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1. Executive Summary

E-commerce has revolutionized retail since the first item ever was ordered online on Amazon in 1995. According to research reports by the eMarketer, the global retail market reached \$25.038 trillion in 2019, an increase of 4.5%. The Global E-commerce rose 20.7% in 2019 to \$3.535 trillion. The E-commerce sales worldwide are estimated to reach 17% of global retail market in 2021.

To meet the changing needs of people and to make online shopping easier for the customers, e-commerce has been evolving with countless work on customization, including fast and free shipping, competitive pricing, optimized return policies, improved integration and cross border trading, taking the retail world by storm.

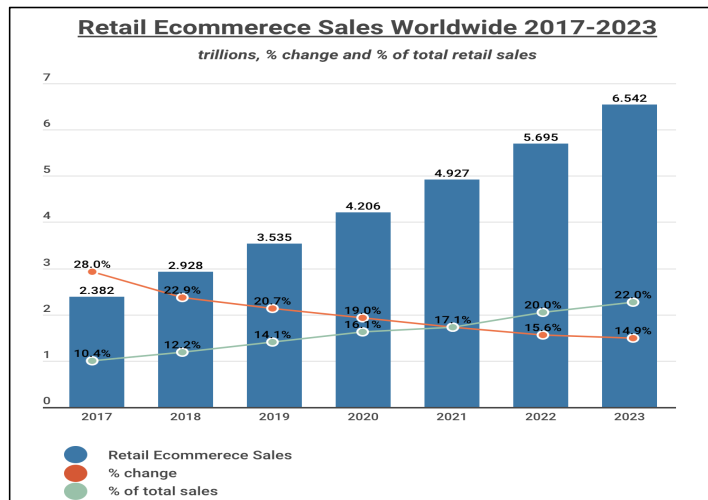


Fig.1 Worldwide retail eCommerce overall growth (eMarketer, Jun 2019)

2. Competitive Trends of Multi-Channel Retail

Just take a look at the competitive advantages of multichannel business operations, if you are still unable to decide how you would like to take your eCommerce business to the next level. Your business could be mature and successful at the moment, business executives need to be forward looking to ensure future accomplishments and stay ahead of market competition.

2.1 eCommerce sales growth is irrepressible

ECommerce sales have been growing rapidly and constantly since online shopping became one of the most popular activities. The sales are projected to increase from 1.3 trillion in 2014 to 4.5 trillion in 2021.

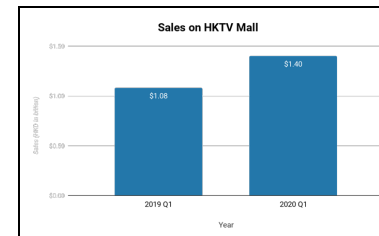
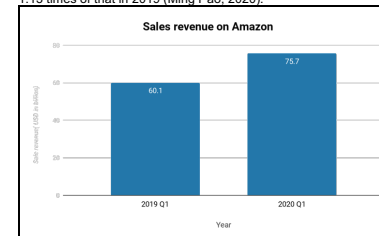


Fig.2 The sales of HKTV/mall in 2020 Q1 reached HKD 1.4 billion, 1.13 times of that in 2019 (Ming Pao, 2020).



2.2 The future of multichannel after COVID-

More people rely on online shopping to purchase items during lockdown. Amazon sales grow by nearly \$24 billion with surged customer demand for their products and services. According to Fig. 4, eCommerce penetration rate is predicted to reach 25% in 2025. The spread of COVID-19 also changed consumer behavior globally as customers feel more comfortable to use eCommerce platform and contact free methods, leading to digital transformation in the long-term. More sales channels would be customized to market demands including those from websites, mobile, eCommerce platforms and social media etc.

It is commonly believed that COVID-19 would accelerate the digitalization of the world and change consumer buying patterns from offline to online in enormous supply and demand volume. Online and offline channels are used by customers to purchase items, while omnichannel would be a powerful tool for retailers to manage their inventory. It allows the pool of stocks to move neutrally from different channels

without interrupting the operation too much.

