The right pricing strategy for offline retailers when expanding into the online sales channel

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Abstract
The primary aim of this paper is to develop a conceptual framework for the right pricing strategies for offline retailers when expanding in the online sales channel. Despite lots of research of price levels and price dispersion in the online channel, the fact that offline retailers do pursue a specific pricing strategy when they make the decision to expand in the online sales channel is widely neglected. This paper closes this research gap and provides recommendations that are dependent on the retailer´s current pricing strategy. Germany´s largest consumer electronics retailer Media Markt serves as an illustrative example in this realm.

1. Introduction

In many countries total retail sales show little growth, sometimes even decline. Margins are traditionally small. As illustrated in *Figure 1* for Germany, total revenues changed very little while the online revenues consistently increased in percentage and absolute value in the years 2007 through 2013. Online sales saw annual growth rates between 16 and 42%, yet, online's share of total revenues is still relatively small (9% in 2013). Experts agreed that future retail growth lies in the online sales channel (e.g. Heinemann, 2011, p. 2).

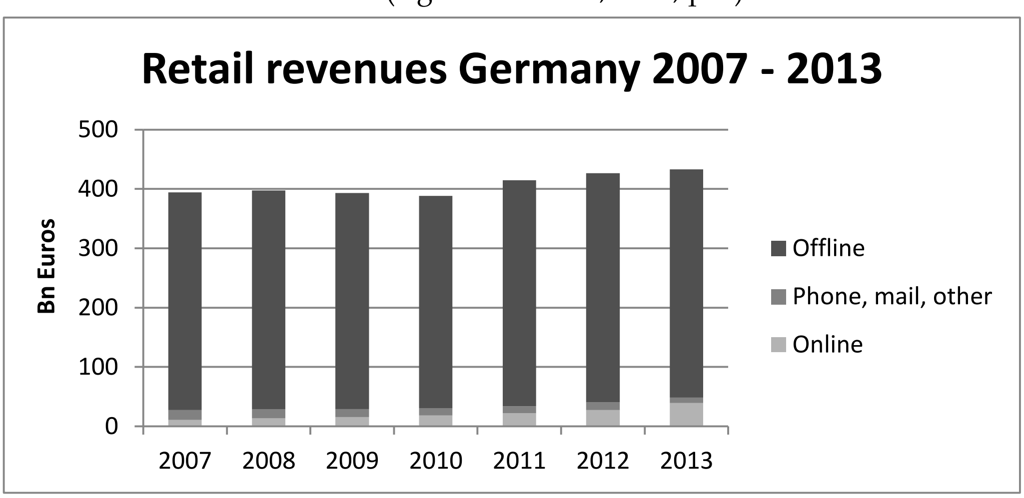

Figure 1: *Retail revenues Germany 2007 - 2013 by channel, Source: Own illustration, following Bundesverband des Deutschen Versandhandels e.V. (2012) and Bundesverband E-Commerce und Versandhandel Deutschland e.V. (2014) with own calculations.*

A very important aspect is the selection and implementation of the price strategy in the online channel which still leaves many unanswered questions. The purpose of this paper is to close this research gap by providing a framework of strategic pricing options for offline retailers when expanding in the online sales channel. An in-depth case study of Germany´s leader in consumer electronics retailing, MediaMarkt, exemplifies these strategies.

2. Literature review

Online retailing is of big interest for marketing practitioners and researchers alike. Much research is done on multi-channel customer management (Neslin *et al.*, 2006), consumer´s online product searching process (Ehrlich, 2011; Diller, 2008; Füllemann, 2002; Ladwig, 2002), on channel specific characteristics and differences (Lieber and Syverson, 2012) that could influence consumer´s willigness to pay (Fassnacht *et al.*, 2007, and Raimann, 2008), on sales channel competition / cannibalization (Steinfield *et al.*, 2002) on operational synergies between channels (Zhang *et al.*, 2010, Berman and Thelen, 2004), on internet retaling technologies (Doherty and Ellis-Chadwick, 2010), and on pricing from very different perspectives. The retail industry generates only small margins, which makes pricing a very important instrument: For example, if a retailer generated a 3% margin and managed to increase prices by 1% – while keeping the volume constant – he would increase the profits by 33%.

