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The optimal omnichannel strategy for SMEs

Apparel retailers

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ABSTRACT

Title: “The optimal omnichannel strategy for SMEs apparel retailers”

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Keywords: Omnichannel, SMEs, Implementation, Customer, Digitalization, Channel

The omnichannel transition took mainly place in big companies within the apparel retailing while in SMEs it was usually performed far less. Multichannel presents a structure of independent different channels, whereas a full channel integration is reached within an omnichannel strategy, which can deliver a seamless customer experience in all touchpoints. Nowadays, customers are more independent than ever, thus the drivers of purchase have changed. Considering this tendency, current academic research about this topic, with the concern of its implementation in smaller apparel retailers, is limited. The thesis aims to analyze the current condition of channel strategies in the apparel retailing, mostly in Italy and Portugal, to build an implementation process for an omnichannel shift for multichannel apparel of SME’s retailers, as well as its main characteristics. Therefore, qualitative research was conducted through the analysis of 14 semi-structured interviews with four different categories in the apparel industry. The findings show that small apparel retailers have not developed this strategy yet because of the fear of uncertainty, lack of consumer knowledge, inefficient warehouse and inventory management, and basic knowledge concerning the topic. Hence, it was concluded that omnichannel is a customer-oriented strategy in which elements of the marketing mix need to be aligned to guarantee a unified offer regarding communication and availability. This is reachable only through a cloud-based operation system and logistic partnerships. Lastly, SMEs can pursue this transformation by following a seven-step approach that requires long term vision and investments in digitalization.

RESUMO

Título: “A estratégia omnichannel ideal para os varejistas de vestuário para PMEs”

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Palavras-chave: Omnichannel, PMEs, Implementação, Cliente, Digitalização, Canal

A transacção para estratégias omnicanalizadas deu-se maioritariamente em grandes empresas de retalho de moda, enquanto que a sua performance em PMEs é baixa. As estratégias multicanalizadas estruturam-se em diferentes canais independentes, enquanto a integração total está contida na estratégia omnicanalizada, podendo oferecer uma experiência de cliente perfeita em todos os pontos de contacto. O consumidor de hoje está o mais independente, tendo assim o comportamento de compra mudado. Considerando esta tendência, a investigação no tópico referente à sua implementação em retalhistas de moda mais pequenos é limitada. A presente dissertação tem como objectivo a análise das condições atuais em estratégias no retalho de moda maioritariamente em Itália e Portugal, por forma a construir um processo de implementação de estratégias omnicanal para PMEs multicanalizadas e das respectivas principais características. Como tal, a investigação qualitativa consistiu na análise de 14 entrevistas semi-estruturadas com quatro categorias nesta indústria. Os resultados mostram que os pequenos retalhistas de moda ainda não desenvolveram tal estratégia dada a aversão à incerteza, falta de conhecimento sobre o consumidor, gestão de armazém e inventário ineficientes e conhecimento básico sobre o tópico. Consequentemente, concluiu-se que a omnicanalidade é uma estratégia orientada para o cliente, na qual os elementos do marketing mix precisam estar alinhados para garantir uma comunicação e disponibilidade unificadas da oferta. Isto é alcançável por meio de sistemas operacionais cloud-based e de parcerias logísticas. Por fim, as PMEs podem procurar alcançar esta transformação seguindo uma abordagem de sete passos, que requer visão a longo prazo e investimentos em digitalização.

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GLOSSARY

SME	Small Medium Enterprise
EUR	Euro
EU	European Union
B&M	Brick and Mortar
GDP	Gross Domestic Product
CPA	Corporate Performance Analytics
ROA	Return on Assets
CEO	Chief Executive Officer
UTM	Urchin Tracking Module
ROI	Return on Investment
WOM	Word of mouth
3PL	Third Party Logistics
IT	Information Technology
CRM	Customer Relationship Management
KPI	Key Performance Indicators

Chapter 1: Introduction

1.1 Research Topic

In earlier days, consumers would use both online and offline platforms to make purchases and could obtain countless information through an Internet search and by visiting the website of their brand of interest. Shopping behavior and company strategies have changed due to the rise of e-commerce and technological advancements. Disruptive innovations have led to empowered, yet demanding customers (Frazer & Stiehler, 2014).

Under this perspective, satisfaction has reached a multidimensional level with the integration of different channels based on consumers preferences (Piotrowicz & Cuthbertson, 2014): Retailers need to embrace customer-centric and virtually borderless models to remain competitive. Contemporary retailer's strategies offer omnichannel solutions concerning these channels (Gallino and Moreno, 2014; Gao and Su, 2017; Verhoef et al., 2015). However, its development is fairly slow. This is confirmed by the argument of Herhausen et al. (2015) who described the integration of online and offline channels as a recent phenomenon and that only a few retailers have actually started using it. In many circumstances, these multiple sales channels do not collaborate, but they are independent (Schramm-Klein et al., 2011). The most relevant implication for this lack of implementation regards the ability to exploit consumer insights to offer what they want.

Research suggests that digitalization creates opportunities for innovation in business models while transforming business processes, firm capabilities and offers (Downes & Nunes, 2013; Rogers, 2016). Digitalization is hard to implement in large companies, and for SMEs it can be challenging as well (Fosty et al., 2013).

Even though SMEs are flexible when adopting new technologies, the lack of resources and strategy do not allow technology improvement (Dangayach & Deshmukh, 2006; Schroder, 2015). According to Aberdeen Group (Demery, 2013), companies with marked omnichannel customer engagement retain on average 56% more of their customers, compared to companies with weak omnichannel customer engagement.

1.2 Problem Statement

The aim of this dissertation is to provide a comprehensive study of the integration of online and offline channels in retail stores, as the continuous digitalization has led to a new customer generation that relies on different channels and devices through its buying journey. Specifically, the focus of the thesis will cover the world of small retailing in apparel and how they can deliver the optimal

omnichannel experience within the challenges and risks of its implementation, accordingly to the limitation of the budget and resources.

The described research purpose amounts to the following two research questions:

RQ1: What is the optimal omnichannel strategy for SMEs apparel retailers?

RQ2: What is the path of implementing an omnichannel strategy for SMEs apparel retailers?

This research is based on an exploratory approach, using both primary and secondary data. As literature on the implementation of omnichannel strategies in the SME retailing is limited, the phenomenon will be addressed with assumptions from academic papers and from current and past successful examples of big retailers. This perspective will be combined with an empirical analysis from a multiple case study in order to analyze the combination of those parameters that develop the optimal channel integration.

Primary data will be gathered through a total of seven semi-structured, direct and in-depth interviews of employees of selected retailers. The questions, tested by both literature review and successful cases of current big retailers, will lead to building an implementation strategy.

Thus, this dissertation describes the SMEs retail landscape, from an academic and business perspective to crossing the identified industry challenges with omnichannel capabilities.

1.3 Contribution

This study has academic as well as managerial relevance, since it focuses on an industry that is continuously transformed by digital disruptions. Thus, the underlying research will provide a better understanding of this specific digital transformation inside the small retail industry.

Academic literature covers mostly the multichannel retailing, the challenges and the several ways to integrate the channels. However, there is limited research available about omnichannels and little research has been conducted on small retailers as most studies have focused on big firms who have effective omnichannel strategies.

For the companies, this study enhances the managers' overview of omnichannel and how it can be implemented effectively in their business models, as neither the internet nor the offline reality is going to disappear or become irrelevant. Big retailers are increasingly focusing on this new strategy in order to build a sustainable competitive advantage. The results of this dissertation will provide resources to embrace this new approach to fulfil consumer's expectations and needs. Physical stores will represent

80% of sales in retail, whereas the same percentage of all the sales will be driven by web-enabled brick-and-mortar shopping (eMarketer, 2017).

Based on the results of this study, retailers can start building a new approach to connect with their consumers and overcome the related challenges.

1.4 Dissertation Structure

This dissertation will follow a five-chapter structure. The current chapter 1 introduces the research topic, the research problem and the specific questions, which will be answered throughout the rest of the thesis. The literature review is presented in chapter 2 and it will be introduced by the generalist aspects of the retailer, such as its definition and the diversity of the channels. It will end by covering the omnichannel evolution, its strategies and a synthesis of the benefits that come with its integration. The third chapter shows the methodology pursued by presenting both the qualitative approach and the dataset gathering approach, whereas the fourth chapter is dedicated to the main findings of the analysis through a consolidated discussion. The work concludes with an overview of the main limitations and recommendations for future research line in chapter five.

Chapter 2: Literature Review

This chapter provides an overview of the findings of prior research in the field of multichannel retailing. A variety of distinct streams of scientific literature is studied. Insights are drawn from the literature on multichannel strategy formulation, marketing literature on managing multiple retail channels and their interaction. Following a general overview, the section will cover the benefits of implementing omnichannel strategies, succeeded by a review into the passage from a multichannel system to a seamless approach.

2.1 Retailer

2.1.1 Definition

People are surrounded by retailers in their diary activities even if they may not be conscious of it. The relevant characteristics that define the concept of retail categories could be summarized by selling goods or commodities directly to an end customer with the focus of pursuing a profit (Hudson, 2016). Given this definition, the retail sale involves only the one that is connected with a consumer purchase for individual or family use (Chan, 2013; Levy, Weitz, & Ajay, 2009).

2.1.2 SMEs in Retail

SMEs are defined as “companies whose characteristics respects certain criteria and do not exceed certain quantitative limits” (Buculescu, 2013). The European Commission defined these criteria in staff headcount, turnover and the balance sheet total respectively. SMEs therefore employ less than 250 persons, their annual turnover does not exceed EUR 50 million while the annual balance sheet is equal or less than EUR 43 million (European Commission, 2003) (see Appendix 1).

In 2017, the number of SMEs in the EU-28 increased by 13.8% since 2008 (Eub2, 2017) and respectively 30% are represented by retail and wholesale. SMEs are constantly innovating their business models and procedures to remain competitive and satisfy customer needs. SMEs retail and wholesale impacts the European economy mainly in three different areas: Economy, job opportunities and innovation. The micro-enterprises count for 93% of the retail environment and it is the second largest employer in Europe after manufacturing, as it represents 13% of the European labor force. SMEs embrace a flexible and quick structure to include both technological and non-technological innovations on a small scale (EuroCommerce for Retail and Wholesale, 2017) (see Appendix 2).

SMEs are more adaptable than larger firms when dealing with changes in the market, are also faster in embracing new and innovative opportunities and more willing to recognize a change through their limited resources (Triandini, E. et al, 2013).

2.1.3 Retail Sale Channels

In order to classify the different retailers, it is important to distinguish the different channels and further in which environments these channels are implemented. Firms are adding new channels to increase the shopping experience and to better satisfy their consumers (Geyskens, Gielens, & Dekimpe, 2002). Several definitions of a “channel” to systematically categorize the variety of retailing through numerous channels have been established in academia literature. In the customer management context, channel is defined as the point of contact or a medium for the interaction between a customer and the firm (Neslin et al., 2006). This emphasis on the interaction allows considering three main types of channels: Physical, online and mobile. For the purpose of this study, the catalogue distribution will not be taken into account as the payment deal cannot be closed.

2.1.3.1 Brick and Mortar Stores

Brick and Mortar (B&M) is a channel “in which customer demand at a retail store is met with on-hand inventory from the bottom echelon” (Tetteh & Xu, 2014).

This traditional retail channel still generates higher profitability than e-channels (Pwc, 2013) and 90% of worldwide retail sales are still driven in physical stores (eMarketer, 2017). Stores show until today many advantages compared to later channels. There is not a mere purchase, but it turns into an experience, enhanced by both the customization from the personnel and the chance of testing a product (Görsch, 2000; Herhausen et al., 2015; Rigby, 2011; Webb, 2002).

Indeed, the most relevant attributes connected with this channel concern the service, risk, and privacy (Verhoef et., 2007). Service is mainly related to an instant satisfaction (Agatz et al., 2008; Grewal et al., 2004) and assistance in processes regarding complex items and complaints (Rigby, 2011; Grewal et al., 2004).

Whereas searching for information in store is time-consuming and laborious, consumers perceive a lower risk in their final purchase decision. This channel also fits the expectation of those consumers who prefer relying on cash payments instead of contactless systems (Piotrowicz & Cuthbertson, 2014; Zhang et al., 2010).

2.1.3.2 Online Channel

The main benefits related to this new channel can be summarized with a global approach to reach information, create easy access, and have better interaction and communication as the knowledge became faster and more flexible (Varadarajan & Yadav, 2002).

Much of the internet value to consumers comes from providing a product selection available and accessible at any time (Rigby, 2011; Agatz et al., 2008). Hence, convenience is the main driver in terms of choice when consumers look for different channels (Speigelman, 2000) as the shopping experience is improved in time-saving for those consumers who could not spend time in stores (Grewal et al., 2004).

From the retail perspective, the advantages of e-channel concern better personalizing offers (Wind & Rangaswamy, 2000) by gathering insights of target's preferences, saving costs (Crooms, 2001) and broadening the consumer base through reaching different market segments (Alreck & Settle, 2002; Kushwaha & Shankar, 2013; McGoldrick & Collins, 2007).

The progress of technological developments affected the online customer experience (Elliot & Fowell, 2000), since customers can consider, make and reflect the purchase in the comfort of their own home (Zhang et al., 2010). A specific advantage of online stores over physical stores is the wide product selection (Agatz et al., 2008; Rigby, 2012). However, retailers benefit through time and cost reductions as well as the facilitated reach of new customers (Demmelmair et al., 2012).