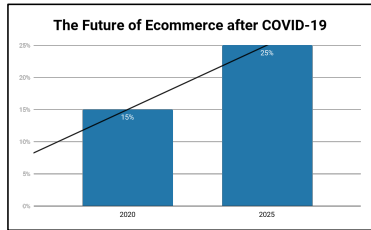


Fig.4. The Future of Ecommerce after COVID-19 (Mar, 2020)

2.3 Mobile commerce is growing

With the growing demand of smartphone devices globally, mobile shopping would be a rising trend with generation X and Y who grow up with different electronic devices. (Fig.3.)

Global internet users spent an average of 142 minutes per day on social media in 2018, up from 90 minutes in 2012. While social media continues to become a regular part of our daily lives (Fig.4), retailers would also find the opportunity to develop their business in such manner – not only through brand building through influencers and fans pages but also take the platform as their own sales channels.

Social media platform like Facebook, Tiktok and Instagram set up channels for business development including Facebook Business and Instagram Shop to promote Mobile Commerce. Current projection indicates that 90% of businesses will include some form of social media as customer service in two years.

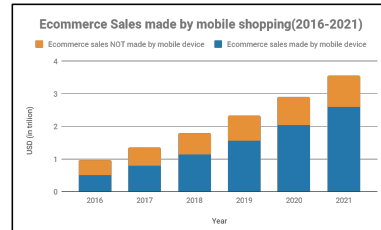


Fig.5 Forecast of mobile shopping in 2021 (Mar, 2020)

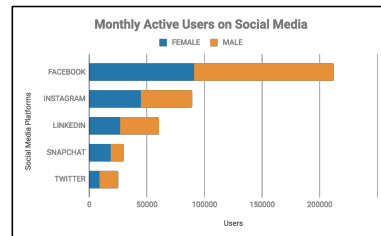


Fig.6 Number of users of the top social media platform

2.4 Green topics influence consumers

Half of the digital consumers say that environmental issues have impacts on their purchasing decisions; while 62% of the respondents believe that eco-friendly product is better for their health. Environment and sustainability are now factors for consumers to make buying decisions (Fig.4). The greener the product is; the higher chance people would buy. This could explain why different industries start to reduce the package and use recyclable materials for packages as well as investing in green logistics.

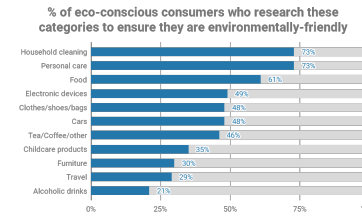


Fig.7 Products being considered to be eco-friendly before consumption

2.5 Artificial Intelligence

AI plays an important role in customers' experience. From observation, one out of every five consumers is willing to purchase goods or services from a chatbot and 40% of the online shoppers are looking for great offers and shopping deals from chatbots

Retailers target new avenues to enrich personalization of the customer experience. The artificial intelligence in retail market is expected to grow at a compound annual growth rate (CAGR) of 34.4% from 2020 to reach \$19.9 billion by 2027.

It is believed that retailers will heavily invest in AI tools including AI chat box and AI marketing tool, allowing them to

differentiate and improve the services they offered by spending in AI-based Automated Marketing in 2022.

Amazon uses AI to observe and predict the latest trend by analyzing the visiting and buying practice of their customers. They use a combination of Collaborative Filtering and Next-in-Sequence models to make sales predictions on individual consumers' future needs.

When it comes to warehouse, HKTVMall's warehouses are well-equipped with different automated and robotic systems like automated picking which is able to handle 20,000 orders of supermarket products and groceries daily on a combined basis, resulting in higher efficiency and accuracy to the logistics, warehousing and fulfillment operations. While Amazon is using AI and robots with complex simulations, coordinating robots on the field to fasten picking up process, as well as improving accuracy and effectiveness.

Their AI system is also used to calculate the best combination of packages and the departure time to facilitate the cooperation between robots and drives.

2.6 Personalization

Personalization could increase customers' loyalty by enhancing their shopping experience. Customers are pleased to enjoy exclusive shopping experience - 83% of them are willing to share their data in exchange for a personalized experience.

Examples of personalization include creating personalized homepages giving advice matching customers' interests, providing personalized wardrobe, offering visitors quizzes to suggest better buying options for customers. Amazon has developed Amazon Personalize, a machine-learning robot to give personalized recommendation to their customers.