Research has been done on price dispersion in the online and offline channel. There had been the hypothesis that online price dispersion should become narrower as Internet markets mature, but empirical evidence is mixed (Pan *et al.*, 2004). Studies found that price dispersion in the online channel is larger than offline (e.g. Ancarani *et al.*, 2009); others found it to be smaller (Bailey, 1998; Pan *et al.*, 2004).

Scholars also tried to answer the question if the price level online is higher or lower than offline. Some older studies found higher prices online than offline for identical items (Bailey, 1998), but more recent research shows the inverse trend (Pan *et al.*, 2004, Wolk and Ebling, 2010 for multi-channel retailer). From a consumer perspective, Raimann (2008) argues that they expect to pay the same price for the same product in the same – as perceived by them – setting (also Ofek *et al.,* 2010). This expectation can be anticipated to be particularly strong if both offers are made by the same retailer, e.g. by the online and offline arm of the same retailer (Lieber and Syverson, 2012). Other researchers found, that most consumers expect online to be cheaper than offline. A possible explanation for this is that the price difference reflects the risk the consumer takes to buy online (Fruchter and Tapiero, 2005). Another explanation would be that consumers believe the costs to the retailer are lower online and therefore prices should also be lower. But, as described, evidence is mixed.

However, Liu *et al.* (2006) describe compelling reasons why retailers should use the same prices online and offline. If a retailer strives to integrate his online and offline operations, perhaps mirror the offline operations online to provide a seamless experience, consistent pricing simply is a necessity (Liu *et al.,* 2006). The 2010 edition of National Retail Federation (NRF) Foundation's study RetailHorizons identified "providing a seamless online and offline experience [as] a major focus" for retailers (KPMG, 2011).

In response to retailer´s interest in seamless customer experiences, we suggest in the following a differentiated view for online pricing strategies that depend on the company´s current offline pricing strategy. The case study of Media Markt – the leading consumer electronics chain in Germany, considered as a late mover into the online shopping world – serves as an exemplification.

3. Pricing strategies

Scholars consistently name the price image as a dominant factor for consumer's selection of a retail store, especially for such products he does not know the price for (Diller, 2008; Simon, 1992). A consistent and distinguished price image can lead to price credibility and retail brand loyalty and make consumers less receptive to competitor's offers (Diller, 2008). Therefore the creation of a positive price image is an essential requirement for a retailer's pricing strategy. Retailers pursue one of three major pricing strategies:

1. The **"everyday low price"** strategy assumes that the price image is shaped by products the consumer really buys. A retailer that follows that strategy tries to maintain constantly low prices and avoid price variations. The intension is to ensure consistent and positive price assessments by the consumer and thus create a distinguished price image that fosters price credibility and consumer loyalty. Retailers that use the "everyday low price" strategy generally do not invest much into advertisements or run big sale events (Simon, 1992). They also may realize operational advantages. With constant prices and only little promotions, sales are less volatile, forecasts more reliable, out-of-stocks can be avoided more easily, and warehouse and transport costs can be reduced (Zentes, 2007). Typical examples for this strategy are Wal-Mart and Aldi.
2. Retailers that use the **"high-low"** strategy generally price products higher than the competition but offer selected products at especially low prices. The low priced products are exposed in advertisements and sale events with the goal to create a low price image for the store. This strategy assumes that a set of selected, exposed products can shape consumer's price image. The retailer's expectation is that the consumer will transfer the low price image to all products in the store – including those that are higher priced – and also buy those (Simon, 1992). This strategy is tricky as its long term success requires that the consumer will not realize the two different price levels. Critics argue that this strategy caters to bargain hunters who intensively compare prices and only buy discounted products at the respective stores. Also, consumers may get used to frequent sale events and start to not accept "regular" prices anymore. These effects can lead to reduced profits for the retailer (Zentes, 2007). Practitioners of this strategy are Target, Kmart (Grewal *et al*., 2010) and Media Markt until 2011.
3. A **value differentiator** does not solely compete on price but on a good price-value ratio. Value may be delivered to the consumer in various forms, e.g. shopping experience (think of sitting on a sofa in a book store, having a coffee and checking out the latest releases), store assistance (e.g. consulting in a specialty store), convenience (e.g. buy some snacks in the shop next door for tonight), product selection (e.g. office supply store) or quality (e.g. wine store). Examples for that strategy are the Douglas Holding (Simon, 1992) with their retail brands Douglas (perfumery), Thalia (book shops), Christ (jewellery), AppelrathCüpper (fashion) and Hussel (confectionery).