Positive user experiences play an important role for online sales, as the cost of switching from one retailer to another is heavily reduced in the online environment, compared to physical stores. While switching physical stores is time-consuming and can include longer journeys, search engines facilitate the switch of online stores (Watkinson, 2013).

2.1.3.3 Mobile Channel

Technological developments, such as mobile devices, have changed the retail environment due to new available opportunities that influence shoppers' attitudes and behaviors (Shankar et al., 2011). Although it is a recent topic in retail, smartphones have the most relevant impact on channel strategies (Lessin & Ante, 2013), since they offer new opportunities regarding the relation with the customer, the communication process and advertising (Clarke, 2001; Shakar et al., 2010).

Mobile commerce is defined as “any transaction, involving the transfer of ownership or rights to use goods and services, which is initiated and/or completed by using mobile access to computer-mediated networks with the help of mobile devices” (Chong, 2013). In this new digital environment, retailers are increasingly using the mobile app to meet the consumer demand: The number of mobile users is expected to reach 5.5 billion by 2022 (WARC, 2017) with the growth of m-commerce beyond that expectation (Chaffey, 2017).

Mobile phones offer the tools for communication, e-mail management, ordering and buying abilities regardless of the customer's position and time without the use of computers (Yen & Chou, 2000; Aungst & Wilson, 2005). The benefits related to m-channel concern the customer base and the interactive approach: Target audience reaches a larger customer number while the sale offers are oriented by personal information of users (Öztaş, 2015).

2.2 The Apparel Retailers and the Fashion Market

Due to the unstable nature of the fashion industry, retailers must constantly adapt to meet the demands of consumers (Lewis & Hawksley, 1990). The key features of this market are: Products with a short life-cycle based on the moment, high volatility, low predictability and high rate of irrational customer purchases (Christopher et al., 2004).

Normally, an expansionistic strategy with several brands, covering different market segments, is adopted in this sector (Anor, 2001), from luxury brands to low-cost brands. Consequentially, this industry needed to be disrupted according to a new consumer who seeks for newness. Therefore, the trend of so-called fast fashion arose, which is described as “a business strategy with the scope to

reduce the processes involved in the buying cycle and lead times for getting new products into the shops“ (Barnes et al., 2006).

The retail apparel industry is defined by slow growth rates for 2019, passing from 3.5% to 4.5%, led primarily by digital-first players in emerging Asia Pacific, whereas mature markets are still lagging behind. (Imran Amed et al., 2018). Luxury apparel is predicted to be the best performing, alongside the value and discount segments while sportswear will drive the fashion retail, as the new consumer values these products as fashionable for the daily life. Figure 1 shows in detail the forecasted sales growth by region, category and segment.

Digital technology facilitates a brand’s direct engagement with consumers, who rely on smartphones and the internet during their shopping journey. SMEs are able to target specific niches, respond to new market trends and strengthening their online presence. Overall, the industry is polarized. In 2017, the economic profits accounted for 97% of the fashion industry including 20 companies (mostly belonging to the luxury segment), with an 88% average threshold within 10 years (see Annex 1, Appendix 1). Data from CPA (Corporate Performance Analytics) shows the disparity among this leading group: the Spanish fast-fashion giant Inditex is in first place, having made USD 4 billion in profits in 2017, nine times more than the last company on the list. Retailers in this sector are present in 26 countries and hold the second highest composite retail revenue growth of 7.1% in 2017. In addition, apparel and accessories retailers remain the most profitable with a net profit margin of 6% and a ROA of 7.8% (Annex 1, Appendix 2).

2.3 Omnichannel

The omnichannel era forces the retail business to develop new mindsets towards both marketing and multichannel (Saghiri et al., 2017). The new consumer expects retailers to deliver high-quality products but an experience that goes beyond the pure purchase. Thus, nowadays the focus is on the person itself who is connected with a product through multidimensional touch points of the customer journey.

2.3.1 Concept

Current literature offers different definitions of omnichannel retailing since it is a concept that is gaining relevant attention among academia during the last years (Verhoef, Kannan, & Inman, 2015).

Omnichannel characterizes the third wave of retailing (Huuhka et al., 2014) in the consumer’s mind. Channels are not considered as separate services but as diverse ways to access products, information and to create a link with the brand itself (Peltola, Vainio, & Nieminen, 2015).

It was first introduced to describe a shopping experience beyond multichannel retailing (Ortis & Casoli, 2009; Parker & Hand, 2009), but it appeared in academic literature for the first time as “an integrated sales experience that melds the advantages of physical stores with the information-rich experience of online shopping” (Rigby, 2011). From this statement, it is clear that the goal of employing an omnichannel retailing strategy is to unify the benefits of both the digital and non-digital world in order to give consumers the retail experience, where the boundaries are blurred. If all channels are integrated, customers can pursue their journey on different channels at the same time, resulting in a holistic shopping moment that increases convenience and engagement while ensuring a strong brand image (Eaglen, 2013).

The linkage of online and offline channels reaches a step further with Verhoef et al., (2015) who argues that this retailing strategy consists of “synergistic management of the numerous available channels and consumer touch points, in such a way that the consumer experience across channels and the performance over channels is optimized”.

The main features regarding the omnichannel strategy can be outlined by channel synergy (Yu et al., 2011), customer’s freedom to move across different channels according to their preferences (Harris, 2012) and engagement with the whole brand through different points of contact (Piotrowicz & Cuthbertson, 2014).

2.3.2 From Single Channel to Omnichannel

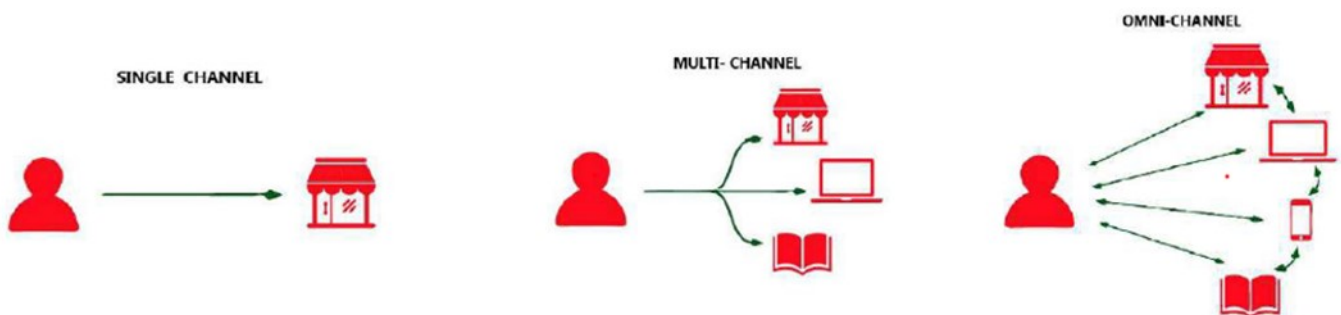
Initially, retailers offered products through one of the channels mentioned in the previous paragraph, developing a single-channel strategy (Coelho, Easingwood & Coelho, 2003). Firms were able to pursue a competitive advantage for decades as they could attract consumers in precise environments. Thus, consumer’s needs and expectations were satisfied, regarding for instance time issues and convenience (Zhang et al., 2010). Companies encountered challenges in managing both their business models and their targeted consumers who obtained a higher bargaining power. Rosenbloom (2007) mentioned three factors that forced retailing to embrace a revolution: The birth of e-commerce, globalization and the increase of an international base of competition. In order to react to these disruptions and to broaden the customer base, many retailers initiated multichannel strategies.

Multichannel is defined as “the set of activities involved in selling merchandise or services through more than one channel or all widespread channels, whereby the customer cannot trigger channel interaction and/or the retailer does not control channel integration“ (Beck & Rygl, 2015, p.174).

There is a different point of view concerning the expectations of both the retailer and the consumer. The latter aims to join the same loyalty programs across all the channels as well as the same product availability (Berman & Thelen, 2004), which highlights the enormous challenge of implementation for the retailer itself (Vanheems, 2009).

The multichannel retailing developed with the advance in the electronic technology, which opened the distribution to the online environment, allowing consumers to shop through multiple distribution and marketing channels. Rather than deciding whether multiple channels should be used (Hübner, Wollenburg & Holzapfel, 2016), the new challenge is now to understand how multiple channels can work synergistically to provide a seamless customer experience (Melacini et al., 2018).

Figure 1: Channel Evolution



Source: Adaption from “The omnichannel retail guide”, Megastore

2.3.3 Benefits Coming from an Omnichannel Implementation

The aim of an omnichannel implementation is to generate a smooth shopping and customer experience by unifying the benefits of both the digital and the physical retailing (Rigby, 2011; Frazer & Stiehler, 2014). Consequently, an online channel can complement an offline channel and vice versa. Therefore, the omnichannel strategy will benefit from the integration of client-brand-retail interactions (Neslin et al., 2014).

The main advantage concerns a better interpersonal relationship with clients and the ability to deliver an omnipresence buying process (Serra, 2016). From the retailer point of view, the benefits include the convenience, the power over the customer and the personalization of the offer (Goersh, 2002).

It is also relevant to the change within the organization and channel performances: Customer loyalty and consumer experience will improve because companies will gain a deeper knowledge of the consumer’s taste (Stone et al., 2002). Finally, this flow of experience reduces conflicts among channels while enhancing price consistency (Tang & Xing, 2001; Zettelmeyer, 2000).

2.4 Omnichannel Applied to the Retail World

2.4.1 Channels Integration in Retailing

The integration between channels is the first requirement to achieve convergence between channels. Omnichannel strategy development can be pursued by involving the main functions in retailing, such as shipping services, logistics, sales tools, promotional activities and measurements in performance (Avensia, 2014; Bell et al., 2014; Brynjolfsson et al., 2013; Cook, 2014). The scope goes beyond the pure seamless experience, but it guarantees the firm to perform better since its relationship with customers is strengthened (Oh et al., 2012). Therefore, retailers must pursue a change in every aspect of their businesses, both strategically and organizationally (Zhang et al. 2010).

Technology and customer centricity are the main catalysts in adopting an omnichannel strategy (Ansari, Mela, & Neslin, 2008). In this new environment digital reinvents the retail with three main initiatives: Smart mobile devices (smartphones and tablets), related software and services (apps, mobile payments, e-coupons, digital flyers and location-based services) (Aubrey & Judge, 2012; Brynjolfsson et al., 2013; Hansen & Sia, 2015; Piotrowicz & Cuthbertson, 2014; Verhoef et al., 2015b) and social media (Hansen & Sia, 2015; Piotrowicz & Cuthbertson, 2014).

In the physical stores, brand experience is redefined by several combinations like “one-day delivery”, “click in store” and “in-store ordering, home delivery” (Bell et al., 2014). These services are related to both the shipping and logistic areas. Physical stores improve their digital prints by focusing their efforts on providing different technologies. Those technologies enable consumers to experiment a virtual experience given by free Wifi, QR codes, beacons and intelligent self-service kiosks, whereas shop assistants rely on tablets and in-store screens during the buying process of shoppers (Herhausen et al., 2015).

Omnichannel promotion concerns the consistency in information in order to facilitate and promote the use of combined channels (Oh et al., 2012). Finally, performance measurements connected with these initiatives involve discovering paths to measure the results generated by the omnichannel strategy (Cook, 2014).

2.4.2 SMEs Challenges and Opportunities

Whereas big companies are pursuing a technology innovation, the digitalization path for SMEs can be challenging and its implementation still very slow, due to lack of resources or strategy (Dangayach & Deshmukh, 2006; Fosty et al., 2013; Schroder, 2015). Digital transformation is thereby important for sustaining a competitive advantage against big companies since it is related to both growth and competitiveness (Fosty et al., 2013; Li et al., 2009). However, this change affects three main areas:

Business operations, the organization of the company and the management concept (Matt, Hess, & Benlian, 2015). The internal reasons for the failure can be summarized as following: Poor management strategy, limited research and information about the products, lack of experience and knowledge in the field (Zacharakis et al., 1999).

Even if limited resources make the competition hard for SMEs (Hassan et al., 2015), departments work closer to build an efficient and simple marketing strategy focused on the customer, which makes the collection of customer information easier to access in order to undertake decisions (Harrigan, 2013). The agile and flexible operations guarantee the opportunity to respond and influence the target market more consistently, especially as people become more reluctant to large corporations (Battisiti & Perry, 2011).

Another competitive advantage of SMEs relies on their uniqueness and that an omnichannel allows embracing new markets and new segments. Therefore, the brand identity is the key driver for retail SME internationalization (Hutchinson & Quinn, 2012; Hutchinson et al., 2007). More specifically, “a clearly defined brand identity carved out niche opportunities” for those retailers with limited budget and resources (Hutchinson et al., 2007).

In spite of their capabilities, there are mainly two advantages SMEs have over big retailers: Convenient locations and personal customer relationships. The latter allows the retailer to stimulate repeated buying for the customization of the demand while they tend to allocate the distribution channels where the customers can purchase immediately (Lowry, 2000).

Chapter 3: Methodology

3.1 Research Methodology

With the aim of answering the research questions mentioned above, this research is based on an exploratory approach, using both primary and secondary data.

The exploratory approach allows for a deeper comprehension of a specific problem by gathering relevant insights. In order to develop an in-depth description of the defined problem statement, a qualitative analysis has been chosen. The main aim of the thesis is to understand the features of the optimal omnichannel strategy in SMEs retailing, thereby the objective matches the focus of the qualitative approach mentioned. Figure 2 represents a visual summary of the approach chosen for this research.