Example (Keskin, 2020)

Display Recently Viewed Items	Create Special Campaigns Based on User Behavior	Get Personal in Email Marketing

2.7 Visual Commerce

One of the reasons people do not shop online is that they cannot have a physical interaction with the product. Visual Commerce allows customers to get more product information by looking at the photo and video with the help of interactive content. Retailers report a 40% increase in successful purchases with videos featured on the site.

While image recognition is believed to be a future trend of visual commerce offering enhanced digital experience to consumers, customers will be able to locate their desired products by searching with photos. Taobao introduced Pailitao, a quick image search and recognition platform to improve user experience and also saves costs at the server-side.

Example of image recognition (2019)

Interactive search recommendation	AR Make up try on @Mobile Taobao	Intelligence publishing @Taobao

3. The 3rd Party Logistics Providers Solution

3.1 Supply Chain Management

Supply Chain Management—the heart of a successful multichannel business. It is important for a multichannel business to link up all the inventory data and create a seamless customer experience. Retailers with a multichannel supply chain focus can offer preferable services to customers including shipping, buying online and picking up in-store. In the long-term, retailers are able to refine shipping time and delivery costs, resulting in better customer experience.

3.2 Warehousing

90% of Fortune 500 companies use outside inventory storage, mostly 3PLs (Lauryn, 2019). It is common for warehouse to use technology to develop a multi-channel supply chain including Radio Frequency Identification (RFID) technologies allowing retailers to manage inventory and arrange delivery more easily.

On-demand warehouses would be a rising trend in line with eCommerce as retailers are trying to deliver product Direct-to-consumer (DTC). Taking up less space but providing more facilities, the blurring line between warehouse and distribution center speeds up delivery time. Different

software and hardware are adopted to warehouse to speed up the process and maintain effectiveness including the use of robots, drones, IOT (Internet of Things), Cloud technologies and so on.

3.3 Consolidation Services

eCommerce freight consolidation helps to turn small shipments into larger ones, which could increase consistency with the supply chain, lowered fuel costs and reduced diesel emissions as well as faster delivery and decreased freight spend.

Effective eCommerce freight consolidation would need to perform different measures to lower cost and increase effectiveness, including using tracking system, best route prediction system and others to ensure small shipments with similar destination and arrival time can be packed together.

3.4 Order Fulfillment ---B2B, B2C, D2C

B2B fulfillment service (business to business) handles large and bulky items delivery to the recipients. Operators use to stock up the items for weeks and months to coordinate with the company's plan. On the other hand, B2B fulfillment needs to deal with trade barriers and consider using different transportation for bulky items, resulting in a more complicated system requiring experience, access to efficient technologies and quality management systems.

B2C and D2C fulfil more directly to customers instead of businesses. They focus more on customer experience and service quality. Delivery time and tracking service are an important factor for the order fulfilment. The operators pay more attention to information delivery to the

customers, notifying them the process of their order. (E-Commerce Fulfillment, 2018)

When it comes to D2C, with the help of online channels, manufacturers can connect directly with potential customers and fulfil their special needs and interests (Waksman, 2020). Customers can chat directly with the brand enquiring about pre-purchase and after-sales service, directly accessing to the most accurate information and support.

4. Reasons to Choose 3PL

4.1 Flexibility and Scalability

3PLs have more resource and capacity to handle changes, thus more flexible than in-house logistics departments. For example, 3PLs can help companies to manage sales peaks with holiday orders, high-sale seasons, as well as last-minute promotional sales. On the other hand, 3PLs can also adjust the above service in slow times, offering maximum amounts of flexibility during any time of the year.

4.2 Technology

3PLs keep their competitiveness by updating the latest technology developments, allowing them to read real-time inventory information and merging data among different channels.

Using the latest technology, 3PLs allow both customers and retailers to get the most clear and updated data from online and offline. A transparent system allows retailers to provide order fulfilments with higher accuracy and effectiveness.

4.5 Returns process activities

E-commerce return rate was estimated to be 25% in 2020. Established distribution network from 3PLs can provide seamless returns service and reduce operational overhead by avoiding unnecessary route detours and warehouse layovers, saving cost and resources.

4.3 Efficiency and Specialization

3PLs are able to design tailor-made services based on companies' needs including space, labour and transportation. They can also provide well-trained labour and systems specializing in handling goods from different industries. Their well-developed systems not only handle inventory management but also improve efficiency in dealing with paperwork, billing and other procedures. 3PLs are an important element in supply chains.