A fourth strategy that lies orthogonal to the described three is "regional pricing", meaning a different price depending on the country / state / region you live in. Regional pricing can be explained by existing buying power differences, differences in distribution cost, space rent, and local competition.

Whether to choose a pricing strategy to create a low price or a value differentiator price image depends on retailer's capability to differentiate. Retailers that can deliver a better perceived value to the consumer can also ask for higher prices than the competition (Simon, 1992) and thus will choose a value differentiator pricing strategy.

4. Pricing strategy suggestions for The online channel

4.1. Retailer uses "Everyday Low Price" Strategy in the Offline Channel

The retailer strives to maintain a low price image in its current operational business. Prices are kept consistently low, price adjustments are rare. This leads to price credibility and trust from the consumer side. In order not to jeopardize this important asset – consumer trust – and to maintain a consistent price image the retailer should use the "everyday low price" strategy also in the online channel (for the following: Kimpel, 2012).

Using "everyday low price" strategy in two channels does not automatically mean to use identical prices in both channels. Prices could well be different, just the pricing behaviour needs to follow the strategy "everyday low price". However, for a consistent multi-channel experience, identical "posted" prices seem most desirable.

The retailer likely has to deal with different prevailing price levels online and offline, with online tending to be lower, so finding the right price level for the identical prices for both channels is a tough challenge. Given that the retailer already uses the "everyday low price" strategy in the offline channel, there is probably not much room to further lower the prices in the offline channel without becoming unprofitable. So the retailer will likely adopt offline prices in the online channel. This effectively means the retailer uses online prices that are higher than the prices an Internet pure-play retailer would ask. This pricing behaviour is consistent with the empirical findings for multi-channel retailers (Ancarani and Shankar 2004; Pan *et al.,* 2004; Xing *et al.,* 2006).

Another approach to solve the pricing challenge is to consider the role of each channel. If the retailer is well established in the offline channel and wants to extend to the online channel, using offline prices in both channels seems the right solution. It could be argued that offline channel's positive externalities support the online channel by increasing its revenues and allowing it to ask for prices that are slightly higher than what online only retailers would ask. The product category where this approach seems most appropriate is consumer electronics. However, the dominance of the web and the fierce price competition led to an unfavourable environment for offline focused retailers and eventually has forced established retailers, like CompUSA and Circuit City, to close their businesses (Ogg, 2009).

It is likely that consumers focus most on the posted price – i.e. the price shown on product's price tag – when comparing the online and offline price for a product from the same retailer. That price is easily spotted and can be compared directly. Other costs, like shipping charges (that may vary with the items bought at the same time) or travel and time costs (that are hard to figure or depend on subjective valuations) likely play a minor role. The relative ignorance of these costs allows retailers to vary paid prices while keeping the posted prices on a par. For example, they can charge shipping costs in the online channel. If the charge is reasonable, consumers should not object to it. Shipping costs are real costs to the retailer, so passing these costs on is "fair". However, this ignores the fact that offline products also incur costs for distribution, storage, shelf display and sale – and these costs are not explicitly charged. In industries in which price competition is particularly fierce, "service charges" are applied (for example "ticket service charges" at airline websites). These techniques will help to keep the posted online prices low – to do well in price comparisons – but most multi-channel retailers will face the opposite challenge: they need to set the posted online prices equal to the higher offline levels and still need to be competitive. They can achieve this by increasing the value of the offer. They can waive shipping charges (offer "free shipping") or other fees.

Profitable operations with identical prices online and offline may be impossible if cost structures vary greatly between the channels or if market forces allow or demand channel specific prices. Possible reasons for different cost structures include high picking and shipping costs, the requirement to carry a large selection of low-margin products, or personnel and facility costs. In these cases two general directions are conceivable: to offer a different product portfolio online and offline or to allow different prices online and offline (e.g. see IKEA website example where in store-only products are listed).

