tourist factory to implement the marketing strategy of consumer experience. Through the launch of the tourism factory, social marketing such as brand shopping apps, live streaming, Facebook, IG, and other e-commerce was also launched.

With the integration of online to offline, consumers can shop online to get the benefits and information and then go to the tourist factory to purchase. Furthermore, the collection of consumption pattern data of nearly one million customers per year to provide feedback to the production side and the like are the benefits of implementing full-channel retailing. In the future, how to make deeper analysis and application of big data and use the advantages of physical channels to drive the consumption of virtual e-commerce channels are the issues that the case company has to face and work on to be competitive in the market.

## 5.2 Recommendations for Follow-up Research

This case study found that in the face of rapid changes in emerging technologies such as omnichannel retailing, mobile commerce, and social media or communication software, most food companies are small and medium-sized enterprises, and their budgets are not as strong as those of major international companies. However, the transformation and innovation of science and technology are only possible with funds. Therefore, the food business in Taiwan must carefully evaluate whether it can adopt mergers and acquisitions or cooperation with other related industries to reduce risks and lack of capital and talent when implementing this strategy. In addition, the cost-sharing of overall business operations under omnichannel retailing is another research topic.

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