4.4 Lower capital investment

Less investment is required with the use of 3PLs, in terms of hardware and software investment in the beginning to acquire warehousing space and infrastructure. Business operators outsource to 3PLs can save money and time on building warehouses, hiring additional labour, facilitating transportation and installing various technologies.

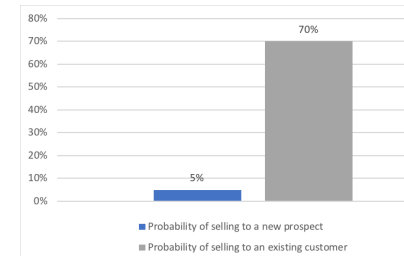
5. Increase profitability in multichannel

5.1. Know your end to end cost

Tracking your end to end cost is a methodology leading you to understand all the cost details along the supply chain to minimize cost and achieve the best use of clients' funds, such as the cost of goods, inventory, shipping, warehousing, and labour. Commissions, fees and market impact are compared to a universe of similar costs so that clients can assess their own fund and portfolio expenses.

5.2. Leverage resources

Multi-channel management provides the tools for better understanding and managing the touchpoints about the customers, with more resources are allocated on the target customers' need and demand.



For example, if the probability of selling product to existing customer can be 14x higher than the probability of selling to new customer, then more resources should be used at customer support through different channels to keep up comments and customer enquiries. A good management system helps better use of resources. An

Inventory Management System, for example, operates through a centralized IMS platform, online and brick-and-mortar stores can be connected to track and manage product availability, point-of-sale purchasing, shipping, inventory control and distribution. In addition, IMS can be combined with Order Management System. OMS extract your sales data from all your sales channels into your enterprise E-commerce platform. By analyzing the data, it can reveal where most profits are generated from and hence targeting the touch point with resources better utilized.

5.3. Offer a range of options --- Do not offer free shipping on everything, every time.

Multichannel retailing provides your target customers the option of when and where to purchase and thus maximizing customer experience on the most relevant sales channels based on their behaviour. Investigate which channel produces the highest value customers and products or services, carefully maintain the channel to gain the highest repeat purchases or lifetime value.

Understanding the reason of purchasing can help determine the necessity of free shipping. If the customer focuses on the product, free shipping might not be attractive. Another example for Amazon shoppers, they want to receive their products quickly. If you can only offer free delivery but not fast enough, it is still not attractive enough. To resolve the issue, adjust your pricing and shipping policies might be helpful to fit with Amazon and their

shoppers. Thus, offering a range of options is always a smarter move than giving free delivery to lure customers to purchase more.

5.4. Limited distancing

In the E-commerce world, single channel selling cannot help reduce cost, but limiting the source of customers. Digital and physical points-of-sales continue to merge, and online retail rapidly expands. Customers access products not only from brick-and-mortar stores, but anywhere, anytime through electronic devices. It is crucial to limit the distance between your product and customers to gain attention in the market, which can be attained by integrating your existing channel/platform or engaging a third-party option to handle.

The COVID-19 outbreak causes brick-and-mortar stores to close, while digital solutions continuously embraced by customers. Nike, for instance, boosted 36% of digital sales in China in the third quarter ended February 29, 2020. It leveraged Taobao Livestream bloggers and WeChat channel featuring over 100 live broadcasting sessions with influencers and attracted over one million consumers. The flexibility and scalability of selling channels are vital in minimizing the distance from trailer to customer, resulting in increasing market attention and profit.

5.5. Packaging design in shipping packs

Omni-channel is about branding and a good brand starts with the packaging. In every channel, the brand packaging standards (colour, typography, design) ought to be adopted. For instance, the site should utilize similar colour, typography, and design which are utilized on the packaging. The same idea applies to photos and

designs posted on social media. In fact, all packaging in every channel should be identical (or similar).

Retail companies found out that customers expect the packaging seen on website to be the same as that found in physical stores. Packaging difference (between online images and real ones in physical stores) is a major reason clients return items purchased online. It is important to ensure same brand identity is used when connecting with customers in-store and online in the e-commerce multichannel business.

5.6. Inventory Intelligence

Inventory Intelligence is a smart approach to achieve a balanced and optimized supply chain. CEO of Walmart describes that not restocking shelves quickly enough is one of the major problems that many companies faced.