Charging different prices in different channels should be no problem if consumers are naturally segmented along the channel boundaries. If consumers are "multi-channel", the price difference needs to be made transparent to be perceived as fair and should be small enough so that no significant arbitrage is possible. Depending on the degree the online and offline offerings differ the use of a dedicated online brand may be warranted. Heinemann (2008) describes three brand strategies:

- Virtual brand strategy: no connection between online and offline brands (e.g. BOL and Bertelsmann),
- Combined brand strategy: relation between online and offline brand recognizable (e.g. e-Sixt), and
- Hybrid brand strategy: same brand online and offline (e.g. Conrad Electronic).

4.2. Retailer uses "High-Low" Price Strategy in the Offline Channel

The hope of a "high low" price strategy retailer is that consumers will not recognize that only a selection of the products is lower priced and buy all products. And this hope may not be substantiated in the online channel due to lower search cost. In order to run the "high-low" strategy sustainably in the online channel the retailer either needs to prevent price comparisons or win them. Winning price comparisons for the promoted items should come naturally. The greater challenge is to sell the higher priced items. The retailer can make price comparisons difficult for such items by selling them under a private label, so that no other retailer offers the same item with the same identification number (Siems, 2009). Or, sell different variants of the product ("branded variants"), so that comparison requires accounting for a variety of product features. This increases consumer's shopping costs and he will perform fewer comparisons (Bergen *et al*., 1996). The retailer can also attempt to alter the product name and omit standard product identification numbers like UPC or EAN on the website so that price search engines have difficulties identifying identical products.

If price comparison cannot be circumvented in the online channel and differentiation is not possible, going online may pose the risk that the offline price strategy is exposed and the price image in consumer's mind is altered to retailer's detriment. Here the better option may be stay offline and to enjoy the higher prices even if this means to forgo multi-channel benefits and perhaps to accept a channel decline. In a recent survey of E-Commerce-Center in Cologne, the majority of medium sized retailers refrain from going online and focus on increasing service and shopping experience instead (ECC, 2014).

If online operation is desired to increase revenues and to leverage operational synergies, the retailer could operate under a distinct online brand. As a last resort the retailer could change the price strategy. The "high-low" strategy aims at a low price image just as "everyday low price" does. So it should be possible to convert to that strategy without overly confusing consumers. However, only those retailers that have the lowest cost structures are in the position to execute an "everyday low price" strategy.

4.3. Retailer uses Value Differentiator Price Strategy in the Offline Channel

A retailer with value differentiator price strategy may achieve the differentiation either with the product itself or with additional services. If the differentiation lies in the core product

itself, e.g. exclusivity, then there should be no impediments to also use the value differentiator price strategy in the online channel. If retailer's value differentiation is in providing services around the product, e.g. store assistance or shopping experience, then the question is if these services also can be adequately provided in the online channel. If they can, charging the same prices as offline seems reasonable. If they cannot, the consumers will not be willing to pay the same (high) price as offline. In general, the online prices should not just be lowered in response to this since this would lead to a classical arbitrage situation. Consumers seek advice in the offline channel and then buy online. The retailer should rather consider a combined or virtual brand strategy as discussed earlier, or stay offline.
Figure 2 provides a summary of the findings:

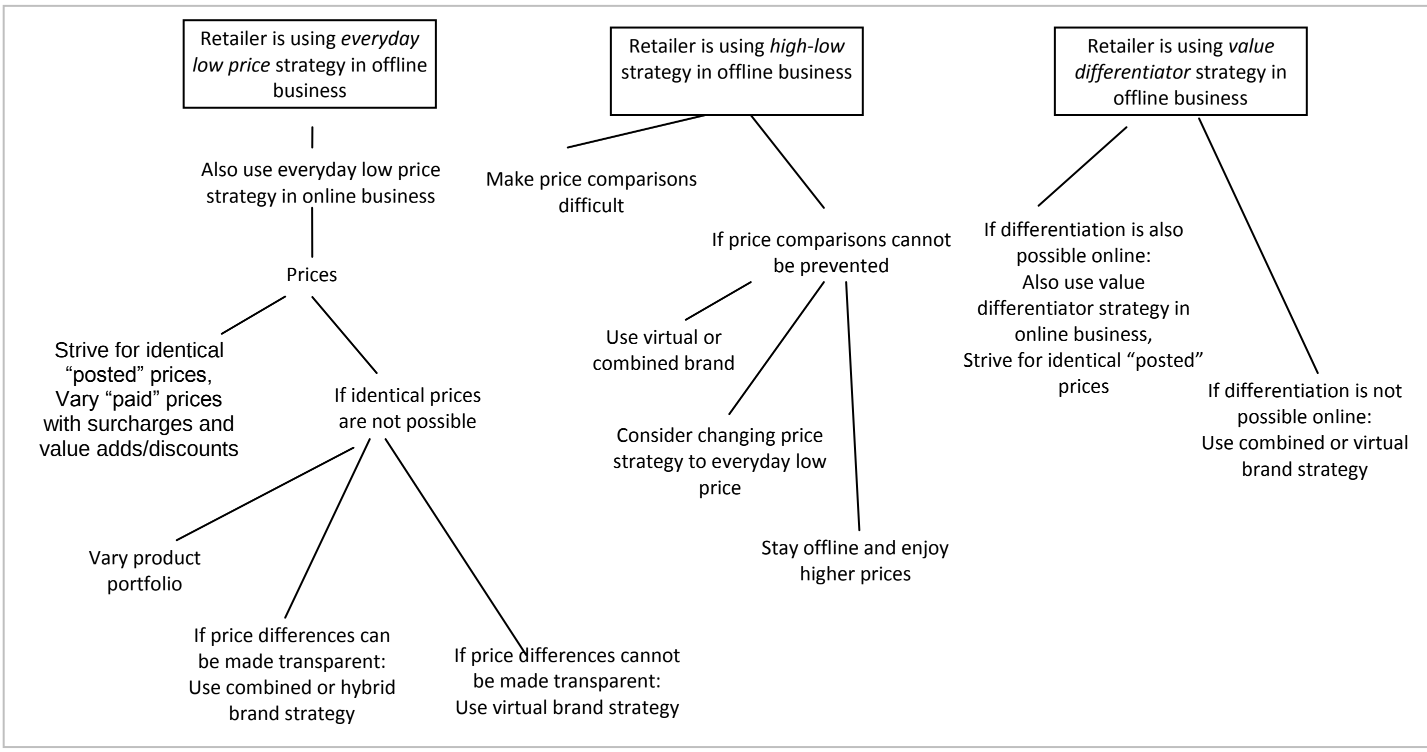

Figure 2: Online pricing strategy suggestions depending on current offline price strategy ((Kimpel, 2012)

4.4. Retailer uses Regional Pricing

Many retailers vary in-store prices regionally. Likely reasons are differences in purchasing power, distribution costs, store rent, taxes and local competition. Consumers cannot select the segment freely, or only with cost (e.g. travel cost) (Simon, 1992). Regional pricing is highly relevant for the integration of online and offline price strategies. Most considerations and suggestions are independent of retailer's price strategy. *Figure 3* provides an overview of the integration options.

If a retailer varies prices regionally in the offline world then there is a certain probability that consumers recognize the price differences. Consumers that travel regularly or live along the boundary of two pricing regions are the most likely to recognize the differences. If the reasons for the price differences can be made transparent and consumers do not suspect unfair, i.e. opportunistic, behaviour, they should not harm retailer's price image.