This thesis is based on two approaches, primary and secondary data collection and analysis. The latter was mainly covered in the literature review and is based on academic articles, databases, academic book and journals. To get a theoretical foundation, qualitative secondary data about the retail industry and omnichannel topic will be covered. The purpose is to answer the two research questions by analyzing the evolution of omnichannel in retailing, its implementation and the connected benefits. Secondary data will regard also the retail world with an analysis of different retail channels.

Figure 2: Methodology Summary



Source: Author's Creation

3.2 Primary Data Collection

The research generates new information through primary data, gathered by conducting semi-structured, direct and in-depth interviews with employees of selected retailers. In contrast to structured interviews, semi-structured interviews allow respondents to further explain and develop their responses, adding new dimensions (Saunders et al., 2007).

3.2.1 Participants

A total of fourteen expert interviews were conducted with fashion industry professionals. In order to provide deeper insights on the topic, four different categories were selected within the apparel sector. Furthermore, additional key elements, which could be valuable for the development of the three-step model of the omnichannel implementation, were analyzed.

Five interviews were conducted with omnichannel apparel retailers, specifically four of them represented big retailers, by definition either in size or revenue a multichannel or omnichannel

business, in order to understand the reasons and the steps of the strategy implementation. The multichannel apparel retail was analyzed with five different companies to discover why the seamless customer experience has not been developed yet and if an omnichannel approach is feasible to pursue. Lastly, the opinion of four omnichannel experts with different backgrounds should give a better understanding of the development of the chosen strategy.

The participants have positions mostly in the departments of marketing, sales and retail, and further performing roles, such as commercial director, CEO, marketing and e-commerce director, or retail manager. The companies were located mainly in Italy and Portugal, with consideration also of Spain and the United States. A complete description of the participants can be found in table 1.

Table 1: Participants' Description

Multichannel SMEs Apparel and Fashion Retailers				
Participants	Name	Company	Position	Country
<i>Participant 1</i>	Leonor Jacome de Castro	351	Marketing & Finance Director	Portugal
<i>Participant 2</i>	Paolo Evoluzionista	COMMETOI	CEO	Italy
<i>Participant 3</i>	Teresa Martins	TraceofMe	Owner /Creative Director	Portugal
<i>Participant 4</i>	Fabio Vido	Jolly Sport	Golf & Fitness Division Director	Italy
<i>Participant 5</i>	Joana Silva	Councscious swimwear	Founder	Portugal

Omnichannel SMEs Apparel and Fashion Retailers				
Participants	Name	Company	Position	Country
<i>Participant 6</i>	Paulo Gaudencio	ShoeColours	E-commerce & Omnichannel Director	Portugal

Omnichannel Big Apparel and Fashion Retailers				
Participants	Name	Company	Position	Country
<i>Participant 7</i>	Brian Galloway	ORVIS	Senior Director of Omni-channel Marketing	United States
<i>Participant 8</i>	Marco Malinverno	Artsana S.p.A	Marketing Fashion & Retail Director	Italy
<i>Participant 9</i>	Giulio De Masi	Artsana S.p.A.	Commercial Director for Mass Market and Specialized Channel	Italy
<i>Participant 10</i>	Giulia Tarozzi	SPORTSWEAR COMPANY Spa	Retail Operations Manager	Italy

Omnichannel Experts				
Participants	Name	Current Position	Level of expertise	Country
<i>Participant 11</i>	Giovanna Questioni	Senior Retail management advisor at <i>MADE TO SELL</i>	15 years of Omnichannel Management experience	Italy
<i>Participant 12</i>	David Oliver	Director at <i>Albion Advisors Ltd</i>	Head of retail consulting at PwC until June 2018/independent retail advisor and consultant	United Kingdom
<i>Participant 13</i>	Alessandro Barchetti	Marketing & Communication Director at <i>Unes Supermercati</i>	11 years as Senior Marketing Manager and then Head of Digital at GameStop	Italy
<i>Participant 14</i>	MagicStore	Management Software in Cloud for Fashion Retail	More of 20 years of expertise with 3674 clients	Italy

Source: Adaption from interview data

3.2.2 Interviews

Interviews were conducted through phone calls, skype interviews and informal meetings when possible. For the interview guideline, a semi-structured approach was enhanced. The interviews were structured on a questionnaire (see Annex 2, Appendix 1), represented by 15 questions divided according to the three-steps model: (1) Equalization of the customer experience across channels – use and integration of the sales channels, how the equalization is provided, the benefits related and the company’s opinion about omnichannel strategies with the main challenges and benefits from its potential implementation; (2) Connection of the channels – relation of the company with technologies and specific activities undertaken in order to build a seamless customer experience in all touchpoints; And finally (3) how the company provides personalized offers and to what extent (see Annex 2, Appendix 2).

3.3 Data Analysis

Data analysis in case studies can be performed using different methods such as explanation building, logic models and cross-case analysis. The latter is defined as searching for patterns, similarities and differences across cases with similar variables and similar outcome measures (Miles & Huberman, 1994). The cross-case synthesis should include at least two cases, treated as independent studies while findings are combined across a series of individual studies (Yin, 2009). In this study, cross-case analysis was selected, in which categories were developed from research questions and existing theories. Finally, an exploration of connections and patterns between the different cases concluded allowed to asset the potential optimal omnichannel strategy in SMEs retailers.

Chapter 4: Analysis

Brynjolfsson et al. (2013) highlight the importance of pursuing an omnichannel strategy to gain a competitive advantage over other retailers. ShoesColours (Interview 6, see Table 1) reveals how customer behavior remains the same while “the product adapts according to different market segmentation and a multitude of behaviors based on the stages of the buying process.”

The omnichannel retail experience has only recently been introduced to small and medium-sized retailers in the Italian and Portuguese markets. Most participants defined omnichannel as a strategy that integrates all channels into one. While Rigby (2011) refers to omnichannel as an integrated sales experience, interviewers recognized the engagement of the customer as the main characterization for creating this channel synergy: It is the integration of all the available channels and consumer touchpoints that permits the optimization of the entire shopper experience across channels (Verhoef et al., 2015).

The customer experience is more complex and articulated due to the integrated management of all the touchpoints. All the participants shared a similar perspective regarding the late development of the omnichannel vision in both Portugal and Italy market compared to the more advanced European countries.

4.1 Characteristics of an Omnichannel Strategy

Academic papers identified channel synergy, engagement of customers with the brand and the possibility of moving across channels according to shopper’s preferences as the key elements of an omnichannel strategy (Yu et al., 2011; Piotrowicz & Cuthbertson, 2014; Harris, 2012). The retailers also emphasized the importance of presenting a centralized operation system in their business model.

4.1.1 Customer-Oriented Approach

The consumer expects a seamless brand experience across integrated channels in which their needs can be satisfied. Moving to a total channel integration is recommendable as nowadays it is irrelevant in which channel the sale is made (Rigby, 2012). As previously mentioned, retailers implement an omnichannel strategy to provide a continuous integrated shopping experience and therefore, consumer centricity is a relevant pillar of the omnichannel efforts.

“Because the consumer wants to be satisfied in all its requests instantaneously. You have to be what the client asks for, it is not more as 10 years ago” (Paolo Evoluzionista, Interview 2). Consumer-

centric companies have to align all the corporate activities to deliver the best value to the customer” (Shah et al., 2006).

Jolly Sport (Interview 4, see Table 1) reveals that the more a consumer experience is interactive and personalized the better it is. Today, a products’ availability is more relevant than the brand itself.

Shoes Colours (Interview 6, see Table 1) was able to transform itself in an omnichannel retailer because of its philosophy, which was making life easier for consumers, through buying online or being able to try easy-to-access kiosks, and always buy good quality products. Orvis (Interview 7, see Table 1) pointed out a shared marketing calendar guides a unified approach to creative, experiences. “From a data perspective, we are increasingly able to view customer’s behavior across the various channels and are optimizing experiences so that channel shift is seamless” (Brian Galloway, Interview 7).

All fourteen participants agreed that personalization combined with technology is the principal enabler of building a corporate strategy focused on people. The behavioral analysis of the entire cycle buying journey permits to create a complete profile of the customer to tailor a pertinent communication and to offer relevant personal solutions. More specifically, bigger apparel underlined the importance of the following online-offline match: The use of the website as a tool for retargeting future shopping paths by offering contents, from a retailer to a consumer who previously visited its physical store or the online shop. This is confirmed by ShoeColours (Interview 6, see Table 1): The traditional approach mainly uses internal company data and limits the analysis to "clustering" activities, aiming to plan promotional campaigns.

The awareness of SMEs of the value of the personalization is not enough for being able to create it. Among the five multichannel participants, only +351 (Interview 1, see Table 1) built a strong focus personalization strategy through shopping cards and Google Analytics. Customer preferences and historic data are not prioritized in the other companies since there are not departments dedicated exclusively to the online channel. Three participants rely on customer data for studying customers on a macro-level and, thereby, not used for developing marketing automation while the history of Jolly Sport’s (Interview 4, see Table 1) customers does not even exist: “We don’t collect a profile of the customer, fidelity card never was done. Our clients don’t even have an anagraphic profile. If you ask me why it is because I don’t know how to do it and its correlated investment”. The emerged situation contrasts the results of the literature review, in which persona customer relationship and marketing strategies on customers were represented as the main competitive advantages of SMEs (Harrigan, 2013; Lowry, 2000).

Experts agreed that traditional retailers need to implement technologies to fill the gap between the physical and virtual world. Only by this integration customers can receive more services and satisfy their expectations. Secondly, digitalization is the tool not the objective. David Oliver (Interview 12, see Table 1) mentioned the assessment of a digital-first strategy is useless if the operations are not centralized, while Artsana S.p.a (Interview 9, see Table 1) pointed out the capacity of transforming data to discover the hidden needs of your target to differentiate the retailer's value proposition. The latter outlines the importance of building a long-term vision: "The true digital strategy is exploiting data to understand customer weaknesses to insert the offer. Only this analysis permits the customer to receive the value of the products".

4.1.2 Channel Equalization

Customer relationship is enhanced by a channel-integrated strategy (Grönroos, 1994; Grönroos, 1996) with an impact on customer's loyalty (Zhang et al., 2010) through the creation of a wider offer and personalization to match customer needs. Therefore, this interconnection is the approach to better the value proposition within the omnichannel shopping journey.

In retail, the channel represents the way a brand can reach the consumer focusing on its features and strengths. Even if the online channel is increasing in importance, most of the sales are still made in physical stores: "Retail stores currently count for 85%, reflecting the importance of human interaction with the products" (ShoeColours, Interview 6). E-commerce needs the support of a powerful digital marketing strategy and more investments in innovation. However, it guarantees real-time information and constant track of consumer's needs. E-commerce is costly and it needs to be strengthened by a clear digital marketing strategy that accounts mostly around 15% of the revenues (ShoeColours, Interview 6).

The experts of omnichannel outline the tendency in SMEs of separating the store and the online business without realizing the consequence of duplicating costs and therefore, the competition between them. The complexity of reaching this strategic alignment concerns more e-commerce: While ShoeColours(Interview 6, see Table 1) mentions the difficulty to scale, Big Apparel retailers mentioned the support of massive investments to renounce sub-strategies and operations for each channel.

4.1.2.1 Price

Another challenge related to the business model is to reach price consistency among the channels: "Having the same price policy would be desirable, however, the business model of hyper distribution simply does not allow for it" (Artasana S.r.l, Interviews 8 and 9).

In particular, Artsana Srl and Sportwear Company S.p.a believe this integration is affected by the retailer format and its distribution strategy: Prices are less aggressive online since convenience dominates, whereas a total autonomy of setting the optimal price is only possible in the own-brand stores. In an extensive distribution, margins are different and thereby the prices for the consumers are too. According to Marco Malinverno (Interview 8, see Table 1): “Only in Italy we have 19000 accounts open for the trade sale so it is impossible having the same prices everywhere”. Therefore, a price equalization is harder for companies who are hyper-distributed because they also suffer from a wider competition with a more vertical specialization.

On the contrary, smaller companies showed a strong price alignment among their channels, since their channels incorporate mainly few bricks and mortars and e-commerce, either their own brand website or through market places. Variation in pricing information strengthens the unpredictability for the customer and switching to another brand within the purchase decision can occur.

4.1.2.2 Availability

Internet broadens the possibility for consumers to have more power, due to the rapidity and flexibility of gaining knowledge about the products (Varadarajan et al., 2002). Speigelman (2000) noted convenience as the main benefit in terms of choice, as there is not the necessity to visit the store.

Online stores present a wider product selection in comparison to the physical store (Agatz, Fleischmann & van Nunen, 2008; Rigby, 2012). The five apparel SMEs contrast this statement by having different product assortments, outlining an escalation in the online orientation. The Jolly Sport website only shows a few items of the products available in the store and any sales are made through e-commerce. Regarding COMMETOI, the online products are all sold also in the physical stores but not the other way around. The same situation could be found in +351, as the minimum stock for keeping a product online is 3 SKU. On the contrary, Conscious swimwear offers the entire stocks in the company’s website whereas the two distributor stores only have items upon request. TraceofMe is the only retailer who reached the alignment among its channels.

The main obstacle of aligning the availability of the products for omnichannel retailers is described by the physical stores' dynamics, which have different potential based on their format. As participant Sportwear Company S.p.a (Interview 10, see Table 1) stated, they guarantee a common product range in all the channels but then the stocks differentiate from the own-brand shop for both the strategic choice and the dimension of the distributors. This is also confirmed by the multichannel retailer +351 who explained that the portfolio is only entirely showed in their shop while the quantities in multi-brand stores and consignment differ.