Automated inventory Intelligence, for example, the smart shelf enables inventory tracking solution to boost the restocking process at high accuracy rate without additional labour cost.

6. Multichannel companies targeting emerge market:

6.1. China

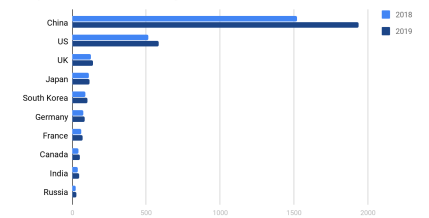


China market has been expanding over the past decade with the rapid growth of GDP. In the emerging E-commerce trend, Asia-Pacific gains the lead of global E-commerce growth in 2019. The region shows a growth of 25% to \$2.271 trillion, representing 64.3% of global E-commerce spending.



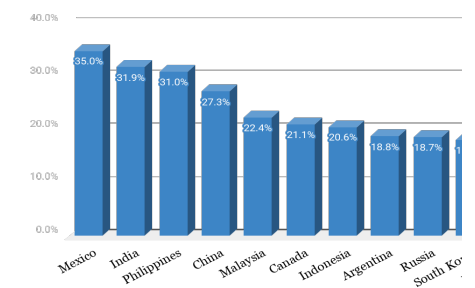
In 2019, the top global E-commerce market is China, with \$1.935 trillion in E-commerce sales—more than three times higher than the US ranking No. 2 with \$586.92 billion. China represents 54.7% of the global E-commerce market, a share nearly twice of the next five countries combined. (Fig.2)

Top 10 Countries, Ranked by Retail Ecommerce Sales, 2018 & 2019



6.2. South East Asia

Top 10 Countries, Ranked by Retail Ecommerce Growth, 2019



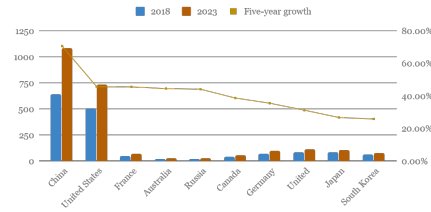
The Philippines has recorded more than 30% retail E-commerce sales growth in 2019 and followed by China, Malaysia and Indonesia. Huge potential can be seen in the E-commerce market in the Philippines whilst China, Malaysia, and Indonesia are non-negligible.

6.3. Oceania

The spread of COVID-19 has greatly disrupted the lean supply chain strategy used by Australian retailers. Many Australia companies rely strongly on Chinese manufactory distribution. With the spread of COVID-19, many Chinese factories have been closed for months, heavily interrupting the supply from China. With the implementation of social distancing policies, the Australian market demand boosted online retail locally and further deteriorated the bricks and mortar retail stores. More sources of supply can be foreseen to diversify the market in the future. The fastest E-commerce growing countries, for example, the Philippines, Malaysia, and Indonesia are good future choices for Australia.

Country-by-country ecommerce growth

Calculated by 2018 to 2023 ecommerce revenue (projected)



According to Fig.1, Australia ranked no.4 in prediction of E-commerce growth trend from 2018-2023. The growth percentage is about 50% in five year which indicate potential future E-commerce market in Oceania.

7. Industries that transforming to multichannel sales:

Online purchasing: Product categories by region

— 2017 — Change 2018

Asia Pacific

Fresh grocery	35%	5%
Packed grocery	40%	4%
Video gaming	30%	3%
Home care	37%	3%
Medicine/health	29%	3%

Eastern Europe

Fashion	49%	4%
Event tickets	41%	4%
Travel	40%	4%
Restaurant deliveries	24%	3%
Personal care	33%	3%

Africa and Middle East

Fashion	35%	3%
Video gaming	17%	3%
Personal care	22%	2%
Restaurant deliveries	23%	2%
Baby and children	10%	2%

North America

Video gaming	31%	3%
Packed grocery	19%	2%
Medicine/health	25%	1%
Alcoholic beverages	9%	1%

Western Europe

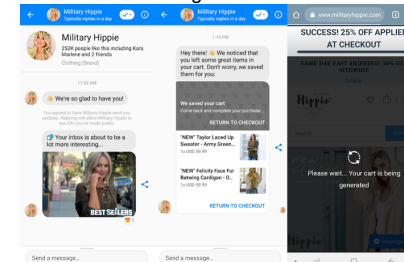
Personal care	34%	2%
Furniture	28%	2%
Restaurant deliveries	18%	2%
Consumer electronics	36%	2%
Medicine/health	22%	1%

Latin America

Personal care	28%	4%
Alcoholic beverages	9%	3%
Pet	10%	3%
Travel	42%	2%
Home care	9%	2%

7.1. Apparel

Military Hippie, a famous fashion apparel brand, gains great profit after using E-commerce platform and targeting the right customers via social networking site like Facebook and Instagram ads.