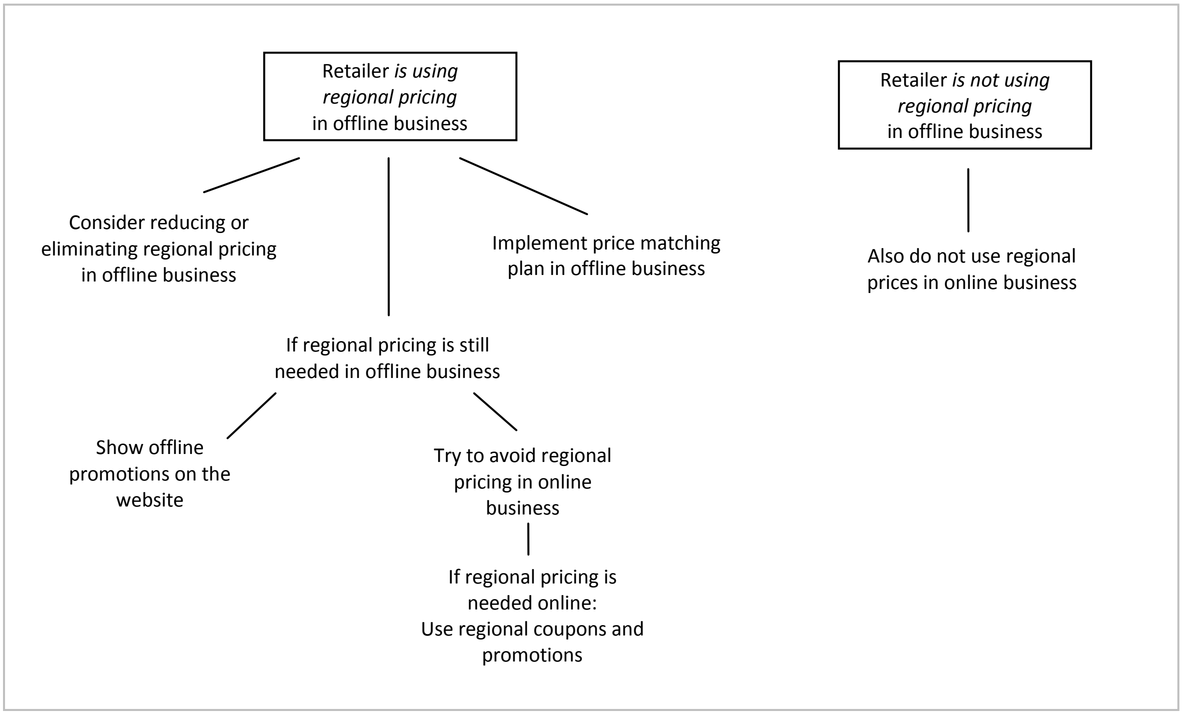

Figure 3: Online pricing strategy suggestions depending on current offline regional pricing strategy (Kimpel, 2012)

Things get complicated when the retailer goes online. Ultimately the geographic address for an online order can always be determined – the shipping address. But the shipping address will not be known until the very end of the ordering process. At least for first-time buyers the website will not know the location of the buyer. Some websites try to solve this issue by prompting the consumer to enter a postal or zip code or by requesting to register with address before prices are shown. In most cases these approaches are problematic as they reduce usability of the website – the consumer will likely turn to a competitor. But these techniques also cause suspicion. They underscore that some form of discrimination may be performed. A less intrusive way to figure consumer's location is by using his Internet Protocol (IP) address. This approach works pretty well on country level, but is not precise enough for regional pricing. Given these arguments, the retailer has little other options but to show the same upfront price to all consumers in the online channel.

However, regional price discrimination can still be maintained in the offline channel. What changes is that additional arbitrage possibilities are created when expanding to the online channel (if online prices are lower than regional store prices) and the multi-channel advantages are limited for consumers that live in a region with prices that differ from online prices. For them, it will seem like online and offline channel prices differ. They will likely not recognize that regional pricing causes this discrepancy. The negative effects of different prices are limited to a certain region. Retailers will need to weigh advantages and disadvantages and will likely reduce or eliminate regional pricing when adding the online channel. Retailers should also consider implementing a price matching plan. Price matching means that the retailer offers to reduce the price for an item to competitor's price when requested by a consumer. This will help in regions with strong offline competition. An advantage of a price matching plan is that posted prices do not need to be altered, i.e. they could remain the unified online/offline prices. Only price sensitive consumers will ask their prices to be matched and price matching plans are a signal that increases consumer's trust that the retailer prices low (Simon, 1992).

In the online channel regional price discrimination is hard to justify and should therefore be approached with caution. Consumers in small countries, like Germany, are accustomed to shipping charges that are not varied by destination within the country. So they will assume the cost to the retailer is identical for all locations. Charging different prices would be considered as unfair. There may still be options to lower the paid price in competitive regions with coupon code enabled promotions. Coupons have the advantage that their dissemination can be – to some extend – controlled. They could be printed into the newspaper in a particular region, they could be sent to existing customers that are known to live in a particular region or handed out in the brick-and-mortar stores, e.g. printed on the receipt, in a particular region.

5. Case study: Media markt

The Media-Saturn-Holding GmbH comprises of the Saturn and Media Markt retail chains and belongs to the Metro Group. Incepted in Munich in 1979, it grew to today´s leading European consumer electronics company with 64.483 employees in 789 shops in 14 countries and a turnover of 21,0 bn Euros in 2014 (Metro Group, 2014).