Artsana Srl omnichannel strategy managed to reach availability integration. The entire collection is presented to every distributor, one presentation for each season, due to the peculiarity of the products with a short life-cycle (Christopher et al., 2004). The same goal was achieved by the American retailer Orvis, who sells roughly USD 350M annually with more than 100 stores worldwide and with a network of 300 dealers. The American apparel retailer equalizes the offers through a shared merchandising plan, enhanced by centralizing the merchandising, fulfillment and marketing strategies.

4.1.2.3 Communication

Coherence in communication is another factor for developing channel integration. Among the SMEs interviewees, only one out of five was not able to provide the same communication in both the physical and the online stores. For +351, the cause concerns the customer base, which is represented by 60% of tourists: The offline segment seeks for clothes they can correlate with Lisbon, while they do not purchase from the website since the experience of buying in a local store could not be sought. Therefore, customers are single-channel oriented, depending on if they are locals or tourists. This concept was remarked by the marketing and financial director during the interview: “The website is more related to the shopping cart and all the communication is in Portuguese. Why making it international if people are not interested in switching between the two channels?” (+351, Interview 1).

4.1.2.4 Channel importance

Small and big apparel retailers also differ in their attribution of channel importance. The latter specifies that sales are driven by physical stores, counting up to 80% of the revenues. The main reason behind this, is the strong brand image their products offer as well as the investments in choosing the proper sales personnel. According to smaller companies, there is not a dominant channel related to the business value even if multi-brand stores or consignments are less valuable because of the high margins and small power over distributors in terms of prices and availability. A huge discrepancy is perceived among the small retailers. While e-commerce accounts for 20% of the revenues for COMMETOI, it represents 90% of the sales for Conscious swimwear.

Three small apparel retailers shared the opinion of the big companies for the usage of brand channels. The analysis revealed social media has not an indispensable presence in their marketing mix and retailers allocate only a small part of their marketing or advertising budgets to these solutions, especially on Instagram. Facebook only acquires value if the audience is elder and highly responsive

on the internet. This results from their principal function of story-telling, which is the tools of an efficient mix media strategy.

One reason why SMEs don't use social medium frequently is the fact these channels often are too time-consuming for companies with limited size and employees (Cowbrough, 2009-2011). Compared to the traditional web, the brand channels are about creating a virtual place where people can have access and have instant communication with the company (Corocan, 2009).

There is also evidence concerning the target profile. Social media is valuable to target the youngest generation and it allows the company to promote their offers and to build interesting advertisements with low budget and partnership with influencers. Caterina, the founder of Councscious swimwear, started building her success on these communication channels: "I began working on my bikini collections last September and I launched the online store in April this year. I opened Instagram on January and right now I have more than 20k followers. They started following my brand even before the collection was available". It is the only retailer who is selling the products through a brand channel, since 80% of its target starts the purchase on this social media channel. In Italy, social media is still not considered a channel strategy for SMEs because the consumer base of these two companies is not digital-born and thus, investments are focused more on the brick and mortar shops.

The main reason to use social media in small business is powering the WOF since it implies a fast, honest and reliable conversation with the brand itself (Barber & Wallace, 2009). ShoeColours (Interview 6, see Table 1) emphasizes the company's potential in mix media to see the converting bar once it is combined with Google analytics. This tool, thereby, transforms the UTM measurement of the e-channel (e.g. contents, advertisements) in the conversation rate to test their impact on ROI.

4.1.3 Operation Systems

The situation resulting in logistics and warehouse in SMEs contrasts the report in which the agility of these companies let them embrace innovation quickly (EuroCommerce for Retail and Wholesale, 2017). Many SMEs apparel companies are not equipped with tools for reading insights from emerging data sources or for examining the consumer-flow to evaluate consumer preferences. Therefore, supply-chain performance is difficult to improve. Similarly, physical supply-chain processes such as warehousing and logistics are not feasible to cope with increased demand for smaller orders.

4.1.3.1 Inventory

Retailers in the apparel sector suffer from carrying inventories of their products, since the demand for this category is hard to predict. As stated by Orvis (Interview 7, see Table 1), companies need to

follow the correct and constant process of demand planning for controlling the stocks, which needs to be consistent with the distributor's necessity. Therefore, bigger companies operate with low levels of inventory to achieve higher profits while preserving product availability since the life product cycle is seasonal and the consumers retain is lower. Looking to omnichannel apparel retailers, their warehouses serve both online and offline channels in a flexible fulfilment network that can easily adapt to changing demands.

Managing channels separately implies separate inventories which do not communicate with each other. Along with digitalization, this option seems to be no longer viable to remain competitive in the market. The big issue that multichannel retailers are facing, is, in fact, the inventory. CommeToi, for example, is not able to provide the same products in all its channels. Customers could go to the B&M store, try an item but could not later purchase it online.

4.1.3.2 Warehouses

Not only the inventory but the entire supply chain needs to be integrated seamlessly because the omnichannel system requires the offer to vastly increase. As stated by the experts, the retailers need to hold in the warehouse only those items that are mostly sold while displaying online the entire range. This permits to achieve flexibility and cross-channel inventory visibility. Among the smaller companies, the warehouses do not present a dynamic space within the network, but they are purely used for storage. Smaller retailers presented different warehouse formats. The Portuguese apparel retailers, +351 and TraceofMe, created their warehouse separated from their stores, the two Italian SMEs created their warehouses inside their physical stores while the owner of Cons transformed its garage in Ericeira for storing all the products. Although the locations are different, the process is the same: Warehouses are organized by-products, meaning that the items are collected in the same place and then packed and shipped according to the various store necessities. In case of Jolly Sport and CommeToi all the employees are responsible for organizing and unpackaging the items while Councious swimwear also takes care of the shipping to the stores: "I made by myself all the logistic and delivery. I do, how I feel I should do. I just started. I go four times per week to pick the bikinis up and I bring them in the garage that is the warehouse. Then, I print all the payment receipts and an Excel file with all the shipping of the day and then send to the transportation company to pick them up and deliver to the stores."

4.1.4 Logistic Partners

The logistic partnership also gained attention during the interviews. Nowadays, 3PL deliver efficient logistics operations to retailers to provide the integrated ecosystem, also affordable solutions for those

with a limited budget. Retailers can choose between an insourcing or outsourcing logistic. The latter is the best solution according to the experts and ShoeColours. Amazon and big online retailers are working on further costs decrease as fulfilment is acquiring more importance. The three main operations include order management, pick and pack and finally the shipping and tracking of the orders. More specifically, eight of the interviewed SMEs rely on DHL or USP for outsourcing shipping operations. Among the SMEs, only the Portuguese retailers built a centralized network. On the contrary, Italian companies are characterized by inefficiencies in order-management and high inventory levels.

Two companies sell their products on the marketplace, enhancing product's visibility online and stock management. The process involves the following steps: After the order is placed on the customer website, Amazon takes care of all the operation to deliver it to the end consumer, including support and return policies.

All the smaller retailers have a common return management strategy that allows to give a product back, not depending on the channel used for buying. There are more challenges in building a centralized and integrated order management system since SMEs retailers do not optimize the stock allocation as they are not able to build a centralized in-house database.

The importance of ready-made e-commerce platforms was evident. None of the smaller companies presents an efficient technology in house, therefore a truly unified service experience is not possible to pursue. The major reasons concern huge investments in IT and employees. As stated Artsana S.p.a (Interview 8, see Table 1) building the entire backhand in-house requires a specialized team and high speed. Small retailers could not invest in this solution. Nevertheless, specific platforms provide a range of services to create this seamless omnichannel model, by adapting themselves to the needs of the clients. The feasibility of this partnership is also given by affordable costs of activation of the platform and the additional costs of the additional services the retailer will choose to satisfy its customers (Magicstore, Interview 14).

In Italy, Magicstore is the platform that provides countless services for apparel fashion retailers while in Portugal one participant mentioned the Walmart platform called MTEX that offers a formula where the client has to pay between 3% and 7% of the revenues from day one. Magicstore is different, the activation cost is around EUR 2000 to EUR 3000 and then the price increases depending on the number and types of services the retailer chooses.

4.2 Implementation

The second part of the analysis regards the transactional plan of implementing the omnichannel strategy within the company. More specifically two main topics were covered in the interviews, the omnichannel transformation used by the bigger retailers and the steps to follow to build this transformation.

4.2.1 Omnichannel Path

The possibility to embrace the omnichannel strategy could come for either external or internal drivers as the companies explained. StoneIsland began this journey by partnering with WINE APP to expand and improve the online store: "The customer is not interested in the source anymore; The main concern is having everything he needs as fast as possible."

This partnership enabled to approach the strategy in small steps and with low risk, since the platform provided the omnichannel services the company needed as the e-commerce is managed in outsourcing. The company was able to understand the needs of their target, due to a strong sense of identification and community in which there is the desire to find a specific item that it is hard to find.

Inventory management challenges regard two different stocks imply a diverse inventory. Therefore, the warehouses are not integrated since the platform provided by the partner only allows an exchange of flow information. An integrated system is possible with Shopify or Magicstore if all the channels belong to the same company but with two different ones, problems of accountability, taxes and re-invoicing arise. "If a customer orders a medium sized T-shirt and then he wants a large size, he can't buy it in-store because he ordered online so it is not in their warehouse but the partner's one. The store can only take care of return policies." (Sportwear Company S.p.a, Interview 10)

Different path and motivation were chosen by the Portuguese shoe fashion retailer, Shoes Colours. The startup was created first as a physical concept store, in the Amoreiras and Colombo commercial centres, then after two years, the e-commerce channel was added. It scaled to five physical stores and was bought last year by a large e-commerce group. The products are manufactured mostly in Portugal and Spain. The differentiation was the omnichannel philosophy, whose scope was making life easier for consumers. The process was developed by a lean structure and a start-up-based company culture that allows the company to be flexible to the constant change of its referent target. The main objective of the omnichannel strategy is to support the customers in every channel they want to use. The implementation faced different challenges related to two main areas, operations and human resources. Initially, the operation structure did not support channel expansion of the company, whereas the hiring

process of sales people was oriented on the hard skills rather than delivering high customer interaction and support.

Orvis is an outdoor retailer, with a 163-year history in mainly selling sportswear and fly-fishing equipment. The company sells roughly USD 350M annually through a combination of the Orvis.com website, the Orvis.co.uk website, about 100 stores (80 in the USA) and a network of approximately 300 dealers. The shift to an e-commerce-based business caused a significant change in the retail environment with the consumer's return to speciality stores. The latter can provide expert knowledge to customer's needs while creating a personal relationship built on trust and fitting advice to make the right purchase decision. Furthermore, the brand message is adjusted with the local tastes with personnel available for clarifying the differences in the range of the products. The omnichannel journey, thereby, was associated with a brand framework, unified marketing calendar and unified merchandising plan. As the interview revealed, it was the focus on its target that led to a efficient strategy. The retailer, whose customers consists primarily of 50+ year old people with an interest in e-commerce tools, understood the critical role of digital technology for communicating with its target audience effectively. In this way, Orvis reinvented the in-store experience through CRM and digital marketing initiatives consisted of equipping stores with iPads, in which an e-commerce system was pre-installed.

4.2.2 Path Phases

All the omnichannel retailers outlined the importance of integrating physical stores with the e-commerce rather than running the two channels separately. It was very important for them to define a unified corporate business in this effort.

In line with the literature review, all interviewees agreed that consumers are becoming more demanding and impatient. Indeed, all participants emphasized the vital value of prioritizing the knowledge of the customer: "Shopping path is easy to better with just some small expedients for an easier shopping by providing accurate availability information, engaging via social media channels and optimizing customers ordering system." (David Oliver, Interview 12)

Therefore, the knowledge of the customer base is the first step to initiate an omnichannel path. Several techniques were suggested during the interviews for building a deep customer profile, in particular, the segmentation of targets based on customer income and demographic factors. Because of the amount of data generated, the retailer needs to exploit the best mix of the online and offline power to build the first touchpoint.

David Oliver (Interview 12, see Table 1) suggested to redesign the operating model on marketing strategies to build a digital-first orientation for all the activities, followed by the creation of a transactional website. The latter could drive the traffic in the stores while indicating customer history. The consequence is successful support of the retailer during the interaction, efficient only when all the touchpoints are connected: “Any retailer already created the experience for the target otherwise there would not have been a business. The focus lies on using the advantages of the digitalization for brand testing and for building the customer profile”. (ShoeColours, Interview 6)

Contrast opinions concern the channel equalization. Orvis (Interview 7, see Table 1) stated that the equalization represents the pillar of an omnichannel strategy. Nonetheless, considering SMEs limited budget, they should create guardrails including both fundamentals like price, product offering and creative, service and promotions. On the contrary, ShoeColours (Interview 6, see Table 1) responded that channels and customers are unique so the customer experience could not be equalized. In this way, understanding the specific needs should be emphasized before starting the process of facilitating the shopping journey as well as products availability.

Personalization is the second requirement for an omnichannel development through CRM solutions, external platform as Mel Cheen and Google tools to design a precise customer history. Orvis and Artsana S.p.a (Interviews 7,8, see Table 1) asserted the importance of focalizing on customization for improving loyalty. More specifically, a more personalized experience is generated through two types of targeting strategies, cross-cutting campaigns for the entire customer base and clusters for customizing the niches according to their preferences. In addition, David Oliver (Interview 12, see Table 1) discussed that technologies in tracking behavior permitted to measure the effects of the offline-online transaction and to identify point-of-sales.