Their e-commerce team also uses Recart to recover abandoned shopping carts via Facebook Messenger and turn them into repeated buyers. According to a research, over half of customers prefer to be contacted via Messenger which can generate four times more in revenue than using email for the same purpose.

7.2. Accessories

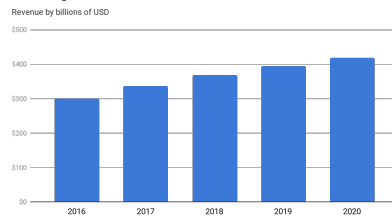
Accessories can be tied with fashion which illustrates the style or styles of clothing and accessories worn at any given time by groups of people. The fashion industry characterized by tremendous varieties of products, short product life cycles, unpredictable and volatile demand, inflexible and long supply procedures; is one of the most-in-need sectors to

transform into multichannel business in order to track latest fashion trend with changing customer preferences as well as gaining attention from all over the world.

7.3. Health and wellness

Health in the 21st Century has been digitized. It is not only about how consumers take care of themselves, but how businesses take care of their customers. The global wellness industry was worth a whopping \$3.7 trillion when The Global Wellness Institute released the numbers last year.

Global digital health market



Online channel promotion can be innovative and gain huge exposure around the world. A free trial, for example, introduces a risk-free way to new customers to use a wellness app, thus showing them how easily it is to start their subscription. On a recurring subscription model, your logistics need to be aligned on the backend, especially with a multi-channel ecommerce strategy. This includes multi-channel order management, keeping track of your stock, and fulfilling your order as efficiently as possible. Campus Protein's already impressive product page recorded an increased checkout conversion rate from 20.7% to 26.7%. Social media posts as a channel can also achieve great promotion value like receiving product reviews,

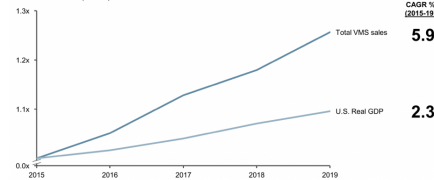
numerical rating, and even Q&A between prospective customers and existing customers – all these are opportunities for promoting the product or service of health and wellness industry.

Surging demand for immunity boosters under COVID-19

The U.S. market for VMS (vitamins, supplements and sports nutrition products) has benefited from a consistent 6% growth per year from 2015-19, surpassing growth in both similar categories, such as functional food and beverages (2%-3% per year), and U.S. GDP (2%-3% per year) over the same time period (see Figure 1).

Over the past two months as COVID-19 spread in U.S., consumers increasingly turned toward VMS products, expressing greater interest in the category. Analysis of social media activity related to VMS use cases clearly reflects this increasing engagement as customers want to improve their overall health and wellness as a precaution against illness.

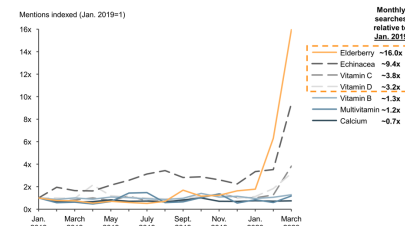
Retail sales indexed (2015=1)



7.4. Vitamins and supplements

A key impact highlighted by the COVID-19 pandemic and the resulting shelter-in-place directives reveal the increased importance of an omnichannel capability and strategy for brands and retailers. In the immediate term, market participants

invested in online and/or direct-to-consumer (DTC) access are disproportionately benefiting from consumer demand. (Alex, Emile & Matthew, 2020).



According to the fig above, Consumer chatter about vitamin C, vitamin D, elderberry and echinacea spiked by 3 to 16 times in March. Manufacturers along these value chains are experiencing this pull-through, with suppliers reporting a more than 20% increase in demand.