Media Markt was very successful in their brick-and-mortar business, but did not launch a real web store until 2012. This launch can be considered as a late-move following another late-mover – Saturn – that went online in October 2011. At a closer look, however, there were earlier attempts which were all discontinued. In 2000, the Media Markt Online GmbH was founded and run as subsidiary. The concept failed because the brick-and-mortar store managers – responsible for their own price policies – were confronted with Germany-wide identical prices in the online store and opposed strongly. Also, after-sale-services were considered a problem by the stationary business store managers. The power struggle was won by the brick-and-mortar business and a virtual brand strategy was pursued. Since no direct connection between the channels was desired, Media Markt Online was renamed to Media Online in 2005 and the website www.mediaonline.de was launched which offered about 6.000 products from 25 product categories. The corporate design was prohibited to be used, leading to a complete separate presentation between Media Markt and Media Online, with no combined references. The website was considered a failure in 2007 and closed (Wilhelm, 2012). The official wording for the decision was that all e-commerce activities would be centralized at the www.mediamarkt.de website. The website at that time offered only a small selection of bargains that could also be bought in all German stores, at the same price.

Over the years, Media Markt´s offline branch developed an impressive price image. This was supported by slogans like "Ich bin doch nicht blöd" (English: I am not stupid) (1996), "Wir können nur billig." (English: We can cheap only) (2000), "Die Mutter aller Schnäppchen" (English: The mother of all bargains) (2003), and "Lasst euch nicht verarschen" (English: Don´t be fooled) (2004). "Ich bin doch nicht blöd" is according to a survey of Handelsblatt and an Aachen based market research company the slogan with the biggest recognition. 44% of German consumers were able to attribute this slogan to Media Markt (Handelsblatt, 2004).

Up until 2011, Media Markt´s pursued a "high-low" price strategy with lots of short-term special offers and discounts and regional differentiation. Over the years, Media Markt was under more and more pressure on prices, and consumers got frustrated with the confusing price settings. Media Markt matched prices in their brick-and-mortar stores to cheaper online offers which caused administrative overhead. In early 2011, the prices taken at registers were on average 3% below the shelf price (n-tv, 2011). Media-Saturn-Holding´s expanding store network was one of the drivers for the success of the Metro Group. However, fierce price competition and an increasing importance of the online channel let to losses for Media-Saturn. Media Markt was forced to rethink their strategy and eventually “forced” by consumer expectation and behaviour to take a multi-channel approach. Further steps were taken in 2011 by acquiring the online pure-play Redcoon.de and the launch of the Saturn online shop.

In October 2011, just before the start of the Media Markt online shop, the important strategic decision was made to move from the historic “high-low” pricing strategy to an “everyday low price” pricing strategy. This was communicated to the consumers with the launch of the marketing slogan “Schluss mit dem Preisirrsinn” (English: Stop the price madness). Instead of the many discounts, consumers were promised a fair and daily low price. Media Markt would compare their prices daily with online and offline competitors and adjust prices accordingly (Presseportal, 2011). Media Markt began positioning itself in the fall 2012 with the slogan: "Verrückte da draußen: Willkommen beim Preis.” (English: For the crazies out there: welcome to the price). As of 2014, Media Markt´s online webshop still offers only a subset of their products (2014: 34.000 products, Zimmer, 2014). These products are sold at identical prices in the online and offline channel. Consumers have the choice to buy products online and either get them sent to one of the stores or to their homes.

Media-Saturn Group´s overall online revenues (including online pure-play Redcoon) are growing, summing up to 1,2 bn Euros in 2013 (E-Commercefacts, 2014) but still not compensating the loss in the stationary retail business. The Group responded to the pressure with the following measures:

Private brands make price comparisons more difficult if not impossible. Since 2010 Media Markt and also Saturn offer private brands like “ok” for the discount price segment, “Koenic” for small and big premium household appliances, “PEAQ” for consumer electronics, and “ISY” for accessories. As of 2013, 450 private brand items were for sale. Both companies offer a subset of these private branded products in their online stores (Metro Group, 2013).