The further passage regards the connection of all the touchpoints to attract a customer with tailored activities or products on the channel that he does not prioritize. In-store digitalization and operations were the main topics discussed during the interviews. In term of in-store digitalization, the key issues are mainly the investments in buying and preserving the hardware system while projecting relevant contents to attract people inside the store.

These changes require monetary resources, but SMEs can reach it by either owning an own e-commerce or partnering with external platforms like Shopify. The latter support retailers by presenting their products online in a Cloud system. This strategy permits to test the product positioning and to analyze the reaction of online shoppers, as ShoeColours (Interview 6, see Table 1) explained. The retailer approached the e-commerce with small steps, by launching the two or three

categories that were selling the most in this new channel. This allowed for avoiding potential risks and money waste. However, the issue regards its feasibility. In contrast to most small retailers' beliefs of being an expensive decision, the activation costs are on average EUR 2000 for the first two months. Besides, advertisement costs can be eliminated by hiring influencers and freelancers to enhance the brand. Three participants even mention the creation of a SMEs consortium to create synergies, but it does not seem currently reachable. (Interviews 7,13,14, see Table 1)

Five retailers presented a separated online inventory from the physical stores since they are not able to track a combined inventory. However, this issue does not prevent retailers to be omnichannel. As Giovanna Questioni (Interview 11, see Table 1) highlighted, the main objective should not be a centralized warehouse, since it is useless if customers cannot switch from their preferred channel. A different beginning for initiating an omnichannel corporate system can involve the standardization of the warehouse processes. By centralizing the warehouse, the processes would be optimized, enabling effective web marketing strategies afterwards.

The following initiatives can be found in the most analyzed retailers and are therefore called main omnichannel initiatives:

- Online or Mobile orders and pick up in-store
- Online or mobile orders and deliver home
- Free home delivery
- Partnership with third-party delivery services
- In-store return of online orders
- Integrated Inventory System
- Wi-Fi
- Tablets for shopping assistant

The framework on how an omnichannel strategy can be implemented within a multichannel SME in retailing will further be explained in detail in the next chapter in order to answer the second research question (see Annex 3, Appendix 1).

Chapter 5: Discussion

This chapter addresses the two research questions in the foundation of this investigation through the discussion of the findings achieved in the previous academic literature and the analysis of the interviews.

RQ1: What is the optimal omnichannel strategy for SMEs apparel retailers?

The participants showed a basic knowledge about omnichannel, defining it mostly as a strategy that creates a link among all the channels to be considered as one. The customer experience is more complex and articulated due to the integrated management of all the touchpoints. It is this integration that permits small retailers to be more competitive in a market that demands an incessant understanding of consumers expectations.

The analysis of the collected data suggests four main elements of an omnichannel strategy, when it comes to SMEs adoption: First of all, customer orientation; Secondly, the level of integration among channels; Thirdly, technologies and digitalization to develop a centralized system; And, finally, partnerships for enhancing the network. The customer experience plays a central role in the current context and it becomes the fulcrum of the omnichannel approach. It is not only purchasing itself, but also multiple touchpoints should be considered during the shopping journey by having the product customers want regardless of time and location. Where smaller retailers appear to differ, is in terms of shopping and the chosen consumer value to better the consumer experience.

Customer orientation is powerless without understanding the concept of the seamless performance of each channel. Therefore, the product channel synchronization is crucial and getting it right is significant to make the omnichannel strategy work. Fast apparel companies are currently providing short lead times, getting consumers used to a speed level that is difficult to achieve with dis-aligned channels. Small retailers find it hard to manage purchases from various channels due to unclear communication among systems. As a result of a customer-centric approach, customer behavior will be analyzed through technological tools and e-platforms in a system in which customer purchase history is shown. Then, digitalization would enhance the quality of the services offered by providing customized supports and experience according to the customer's profile.

The unity of the customer experience has a deep meaning for all the participants, since it represents the key factor for a successful omnichannel delivery. However, results prove that omnichannel achievement does not require the integration of every aspect of the marketing mix within channels, as any retailers will encounter some issues related to the strategy chosen to satisfy its target, regardless

of the retailer's size. More specifically SMEs could reach a channel alignment regarding to price and communication rather than product availability, since the silos structure prevents to build an optimized supply chain within synchronized warehouses and logistic systems. As a result of the interviews, precise and clear communication aligned within channels should be enhanced to build a seamless and customized experience. Therefore, campaigns and one to one interaction need to be consistent while marketing personnel should renounce channel-specific activities to enhance the voice and image of the brand.

The digital transformation changes the purchase behavior since customers seek for a higher engagement level within retailers. Consequently, reorganizing the business strategy based on leveraging new technologies to deliver an uninterrupted journey is required. A critical point of the success of this strategy relies on the technological infrastructure, including both communication and networking. As mentioned previously, inventory integration of online and offline is necessary to create consistency and to develop omnichannel initiatives. Expert interviews, as well as literature, found that the development of those initiatives is inhibited by the logistics and distribution structure of SMEs' retailers. Omnichannel companies are enabled to be aligned with the omnichannel experience by developing their e-commerce or relying on outsourced platform solutions. E-commerce platforms synchronized with logistics systems should also comply with this funnel where customer can choose any service channel. This requires logistics processes that enable an unified service experience concerning storage, shop availabilities and pricing consistency.

As already mentioned in chapter four, the use of technology serves three main purposes: Tracking the consumer's journey across channels, re-targeting customized communication to consumers and empowering the physical stores to initiate new services and omnichannel initiatives. Bigger companies have a relatively high use of digitalization in managing processes within the supply chain, mainly data analytics tools, IT software and platforms, to create a system in which the product visibility is based on real-time information and in a Cloud platform in which any movement or change immediately updates in the system. Regarding the requirement of centralization in omnichannel retailing, inventory management is a pillar requisite, proven also by the supply chain structure of omnichannel retailers in which the visibility of cross channel inventory is strengthened.

The last requirement involves partnerships within the value chain. Results show inefficiency in building an integrated order management system due to inefficiencies in the Italian SMEs with a late development for building proper in-house connectivity and product allocation. The omnichannel world is characterized by a deep network of many actors involved in the process of delivering this

boundless experience to customers. Therefore, partnerships within the supply chain are essential to fill the gap in some internal operations of the retailer itself. Operational efficiency and improvements in customer service are a long journey, characterized to better the entire network. Today's successful 3PL providers offer cloud-based shipping and technology about warehouses to guarantee omnichannel support to the retailer with small budget and resources. To invest in external platforms that can provide physical and digital integration is considered important but not feasible for small businesses. Thus, this area is one where several of the small retailers currently lack omnichannel integration. This is in contrast with the services and the prices the providers suggest for apparel retailers with a small budget and a limited knowledge of digitalization. Therefore, the main issue is related to the overall disinformation about the omnichannel ecosystem and how different actors operate within it.

RQ2: What are the steps of implementing the optimal omnichannel strategy?

Upon completion of this research, an omnichannel strategy is rather complex for a retailer to understand and therefore to implement, since it implies a disruptive change in the entire operational model. The reunification has to consider not only the stages of its development but also how to handle the difficulties along the process.

To initiate a disruptive transformation, a corporate commitment needs to be settled. The aim is to switch the retailer culture to embrace a more innovative and malleable mindset in which the entire company is aligned with the new goals. The latter should be short-term oriented while top management should provide incentives to the personnel to collaborate in cross-functional teams since the omnichannel setup effects processes within the whole company.

The first step of building an omnichannel model is to build a customer-oriented approach. To source and analyze data automatically, a set of digital initiatives is applied to collect information from multiple sources. Among the sources mentioned from interviewers were social media platforms, retailer website as well as in-store purchasing decisions. Then, the customer journey across both physical and digital channels is mapped and examined for delivering more customized shopping experience afterwards. Moreover, analytics also identify opportunities in selling strategies as well as testing the engagement since they predict the trend in customer behavior. In SMEs, this step is optimized by the smaller amount of data information generated from the feedback collected. However, it can reach its potential only by relying on either the expertise of a digital marketing team within the company or specialized and low-cost platforms that provide the right tools.

To deliver a frictionless shopping experience, the value proposition should be equalized to create a connection between channels, devices, the customer and the brand. All the respondents agreed on how essential it is for the retailer to portray the brand values in all the channels. However, as channels differ according to the strategy and the outcomes the retailer decides to pursue, it is important to determine those products exclusively and those available within the channels. To complete this step, cross-channel merchandising has to be differentiated with the unique needs of each channel, while delivering cohesive communication and brand equity across customers touchpoints. Currently, smaller apparel in retailing is encountering more difficulties to balance prices and promotions in their distribution strategies. Indeed, the best option consists of customized prices to invite customers to channels they are not currently considering in the shopping.

The following phase emphasized the use of technologies and digital tools to enable shoppers to engage both online and in-store. In multichannel retailing, the silos structure reduces the potentiality touch-points interaction. In contrast, the omnichannel retailers consider all the channels with the same importance, indeed retailers need to influence the customers' buying decisions to choose a different channel with innovative solutions. Concerning physical stores, the digitalization can replicate an online environment by providing online payment options or the use of electronic devices for sale personnel. Whereas temporary stores represent the solution for e-retailers to broaden their presence in the physical environment, partnerships with e-commerce platforms are strategically valuable the moment the physical retailer is not able to get relevant insights from data collection, build and enhance the website page of the company and its related contents.

To maximize the use of these technologies, its implementation has to be integrated into the overall operational model. This phase is critical since it implies relevant changes. The first decisions should consider which supply chain elements will be run in-house or outsourced, depending on the SME's capabilities. Physical store-based retailers should enter the e-commerce by either building a transactional website or collaborating with external platforms like Shopify or marketplaces. The latter has proven to be chosen by several apparel participants to reach the consistency among channels and to better the product visibility for broadening the target. This result from the SMEs strategy is mostly defined by niche segments and thereby the product category online display could differentiate itself from mass and generic offers. The other relevant decision concerns collaborating with omnichannel platforms for the installation of management software in Cloud systems. The main findings outlined the following advantages: Data access from any device, reduction of hardware and software costs since compatibility issues will not arise, decrease of IT personnel costs as the provider is in charge of both maintenance and resolution of technical issues, better data protection and automatic software

updates. Thereby, there will be pursued a consistency in managing stock, order, delivery and return because the provider will take care of the entire process, as well as providing initiatives to build an omnichannel structure with feasible costs.

The finalization of the entire process should characterize the fifth step of the implementation. Firstly, new omnichannel opportunities should be investigated to mitigate friction in the shopping journey and empower ease of purchase. Besides, a small business should be driven by marketing solutions to link the brand with the customer, because of the lack of expensive and advanced technology. One thing that all the participants are explaining is the importance of personalization within both physical and online stores. In the meanwhile, customization embraces many options, such as content personalization, fidelity cards and direct emails. These initiatives are beneficial in the early stages of the company to build a valuable connection with the target as well as focusing on customer retention management, which has the scope of attracting customers in channels they do not prioritize.

The final step is the evaluation of all the implementation by collecting feedback from personnel, customers and partners. The KPIs should also be observed to test the effectiveness of those initiatives and their impacts. The implementation may be found in more detail in Annex 3, Appendix 1.

Digital transformation adoption is usually a question of continuous improvement tactics. However, the decision of tackling this change starts with the top management by a top-down perspective. Employees need to be empowered and informed about the new vision, since it involves cross channels operations. As the omnichannel is customer-oriented, staff and store associates must focus on informing and serving the customer. SMEs retailers admit they lack skills and resources to understand data, develop CRM strategies and new technology. The latter, thereby, is a further reason for channel integration: “There is the necessity to connect the customer data we collect from multiple channels, thus offering customers the best-personalized experience” (interview two, see??).

Technology improves the shopper journey by involving holistic communication at every touchpoint, therefore it is hard for companies to decide how to invest money. To switch to this new retailing, IT systems are necessary. Customer and company data need to be stored in a Cloud system with real-time upgrades for facilitating retailer’s responsiveness to changes. Besides, hiring digital experts is essential to understand and transform all data into sales.

Competing in an omnichannel world also implies interactions with third-parties and external platforms as outlined by the participants. Therefore, the main challenge regards the ability to build a win-win relationship with a shared vision. Lastly, product inventory should also be considered as the

different benefits of the channels. The actors should decide whether assortments should be offered and the right customized product mix for preventing potential cannibalization.

Another factor to consider is information security. The huge amount of data created by consumers is advantageous for the company. With the collected information, retailers can target better communication and attract potential new shoppers. Similarly, customers advantage is translated into an offer that matches their needs. However, as retailers expand their customers' connectivity, they also expand their exposure to ensure proper security processes, especially in the e-commerce trade. Thus, privacy surveys and data protection management should be continuously checked and provided in every touchpoint or with every new customer.

Chapter 6: Conclusion and Limitations

This dissertation aims to explore how SMEs in the apparel retailing can implement an omnichannel strategy within its optimal elements according to the specific industry.

Omnichannel is an emerging digital transformation that is acquiring a lot of traction throughout several industries, and recently, in smaller companies. Results were reported from semi-structured interviews with four different categories in retailing, from apparel multichannel retailers, omnichannel experts as well as companies offering already omnichannel solutions.