7.5. Pet accessories

Pet accessories industry can extend the multichannel business through online, email, or any social media to gain attention apart from physical shops. A good example is the pet food/products industry and many top brands leverage scheduled ordering. Customers don't even have to think about what or when to buy again. It simply shows up at their door, the same time every month or few months.

7.6. General Merchandise

General Merchandise scales up when being offered online, for example, leading U.K. supermarket Sainsbury includes 5000 home and technology items, household appliances, sporting equipment, toys and games. The business model indicates

flexible content management, promotion capabilities and web analytics. The cross-channel initiative delivers an end-to-end solution, from item to promotion set-up to receipt of inventory from suppliers by a newly commissioned fulfilment center. It also includes a new content management system, product delivery, returns management, financial recognition and an updated customer-contact center application.

7.7. Electronics

Multi-channel retailers implement an effective diversification strategy not only maximize reach but also sales opportunity. According to the fig above, consumer electronics website reaches are almost 50%, indicating nearly half of the Amazon shoppers visit other electronic websites before purchasing.



It shows that developing multichannel is very important for electronic industry to gain more exposure in different websites and platforms and even gaining advantage from Amazon or other influential platforms.

7.8. Cosmetics, skin care and make up

Multichannel strategy has been growing as an essential part of the success in the cosmetics industry. Social media beauty videos are a crucial part in every cosmetic brand's marketing plan. In addition to differentiating the brand from the others, business operators have to create more views and unique brand impression, more sales and promotion channels are needed. It is important to incorporate interactive digital features within campaigns and advertisements to further engage consumers from both online and in store. Beauty consumers expect an effortless interaction in order to experience experimental looks and products, as well as accessing to the same level of information and services that they would receive either through beauty vloggers or in store customer service.

By taking advantage of the endless opportunities that digital touchpoints offer, beauty brands will create stronger two-way conversations with a wider audience. Customer experience increasingly starts on online platforms, creating different channels through seamless integration.

7.9. Crowdfunding campaigns

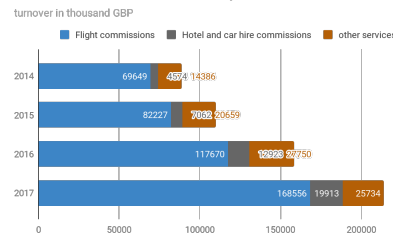
Social media is a great place for spreading the word about off-line events or sharing links of press coverage or other information. When used as a component of a multichannel promotional push, social media can dramatically expand crowdfunding with the reach and exposure of the message. For instance, Kickstarter and Indiegogo are famous crowdfunding options, but in a year or two they may have fallen out of favour. The key of maintaining the business is constantly looking for new

and innovative idea, as well as continuously gaining attention from customers through different channels and be ready to switch to any method.

7.10. Travels (Airlines, Hotels, Activities)

The new trend in travel industry involves the great opportunities brought by multichannel sales with the rise of digital technologies. Direct and indirect sales can be boosted by dynamics channels shifting customer behavior on both retail and business sides, changing dynamics within channels for example, increasing use of online channels for search and booking, the use of multiple devices, and the growing popularity of social media online travel agents, traditional travel agents, and travel management companies — offering opportunities and pitfalls for airlines. Skyscanner, Expedia are great examples illustrating the power of multichannel sales.

Sales channels in travel industry



The revenue of Skyscanner search engines continuously increasing from 2014 to 2017. Flight commissions alone reached 1.7 million turn over in thousand GBP. We can see that the importance to expand the businesses through more sales channels as using these third-party agencies

website which bring more exposure and options to customer.

Emerging technologies also provide a platform for airlines to improve their merchandising capabilities, and to sell additional travel-related products and services (e.g., hotel stays) across both direct and indirect channels with and without GDS connections. Passengers are airlines' greatest asset as they are potential customers of additional airline and non-airline products. These new technologies offer greater flexibility to set up and manage business operations, as well as high-margin ancillary products and various fare options.

7.11. Automotive and accessories

The new trend in automotive industry has been revealed in strong marketing strategy. By embedding traditional franchised-dealer distribution channels, operators can develop more marketing channels to help strengthen the business. In fact, multichannel business helps manufacturers participate more in the customer life-cycle value chain, thus improving profitability and growing in stagnant markets. This changes the nature of competition from designing and manufacturing quality products, to providing services and managing consumer purchase and ownership experiences, in which the products are only partly responsible.