Another way to increase revenues is regional expansion. Media Markt started various brick-and-mortar business presences, for example in Turkey, Hungary, Poland, and with big hopes in mainland China (seven in Shanghai) which were dashed in 2013 (see also Qi Xiaozhai, 2013). Multi-channel efforts have been expanded; at the end of the 2013 fiscal year customers in 13 countries were able to shop online at the company´s online store (Metro Group, 2013). From a product portfolio expansion perspective, Media Markt has started offering digital products, including music and film files, video games, computer programs and e-books. Also, in January 2015 Media Markt and Saturn expanded their online sales channel by selling their products on the eBay shopping platform.

By mid-2014, after a decline of overall sales due to revenue declines in stationary business that could not be compensated by the online channel (Zimmer, 2014), restructuring activities as a response to the rapid shift toward online retailing were announced. These included closure of stores, size reduction and cuts in administration. Also, all multi-channel activities of the Media-Saturn Group were placed under the new Media-Saturn E-Business GmbH division. It is evaluated if Media Markt will be sold, taken public, or will be spun-off (WeltN24, 2014).

In 2014, as a result of all these challenges a new pricing strategy was launched. From the previous “everyday low price” strategy Media Markt is now moving to a “value differentiator” strategy. The main focus is on a positive shopping experience, seamless integration of online and offline interactions and enhanced customer service. “Click and Collect” lounges were installed where customers can enjoy a coffee and are at the same time informed about available add-ons for their ordered products. Or, at drive-in counters customers can pick up and pay for their previously ordered products via Media Markt´s app or via Media Markt´s website. Product pick up is guaranteed in 60 minutes after order placement. Electronic price tags ensure that product prices are adjusted daily online and offline after comparing them to all available Internet prices. As of mid-2014 the flagship store is in Ingolstadt, other stores with the same new shopping experience will follow (Thomasson, 2014).

6. Summary, outlook and research limitations

The purpose of this paper was to develop a framework for pricing strategies for offline retailers when expanding into the online sales channel. We suggested that retailer's strategic integration options are highly dependent on the pricing strategy currently used. It is concluded that a retailer that uses the "everyday low price" pricing strategy in the offline business should use the same strategy in the online channel and to strive for identical "posted" prices. Retailers following the "high-low" price strategy in their stationary business may have difficulties using that strategy in the online channel due to high price transparency. They should attempt to prevent price comparisons. If this is not possible, a virtual or combined brand strategy should be considered. It is advised to consider a change of the pricing strategy to "everyday low price". Retailers using the value differentiator price strategy in their stationary business need to review if value differentiation is also possible in the online channel. If it is, the value differentiator strategy should be continued there and the retailer should strive for identical posted prices. If value differentiation is not possible online, the retailer should consider a combined or virtual brand strategy.

Regional pricing can be applied in parallel to the before mentioned pricing strategies. In the online world, however, regional pricing should not be implemented as price differences cannot be made transparent and consumer may perceive this price discrimination as unfair. Retailers should weigh the benefits of regional pricing in the offline channel against the benefits of a consistent multi-channel experience.

The Media Markt example shows that the decision to launch a web store was accompanied by the decision to switch from the "high-low" price strategy to an "everyday low price" strategy. With this pricing strategy change, Germany´s largest consumer electronics retailer eventually became successful in the online channel. However, at the beginning revenues grew slower than expected which can be attributed partly to the late online market entry. With an earlier start, Media Markt could have built a strong online retailer image (price and product) to challenge competitors like Amazon and smaller consumer electronics retailers. Media Markt now competes by expanding their product range, regional presence, and by introducing private brands. The recently launched "value differentiator" strategy aims to lead to positive price-value-perceptions and to justify higher prices compared to online pure-plays.

A limitation of this paper is the documentation of just one empirical example. This in-depth analysis is justified by the importance of Media Markt in the German retail industry and the illustrative nature of Media Markt´s multi-channel attempts. Future empirical research should be done on the pricing strategies of the small and medium size offline retailers that will eventually start to expand into the online sales channel. Despite lots of research of the role of prices in retailing, there also need to be more empirical studies to better understand the role of prices in the online world and in multi-channel retail. For examples, there is a large body of research that describes price dispersion on the Internet but only few studies explain the reasons for it. Further research should also include the product categories apparel, textiles, and shoes as they are the major driver of online retail (Bundesverband des Deutschen Versandhandels e.V., 2013) and on household appliances, toys, computers, electronics and sport equipment as they are predicted to be the most important European cross-channel product categories in 2018 (Forrester, 2013).

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