As a conclusion, SMEs have generally the potential to initiate this channel transaction, also within small budget and resources. The expert interviews revealed that their retail structure and logistical system generally are more malleable in embracing a disruptive change since the channels and product range are limited. However, retailers' marketing activities and supply chain management were found to be possible causes for the retailer's poor omnichannel performances. Furthermore, product availability and consumer analysis are not well enhanced within silos structured companies, since the channels are considered separately and ranked on profit's impact. This leads to unfamiliarity and a perceived higher risk among multichannel retailers in regard to the creation of this seamless experience. However, if apparel retailers invest into digital marketing activities and partnership for broadening the distribution system with different platforms, the friction and the fear of starting this new process will be overcome. The lack of a precise path to follow leads to uncertainty, fear of the unknown and narrow knowledge about this seamless customer experience, as confirmed by the expert interviews.

The present study also allowed to gain insights on further cases of omnichannel implementation as they demonstrate that when having a defined vision with short term investments, its development can succeed by six steps process. However, the results of the interviews also reveal technical, financial, and cultural constraints when implementing an omnichannel strategy within a silos-structured company. In order to obtain the maximum value of the realization, technology and a customer vision has to be the focus. Therefore, a detailed implementation plan should be followed. Therefore, this thesis argues that a seamless experience is a vital and essential strategy for retailers.

The results show that the optimal omnichannel strategy has four key features in order to bring value: (1) A customer focalization to generate insights within all the activities; (2) Channel equalization, mainly related to prices, communication and product availability benefit; (3) Centralized operation system with efficient and connected warehouses and inventories; And (4) strong network with partnerships to both broaden the channels strategy and to initiate omnichannel activities.

In the introduction, it was mentioned that omnichannel implementation within smaller businesses still is a relatively unexplored topic in academic literature. The technological improvement and changes in customer journey outlines constant new ways of approaching this new retailing environment, which is why it is necessary to continue researching on this topic.

The purpose of this research was to understand omnichannel from the perspective of small fashion businesses in Italy and Portugal. This work has acknowledged this concept with a qualitative method, forming in-depth understanding of this phenomena. However, the research has some limitations. The thesis is limited to a specific industry within two main European countries, Italy and Portugal. Suggested is to investigate the same question in other industries to find similarities and differences between them in building the implementation.

Also, this research does not include a customer perception about the potential omnichannel adoption within the company. Hence, it could be investigated how the customers actually value the channel integration through in-depth qualitative study with customer focus groups. Therefore, it can be analyzed the extent to which both customers and apparel retailers could work together to find the most suitable omnichannel model according to the specific retailer and its target.

To conclude, the customer is expecting a full channel integration also in small companies because the customers' journey is multichannel while the entity of the individuals remains the same. Based on the findings it can be concluded that the time of taking risk is now, there is no time to wait. Small retailers must integrate.

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APPENDICES

ANNEX 1

Appendix 1: SMEs Definition

Enterprise category	Headcount: annual work unit (AWU)	Annual turnover	or	Annual balance sheet total
Medium-sized	< 250	≤ EUR 50 million	or	≤ EUR 43 million
Small	< 50	≤ EUR 10 million	or	≤ EUR 10 million
Micro	< 10	≤ EUR 2 million	or	≤ EUR 2 million

Source: Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, Official Journal of the European Union

Appendix 2: SMEs Contribution for European Economy

Economy	Job Opportunities	Innovation
<ul style="list-style-type: none"> • They represent the 93% of European Retailing • SMEs in retail and wholesale account for 5.4 million businesses • 3.6 million businesses operate in Retail • 1.8 million businesses in Wholesale 	<ul style="list-style-type: none"> • Second largest European employer • 2/3 of retail and wholesale employees work in SMEs, • SMEs are the 13% of the total labour force 	<ul style="list-style-type: none"> • Emphasis on less tangible forms of innovation • Technological innovations include self-scanning, new payment methods, and mobile and online platforms • Non-technological innovations: new in-store merchandising techniques, new customer service approaches, new business models and formats

Source: Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises, Official Journal of the European Union

ANNEX 2

Appendix 1: Interview Guideline and Questions for Multichannel SMEs

QUESTIONS

About the Company and Industry

1. Can you give an overview of your company? (size, product, market)
2. What is your role within the organization and how long have you been within the company?

QUESTIONS FOR STEP 1 OF IMPLEMENTATION: EQUALIZE CUSTOMER EXPERIENCE ACROSS CHANNELS

Sales Channels

3. Which sales channels are you using and how would you rank them according to their business value?

Integration

4. How are these channels connected among each other in terms of information, availability and service unity and which are the goals you are following with different channels?
5. How do you equalize the customer experience among channels?

Omnichannel opinion

7. Have you ever heard about Omni-channel strategies?
8. Given your opinion what are the benefits of Omni-channel strategies and which challenges do you associate with the implementation of Omni-channel strategies
8. Why hasn't it been already implemented?
9. What are the steps you will follow to pass from a multichannel to an omni-channel strategy?
10. How is it structured the inventory system and the logistic? Are they centralized?

QUESTIONS FOR STEP 2 OF IMPLEMENTATION: CONNECT E—COMMERCE WITH PHYSICAL STORES or THE CHANNELS

About the Technology Implementation

11. Will your company be able to provide an integrated inventory system in-house?
12. Will you be willing to partner with online providers such as Shopify to connect all your products and stores?
13. Do you digitalize the physical stores?

I built a framework for SMEs fashion retailers in order to implement a potential omnichannel strategy. It is based on 3 steps:

- 1) EQUALIZATION OF THE CUSTOMER EXPERIENCE ACROSS CHANNELS
- 2) CONNECTION OF E-COMMERCE WITH PHYSICAL STORES (or ALL THE CHANNELS AVAILABLE)
- 3) CREATION OF PERSONALIZED OFFERS

In order to present this framework to these retailers could you explain to me what type of omni-channel initiatives have you chosen for or want to:

The Excel Table below offers an overview of the most used strategies

OMNICHANNEL ACTIVITIES	CURRENTLY USING	PLAN IN 1-5 YEARS	NO
MODEL OF FULLFILMENT			
Online orders e direct to home			
In store orders e direct to home			
Mobile orders e direct home			
Online/Mobile order and pick up in store			
SHIPPING SERVICES			
Click and collect			
In store return of online orders			
Free home delivery			
Reserve in store			
Seek and send			
Ship from the store			
Partnership with third party delivery services			
LOGISTIC			
Integrated inventory system			
Using online returns as inventory			
In store packaging of click and collect orders			

DIGITALIZATION OF STORES			
Tablets for shop assistants			
Wifi			
QR code			
Beacons			
In store screen			

QUESTIONS FOR STEP 3: CREATION OF PERSONALIZED OFFERS

14. In what way and to what extent your company provides personalized offers?

Appendix 2: Interview Answers – Main Insights

ORVIS

Orvis is an outdoor retailer, with a 163-year history in fishing, wing shooting. Today it sells apparel (about 85% of the business) and fly-fishing and wing-shooting gear and guided trips. The company sells roughly \$350MM annually through a combination of the Orvis.com website, the Orvis.co.uk website, about 100 stores (80 in the US) and a network of approximately 300 dealers. The channels available within the company are: Consumer direct website (55% of sales), Retail stores: (30% of sales), Call centre: (9% of sales), Dealer network: (6% of sales). All channels are dependent on a centralized Merchandising, Fulfillment and Marketing strategy, as well as centralized finance and HR capabilities. There are sub-strategies, events and operations unique to each channel, but Orvis strives for a unified presentation of its brand to consumers, no matter what channel they choose to shop in. The equalization of the customer experience among channels is based on a shared merchandising plan guides a unified approach to product. A shared marketing calendar guides a unified approach to creative, experiences. From a data perspective, they are increasingly able to view customer’s behaviour across the various channels and are optimizing experiences so that channel shift is seamless. The primary consequence of this approach regards the brand image which is perceived unified to the customer. Thus making it stronger, and the customer experience is coherent/consistent. Moreover, Marketing and Creative investments are more focused and, as a result of that focus, can drive more impact. The company is very strong regarding omnichannel. The chief benefit of an omnichannel strategy is that it reflects consumer behaviour. In other words, consumers are increasingly shopping and interacting with brands in an omnichannel fashion. The example Brian mentioned is the followed: “For example, a consumer might see an advertisement for a shirt online,

but want to feel the fabric or try it on and go into a physical store. More practically, an omnichannel strategy allows us to think through and address the need for a seamless multi-channel experience.” Achieving that is only possible through a consistently branded approach in experience, creative, message, Marketing and product offering. That consistency equates to efficiency since there is a single approach that works for both channels. The retailer built its omnichannel with a unified Creative/Brand framework, unified Marketing calendar and unified Merchandising plan. The next step is to ensure that performance reporting, which has historically been siloed at the channel level transcends into an omnichannel operational view. According to the participant, SMEs Fashion retail could implement an omnichannel strategy based on their limited budget by establishing guardrails (or givens) to guide a consistent brand experience for each customer regardless of channel. Those guardrails will need to include fundamentals like price, product offering but it will also need to include creative, service and promotions. When it was asked his feedback about a three steps model of omnichannel implementation (equalization of customer experience, integration of channels and personalization), the first one was considered the most important pillar of the framework as otherwise, the consistency customers will migrate away from the least favourable experience. The integration is important from efficiency and scalable growth perspective, including fulfilment, creative, pricing, returns. The personalization is the toughest to fully master and deliver on. The company’s strategy here is to first compile a single database that helps us understand consumer behaviour across all channels.

DAVID OLIVER

David job is focused on helping retailers store based to become omnichannel and helping them with some operational models, processes, organization, KPI systems. He defined Omnichannel as about not focusing on the channel but customer experience and see the channel where the customers want to be. This permits to see the behaviour in the channel at different stages, in different countries and different sectors in the retail. Companies can not have a single-channel strategy where stores are aligned but you need to address the all market and existing costumers because it is the same customer in different channels that he is using as the customer journey is multichannel (researching online or through mobile, go to the store..). The challenges are considered about constructing it properly because it requires a change in the operation model: the mistake retailers are made is threat the online separately and this does not allow to become omnichannel. Instead of creating an integrated omnichannel operating model they create an online operating model and the physical. So the outcomes are two operating models, duplicating costs and competition between them so the consistent customer experience is not possible to reach. He suggests to focus on fewer stores in redesigning the

operating model since adding more channels could become too costly for SMEs. More specifically he suggested five steps to follow in order to reach this channel unification: (1) Marketing strategies to become digital-first and it is the easiest thing to do by designing digital-first campaigns and then sponsoring the event on the social media, (2) Have transactional website and with the focus of mobile-first so that the website can drive the traffic in the store and it is not just about transitioning the business on the way. So all the data of the customers in the store can be read and they are connected, (3) Measurement of the effect of this transaction, to capture customer data so that it is possible to identify the same customer coming into the store that visits the website the day before. (4) Personalization of the offers and (5) Build the operation by not having a central stock but first is allowing people to return online to store. The main challenge regards the integration of both the inventory system and logistic. Most of the retailers need to understand what stocks are in the stores and the distribution centre and then to build the omnichannel They need to have the right customer ordering system: the latter should be set with transactional orders every day or every week so that delivery system that can be used as well to deliver customers orders whereas the distribution centre should be based on single item rather than boxes to reduce the costs of the products in the warehouse. In this way, the customer will be ordering a single item which is integrated with the existing inventory system. More specifically, a cloud set makes the centralization possible. The moment all the products are visible on a platform and in the same warehouse, then they can be distributed in all the different channels. The impact of this strategy on a retailer's business model concerns the integration of offline and online channels to not see each other as competitors. A simple method is to give stores sales credit for online sales to addresses within their local catchment area. The participant also mentions specific omnichannel KPIs, relevant to analyse and understand to make this strategy profitable: Product return rate (returns from customers), Cost per return, Avg spend per customer per year (omnichannel vs single channel) and New customer acquisition cost (marketing cost per new customer)

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It is an apparel brand designed and made in Portugal with a worldwide sell strategy, covering Italy, Finland, Spain and France. The big revenues come from the two shops in Lisbon and on their web site. The current sales channels are divided into physical and online stores. The first one embraces two own-brand shops in Lisbon, retailer stores and consignment shops in which the margins are lower but the company does not take the risk. According to the business value, the most important is the own-brand stores while the last category becomes valuable once the store can sell a lot of items. The online channels include the company website and e-commerce multibrand platforms with 40% of

margin. The brand channels aim to increase brand awareness by showing the product range on social media: Facebook is used more for communication as there is a linkage with the website while Instagram is the channel to direct sales. LinkedIn and Youtube are less relevant for the company since the first one is more used for increasing partnerships and Youtube, that didn't work in the past, will be used for reinforcing the brand. So, the physical channel is the ones with more business value but they are investing more in the online channels. There is not a consistency within availability prices of product portfolio and therefore of the experience. The reason is related to intrinsic features of each channel: in the physical stores, the communication is effective only in their brand stores since the personnel is trained properly while in multi-brand stores the aim is not highlighted one specific brand but showcase all the range available. Therefore, the entire range is present only in own stores while products will be available online and in multi-brand stores only if they satisfied certain criteria. Most of the cases, the consignment stores only have one collection. From this situation, the participant underlines how is complicated to equalize the customer experience since in the stores it is possible providing an experience through also the sale assistants while in online there is more a focus on description since the quality of the material can not be transmitted. As a consequence, also the information change: in the store, the essential of the brand is outlined while in the multi-brand stores there the connection with the brand is not enhanced. This SMEs retailer is still based on a multichannel strategy due to the strong power of their tourist segment: 60% of its target are tourists who want to buy its products as a souvenir, therefore it is complicated making them switching to the online. The main benefit in building the omnichannel model will concern this point: communicating in the same way to every channel and every country will lead to more sales as a better customer experience will be pursued. According to the participant, omnichannel means to create a link among all the channels by involving them in one process but it is currently not feasible for the apparel retailer due to the two different approaches within the immigrant and tourism segment. The communication is different between locals and tourists: the tourism is the more profitable and mainly the communication is based on the customer experience in the store whereas in the online the experience is more related to the shopping cart. Therefore, there is not a bridge since people are not interested in doing that. To extract value the company needs to invest in CRM as currently, they rely on newsletters tool to compute all the data and to analyse the data of customers from the online channel. Regarding omnichannel activities, the company is focused on online orders & direct to home and in-store mobile product scanning to control stocks. The human component is the main driver within +351 and this is effecting the personalization. The online personalization concerns computerized messages, postcards, social media posts while within the brick and mortars they give vouchers to be filled with names.

TRACEOFME

It is a Portuguese apparel company based on designing and producing exclusive textures with natural fabrics. It is recognized for the attention in details and the originality. It was founded in 2003 and they spread all over Europe also by participating in several international trade shows, namely Maison et Objet (Paris), Tendence (Frankfurt), Pure London (London) and Roomsroom (Tokyo). The company utilises different channels: three brand stores in Portugal and two collaborations with Portuguese multi-brands, a website and social channels as Facebook, LinkedIn, Pinterest, Instagram. Instagram is the strongest one in terms of communication. For the sales, the website is the most valuable as they pursue a niche segmentation with precise customer identity. The company adopts an equalization within Information, Pricing and Availability of the products. On the contrary, the customer experience is not equalized within the channels even if they rely on analytic tools to track customer's patterns: for the online channels, the younger generation is more active on Instagram while the eldest participate more on Facebook. From a logistic point of view, they partner with UPS and FedEx and the warehouse is located in Cascais where all the products are available and then split in the different locations. They do not rely on one single platform yet but a virtual warehouse in which also the distributors can see all the product range is in process. Even though they managed to create a strong identity and style, in "a world where everything is an option", they do not offer customized options. They work with communication agencies according to the different markets that require different products but they are not interested in building different offers. As stated by Teresa, "We don't do specific personalization. The offer is clear of what it is so you don't need to catch the attention of the clients because they are knowledgable, they know what they want and they care about the textile. They are concern about aesthetics but more about the fabric of the product." The omnichannel was an unknown concept for the participant itself. The main benefits in starting being omnichannel regard the creation of an easier way for customers to buy a product is present everywhere while selling more products for the retailer. Even without knowing the concept of omnichannel, the strategy of the retailer involves already some initiatives designed for creating this seamless experience. They pushed people in the physical stores to buy online but the physical store allows to get the human touch. In the future, the participant reveals she would like to become omnichannel and empower their stores with digital services but this is not her priority right now since they have also a limited budget.

COUNSCIOUS SWIMWEASR

Joanna created ConsciousWear the last April and she is selling bikinis with recycled fabrics and homemade in Lisbon. She started building its selling strategy the last September by showing her creations on Instagram and by communicating with people who were commenting on its posts. The sales are made 90% by the online website and Instagram even if there are two multibrand stores in which she is selling her products based on commissions. The beginning was online and then she entered the physical world. The brand channels are also different: Instagram drives part of the sales while Facebook is for targeting. In terms of equalization, prices are all the same while the availability depends on the channel type. As she explained it is very difficult having the same product range between the website and stores since its business is based on small stocks in order not to have high fixed costs: sold out items occur sometimes, therefore, attention on planning the production needs to be considered. As the workforce includes Joanna and few designers, the warehouse management is basic: all products in one warehouse in her garage in Ericeira and then they are delivered in the stores. The management of shipping and delivery is not digitalized but it consists of an Excel document that she updates when the products were sent to the stores. Moreover, there is a monthly update with the stores about the stocks while a daily one concerning the online. Even with the restricted capabilities in technology, the company presents a huge focus and attention on digital marketing. The main concern is the website that has to be user-friendly and enriched by data coming from customers. Indeed, google analytics are used to build a customer profile and to understand its path. From data, its customers use to search for products on Instagram or from influencers' profiles and then they purchase online through the webpage or from the link in the bio that appears on Instagram. During the interview, she underlined the principal role of google's tool at a macro level for analysing the journey of customers outside Portugal and what types of influencers could have a more impact in each country. Personalization is still at the beginning without customized offers based on customer's need. The newsletter subscription, for instance, happens in the store while the only omnichannel service that she considered valuable is the free return policy of an item in the shop. Regarding omnichannel strategy, she showed a deep knowledge by describing it as a sell strategy in which the channels are not working separately but together. From her point of view, it is profitable being omnichannel for SMEs if they do not sell small stocks and they do not produce only according to customer demand. Moreover, a supply chain management should be optimized with a warehouse not distant from the offline channels. As she said, the minimum stock's range is between five and ten items so right now it will not be strategic reachable. Being able to track customer path is also a pillar for starting this omnichannel journey but it can be very challenging for SME if it is not relying on a strong digital marketing team or knowledge. It depends on people: it is more difficult the moment the

retailer is not able to provide contents properly. It does not require huge investments, only time and Google analytics tools.

GIOVANNA QUESTIONI

Today the consumer is increasingly demanding and less faithful to the brand, so information, communication and product availability must be in line with the customer's expectations regardless of its location. The customer is searching for a buying experience, so the channels must be integrated to satisfy the customer's geographical expectations, where and how I can buy my product. The experience should be built to both make the purchase geographically more convenient but it must be adequate also to the channel individual features and benefits, such as a fast purchase without intermediaries for the online channels while an assisted purchase with an experiential focus about the bricks and mortars. During the interview, the importance of specific KPIs was outlined since according to the participant, the measurement of a strategy needs to be considered as one of the pillar steps to make it effective. More specifically in-store retailing uses various KPIs to evaluate performances: UPT, ATV and CR. The conversion rate gives underlines the call to action since it represents how many of the visitors turn into customers.. Concerning the omnichannel, it was described as the necessary harmonization of distribution channels within a commercial and brand strategy. The main relevant benefits are, in her opinion, the market control and customer satisfaction: the customer is the target and the product must adapt to it. This new vision is exactly the opposite of what was done in the past. Unfortunately, this strategy is not yet developed in small and medium-sized enterprises due to structural and organizational problems, as well as lack of vision. Small and medium retailers need a vision combined with pragmatism, by putting the customer at the centre of the process. It is not a question of having a big budget, but of being willing to challenge and adapt to the evolution of the markets. Regarding inventory management, investments are still important and the personnel skills scarce. Therefore, she suggested starting with a partnership to broaden the channels within the online world, as using Shopify as showrooming. Then it will be necessary to find internal resources and capabilities to be more independent and running the online channel without external providers. An alternative would be to join or create synergies in the form of a "consortium", but this seems not to be in the Italian DNA. Therefore in the future, it will be necessary to adapt to the customer's expectations in terms of transparency and eco-sustainability, as well as being able to offer a product of quality and originality; the service must be unexceptionable since the buying experience will be discriminating for the brand's success. Omnichannel can solve this lack in retailing for delivering a sensational experience since it is about approaching markets and customers in a harmonious, organic way and having an adequate

strategy. SMEs can take this path through associations, creating districts in which to share synergies and costs. It is based on putting the customer at the centre and adapting to his expectations. As an example he mentioned the following circumstance: "if I want a fast coffee and without interactions, I go to the automatic machine, but if I want to bring a friend/family to have a coffee and chat, I go to the pastry shop where a good waiter will serve me a good coffee accompanied by pastries, in a pleasant environment, and will be able to advise me maybe a new/special mixture." What a small retailer must understand is the importance of the human factor that differentiates a successful sales strategy from a mediocre one. The online must be integrated but has different characteristics as it is based on the ease and speed of information and purchase.

MAGICSTORE

Magicstore is the platform that integrates within fashion retailers all the omnichannel initiatives they could need to be competitive in a market that requires a channel synergy. The interviewees gave a deep profile of modern shopping behaviour since the consumer is much more informed than in the past and, moreover, has a myriad of alternatives to choose from to purchase any product. This huge flow of information influences in-store sales performances and, consequently, physical stores need to produce appealing and customized contents to stimulate shopper's interests. Therefore technology and innovation can provide a constant and personalized experience, without underestimating better brand reputation. One of the difficulties of integrating the sales channels has been that some retailers view the online world as a threat and this arose some conflicts, in particular, among channels and conflicts involving third parties, whose sources are attributable to have the power in certain phases of the value chain were mentioned. Logistic and warehouse functions are one of the most important strategic and vital points in retail business management since it allows to reach cost optimization and consequently business results. The increase of the demand for service, efficiency and safety is forcing SMEs retailers to a continuous process of improvements of the warehouse logistics to guarantee both the virtual and real customer experience. Many SMEs apparel companies are not equipped with tools for reading insights from emerging data sources or for examining the consumer-flow to evaluate consumer preferences. Therefore, supply-chain performance is difficult to improve. Similarly, physical supply-chain processes such as warehousing and logistics are not feasible to cope with increased demand for smaller orders. This platform can make apparel SMEs omnichannel as it can connect in a cloud all the channels currently used by the retailer on one single platform. First of all the prices are determined by the number of sale channels and by the services demanded by the retailer. The range of services embrace options from logistic, to customization, to delivery and return management, to product allocation and so on. As the participant explained, the costs of activation are

very feasible: it starts with 3000 euros to activate the service and then the retailer needs to pay also a fee for assistance and updates of the software. The advantage of a cloud system relying on real-time and constant connectivity as the customer can have access 24/7 regardless of the necessity to use the company device. Having a virtual warehouse permits to manage the online channel easily: an omnichannel system guarantees real-time upgrades anytime there is a change in the stock or purchase without the retailer's action. This solves one of the main challenges for SMEs the moment they could rely on a team of experts without investing in expensive digital solutions to make all the product range visible. After having integrated all the channels into the platform, the activation service is installed and then every additional service the retailer wants to integrate is a multiplier for each point of sale. One of the services mentioned was the barcode: “ we use a 13 barcode, which means we identify a product with a 13-digital code. In the stores, a code is used to identify a range of products whereas they can track and identify the single item wherever it will be.” Then a snapshot of the modern retailers was outlined, stating there are currently two-way retailers tend to approach: using a cloud system or not a cloud one. The latter is the most used within small retailers but it only duplicates costs and inefficiencies since the goods are not automatically synchronised and therefore the upgrade has to be done manually. With a cloud system, the update takes place in real-time, the load on the platform is unique and the customer on the platform decides with a click where to put the products, in which channels and automatically the updates are made on all systems. Doing so the warehouse is centralized and the retailer does not incur into additional costs. As the participant explained, there are hidden costs in holding a not synchronised inventory system, such as fixed costs for machines and costs for upgrading and repairing the systems. The main problem, thereby, is the small company's vision that is not aware of the importance of adopting an omnichannel system. In his point of view, small retailers can easily become omnichannel because they need to expand their sales channels and therefore have to rely on a system to satisfy the consumer's need. Without the platform, costs are more and more. He also pointed out that the first step of being omnichannel should not be the focus on the customer and its data but on simplify the process for integrating the entire retail value chain. Many retailers who started with the e-commerce, had several troubles in standardizing warehouse processes, due to lack of expertise and proper vision. After having connected all the channels, web marketing strategies could enhance the customer decision to purchase in different channels.

ARTSANA S.p.a (1)

Artsana Group is an Italian apparel retailer with more than 60 years in the market, headquartered in Grandate (CO). Artsana Group is divided into baby care and health care sectors by holding several brands. Regarding the baby market, the main trademark is Chicco, the brand in products for children

between the ages of 0 and 36 months. Chicco distribution structure is aimed at a hyper- distribution strategy, encompassing pharmacies, single-brand stores, specialized stores, discount stores, website, large-scale and marketplaces. The mission of Chicco is the following: “where there is a baby, there is Chicco”. This statement outlines the importance of their channel decisions: products can not be sold everywhere but their placement needs to be appropriate to the benefits that a specific channel can enhance. Therefore, the support is different: products that require high expertise and knowledge because of their complexity are inserted in specialized and own-brand stores while for those that do not need to be explained they must be sold into big organised distribution. This segmentation strategy started in 2000 and it was the key for initiating their omnichannel path. The company was able to understand target needs and to deliver the experience customers are looking for. Even with an increase in the product range, the company managed to break up orders and inventory while remaining faithful to its tradition. This is due to a very complex demand planning process based on accurate forecasts with monthly updates: every commercial department produces its estimates and then stocks are based on individual estimates. The omnichannel strategy currently built does not include a total integration within prices, availability and personalization of the offers. As it was explained, being omnichannel means understanding where the preferences are and delivering them to the customers: “making all the products available everywhere only leads to a mass segmentation and it is also not possible the moment a retailer decides to follow a strategy that includes different channel formats within different levels of intermediation.” A price alignment is not possible to be reached as online and offline stores have different margin power, therefore the price goes down in those channels in which the margin is lower. So Chicco strategy is changing according to the increased importance of online shopping: it focuses on highlining specialized stores through sale personnel and to create a bond with customers while pushing personalizing offers through the website. It is important creating a smooth passage within the channels to increase product presence and as a consequence sales, especially for buy-back products. Regarding in-store digitalization, the retailer is still behind as all the channels are settling down after the new equilibrium brought from the online world. The physical stores are focused on creating a connection with customers in relation with products features since there is still a misalignment among channels: in the specialized stores, the retailer has no power in setting the prices due to distributors strategies while they have total freedom within single-brand channels. The digital initiatives mentioned for the bricks and mortars concern the QR codes and a digital catalogue in the website. The Chicco single brand website has been created to reach the seamless experience for customers while for the other store formats the focus is on after-sale services. Regarding multichannel SMEs, the integration could be easier since they do not suffer from this distributors pressure as in general, they present few channels for purchasing. Price alignment should be at the centre of the

strategy if the products are not sold in other chains in which pricing and discount policies could not be aligned with the retailer's strategy. Therefore, the integration could be made with communication and information. SMEs also relied on a limited segmentation so customization is less complicated to create.

ARTASANA S.p.a (2)

The participant started mentioning those factors that changed the retail landscape in the last decade: the advent of new competitors, the lower demand of baby products due to a drop in Italian births and the presence of vertical specialized retailers with a broader product range. Concerning channel importance, no one channel drives the sales since in an omnichannel environment the channels work together to deliver a customized offer. So it depends on the brand's maturity, the product and the target. As it was pointed out, going to distribution is the easiest strategy but you have little notoriety and less control, present the brand to retailers and all sales and then resell it. with investments that are reduced to the commission and the sample collection, but it is short term. However, the hyper distribution does not facilitate the equalization in all the components of the marketing mix. There is a distribution price risk due to the distributor autonomy in setting aggressive prices in specific channels. As the interviewee mentioned, only in Italy they have 19000 opened sale accounts to the trade so it is not possible to set a recommended price for all the stores. If there is a misalignment in price policies, information and presentation of all the products are harmonized. The collections are presented to all intermediaries during three different releases, for summer, fall and winter seasons. In some cases, agents present products. Moreover, foreign markets should be considered as they are present in 120 countries. Within this interview, the concept of omnichannel was explored deeper. Omnichannel was defined as the integration of the physical and digital channel within the creation of customer journeys that enable synergetic communication. Nowadays, it is easier building this synergy for a pure retailer by relying on cash and carry and cash and collect services, promotions through social media for new stores opening. For structured companies is more challenging maintaining the balance. The more the number of channels increases, the more investments in logistic and shipping are necessary, therefore the integration between own brand and trade is difficult to achieve. There is a sort of uncertainty for the participant in defining the company as omnichannel. This is due to limited initiatives to integrate all channels. More specifically, he mentioned CRM and loyalty strategies, focus on analysing customer data to provide a precise buying behaviour, own-brand website as an instrument of communication and same promotional activities among the channels, only except flash sales related to the online. The implementation of an omnichannel path could not start with the equalization of the channels since it requires time, resources and a strong customer vision. The first

step concerns the study of the customer, as it uses to buy products periodically. By understanding data, their needs and attitudes then it is possible building a seamless experience. This experience should also be aligned with customers' desires otherwise the communication and the offer would not be effective. He mentioned data reached technique by direct emails, questionnaire to fill once the customer opens the website and offline initiative of gift cards to examine both behaviours and socio-demographic information. After the first contact with the customer, the retailer should create customized campaigns for different clusters based on the results to test the omnichannel KPIs. Then the digital marketing team should update and enrich the online channels to create appealing contents and to show products the customers are interested in. After, the retailer must focus on integrating the different channels to direct customers to channels they are not used to consider during their shopping journey. For instance, making available in store a specific product an online customer wants to buy or by organising events and experiential activities in physical stores to explain some products. SMEs retailers should not consider digital strategies without a cost and benefit plan since the digital world is beautiful but demands hardware in maintenance and content creation. The big problem of apparel small companies is the limited knowledge of their customer base and sale assistants who are not focused on customer retention. As a consequence, they tend to develop mass segmentation with generic promotions and campaigns. So customer vision and the ability to create triggers with the target are the main challenges to solve. Then everything else (analysis, reliable site, having a sales point is all a chain) is secondary. Logistics and centralized warehouse are feasible to construct, it only requires a long-term vision. The logistic aspect is fundamental, however, they are ineffective if they fail to make the consumer perception that they have the right products.

SPORTWEAR COMPANY S.p.a

Stone Island is the only brand of the company Sportwear Company S.p.a. The Italian retailer is specialized in premium apparel for man category from 2 to 14 years old. It has seven direct shops in Europe, two in the USA and it will be opened one in Canada at the end of the year. The retailer is currently using three different channels: the dominant is the all-sale, own retail channels, e-commerce while the brand channels are using to communicate and enhance brand awareness. As the company sells premium brand it is not strategically turning the social media into channels where consumers can purchase. Even the company undertook an omnichannel path in 2008, a total integration has not been reached yet, due to the different objectives the company wants to reach within its distribution strategy. Therefore, as stated by Francesca, e-commerce is more valuable and thus the product availability is wider compared to the physical stores. There is also a discrepancy among the offline stores: there is a common product base according to the seasons but the product choices depend on

the potentiality of the brand stores and the reseller dimension. The integration has only been reachable with the omnichannel services and communication with the customers. More specifically, the launch of a new product will be communicated through emails to both people registered on the website and the shop's database while at the same time it is showed into the stores. There is also integration concerning iconic items. The company became omnichannel after the partnership with WineApp to manage in outsourcing the online channel in 2008. This alliance allows the Italian retailer to offer its consumers more purchasing options by WineApp omnichannel services while increasing brand visibility in a market of premium brands. The collaboration enhances some benefits and challenges. Regarding benefits, the participant mentioned sharing know-how, an increase of consumer's loyalty due to a stronger connection with the customers in every touchpoint. If these advantages present a long-term vision instead of increasing sales in the short term, huge challenges need to be faced. The main problem relies on efficient inventory management as there is not a warehouse communication between the two companies. As the interviewee explained, having two different stock locations outlines problems in re-invoicing, accounting and taxation with also the consideration of a return management system that can not be optimized: "A customer orders a pair of M trousers, he tries it but you want the L size. He can't buy it at the store because he ordered it online so it is in the partner's warehouse while if he buys it in-store it belongs to them and it's their stock. In this case, the store can only support the customer in the return and refund. In case the trouser is no longer available on the site the customer must necessarily go to the store to buy it and in the meantime, he will be reimbursed." The omnichannel initiatives outlined during the interview were related to shipping services (click and collect, collect in-store, return in-store), in-store digitalization with a platform connected to WineApp that gathers all the information about consumer history and products) and personalization according if the customer prefers buying online or in the physical store. As it was pointed out, building in house a website requires investments in money, knowhow and logistic structures to support the different warehouses. Therefore, this is a choice the company will take in the future when its business will grow. According to the interviewer, small retailers owning all the channels have more possibilities to become omnichannel. The reason behind concerns the results: owning the e-commerce demands more investments in people and activities at the beginning but once there is a flow of information and stocks the following step only involves negotiations with logistic partners for the delivery. A partnership for building in outsourcing presents thereby more risks and it is more impactful on the brand itself since all data need to be aligned and combined in one single platform. Another solution suggested was relying on Megastore or Shopify platforms to have all the channels in Cloud with few investments as they offer feasible solutions for the limited budget. To end, the participant explains that renouncing to be multichannel is a long term process that has to find

the base in a new corporate culture: instead of prioritizing speed in selling the products the focus should be directed to build a trustworthy relationship with the customers and engage with them.

SHOECOLOURS

Shoe Colours is a niche shoe fashion retailer based in Lisbon. The startup was created first as a physical concept store, in the Amoreiras and Colombo commercial centres, then after two years, the e-commerce channel was added. It scaled to five physical stores and was bought last year by a large e-commerce group. The products are manufactured mostly in Portugal and Spain with their brand. The differentiation was the omnichannel philosophy, whose scope was making life easier for consumers or to buy online or to be able to try easy-to-access kiosks, and always buy good quality products. People are demanding an omnichannel environment because they want to interact with both physical and digital channels. The process was developed by a lean structure and a start-up based company culture that allows the company to be flexible to the constant change of its referent target. The main objective of the omnichannel strategy is to support the customers in every channel they want to be. The understanding of the target behaviour, as well as the touchpoint of interaction, were the results of a digital marketing strategy, oriented by data. Consequentially, not only personalized offers but also a punctual buying shopper path was enabled. Digital represents a valuable source to analyze conversation rates and investments in both contents and advertisement. The implementation faced different challenges related to two main areas: operation and human resources. Initially, the operation structure did not support the growth of the company channel expansion whereas the hiring process of sale people was focused on the hard skills instead of delivering high customer interaction and support. According to the interviewee, the key benefits surround a strong knowledge of the customer-base, an equal voice and image of the brand both in the e-commerce and bricks-and-mortars and a boost of the mobile-friendly e-Commerce, representing a 15% of the total revenue. The retailer, with a prior established position in the offline world, felt the need to add an online destination for the consumer to reinforce its relationship with consumers and with other local businesses. Retail stores currently count for 85%, reflecting the importance of human interaction with the products. Moreover, the interviewee reveals the strategic use of the channel connection: delivering an integrated experience, especially by the digital experience of the website and communication through social media. Each channel has different tools and objectives according to a corporate strategy to engage with consumers, as a different impact on sales. E-commerce is growing but it is more complex to scale, despite guaranteeing real-time information and tracking consumer's needs. Brand channels have the function of story-telling and they are the tools of an efficient mix media strategy. According to the interviewee, the structure of apparel SME retailers is more reactive to market demand, more

open to disruption and driven by passion instead of the mere profit. In a fast-changing environment, companies need to be flexible during the implementation by modifying their approach and mind-set. The key element of this iterative approach is acting more like a start-up: testing strategies on a small scale enables retailers to understand the impact of the concept on the aspired business value. Starting smaller requires fewer investments for a new operating model, enriched by partnerships in logistics and virtual warehouse management. There are several ways for a small business to create this channel alignment, from relying on a digital platform to introduce products online to a partnership with logistic and delivering third-parties with an investment of two thousand euros. However, for many companies, there is limited exploitation of all available data. The cause of this limit is due to the traditional approach, mainly using internal company data and limiting the analysis to "clustering" activities aimed at planning promotional campaigns. The complexity of this work lies in finding data and information from multiple sources.

COMMETOI

The retailer opened its first store in Via Cavour in Turin in 1994. It is a multi-brand who sells branded while producing its limited production in the two stores. Currently, there are two shops, the retailer website and social media. The online market has a European spread, being in Germany, France, England, Spain, the United States and Switzerland through online marketplace retailers like Amazon and eBay. The website counts now 20% of the sales while brand channels are mainly used for building a relevant social network. According to the interview, the channels are all relevant and complementary as the interest can start online while the sale in-store or vice-versa. The small multichannel retailer shows some requirements that can enhance the process of turning omnichannel: there is an alignment within channels regarding product information, prices. the availability still needs to be fixed. There is the same assortment of the online products within the store but a consumer can not find all the products of the store on the website since there are problems in managing the upload of pictures of the items. As it was outlined, the products remain for 2 weeks in stocks before making them visible online. The pitfall is the regards the upload of the pictures: "I could stop the sales in the store until they are catalogued, photographed and uploaded to the site, but it would mean losing two weeks of sales". Therefore, the solution will be having the courage to wait to sell all the goods once they are also online but he admitted that he has not that mentality yet. However, the retailer already implemented some omnichannel initiatives, as an online order and pick up in-store, free shipping above 150 euros, free return policies, partnership with logistic companies, digitalization in stores (Wi-fi, bar code). The main constraint concerns the optimization of the warehouse that should be not allocated into the physical store but at the moment budget and vision of how creating a valuable

partnership with logistics services are missing. How is it centralized? You have to have a physical space that should not be their room, where you put all the products both for the 2 stores, for the online and the retailers, photographed and then sorted based on the destination. At that point arrived at the point of sale, the product is already online. There are several options the participant would like to consider in the future, such as QR codes, digital payment options in-store and tablets. The retailer does not offer efficient customization which relies on generic emails even with a retargeting strategy with all the history of each customer. Many companies do not do it because they do not have the resources to do it and according to him, they are at the limit to manage innovations and digitization. There are four issues in general in approaching the omnichannel world: (1) unclear knowledge of how to start and to support this transition (2) long-term solution (3) personnel who is not aligned within the new strategy (4) increasing power of market places. Concerning marketing, the key problems are mainly associated with consumer targeting, coherent product availability and price setting due to a multichannel set. Furthermore, retailers currently face barriers in developing technology in their physical store experience, especially in finding methods and measure to evaluate the impact of technology on consumer habit.

JOLLY SPORT

Jolly sport was founded in Torino in 1976 by Diego Cravero. The company started a project with TechoGym in 2017 and it is currently the only retailer in the world to have the opportunity to sell TechnoGym products in the shop. It sells sportswear and sports equipment mainly in Torino. Their sales channels are one physical store, Facebook page, Instagram, Internet site, direct management of various golf clubs (Le Fronde, Chierasco, Pecetto, Royal Park, Girasoli and Margherita) where they supply them with their products. During the interview, a strong discrepancy among channels was outlined. The own-brand shop represents the main revenue source based on a strong discount policy. The shop was born as an "entrepreneur who always makes the discounts" to retain the customer. The online channel is "falling apart" according to the participant, as it is not in the company's interest bettering the website to catch more customers: there is no upgrade and alignment with products in-store as well as communication and personalization through it. Regarding the last point, the company only send weekly and generic emails to the customers without showing the current in-store portfolio. The first consequence of this lack of innovation in digital is the loose of potential shoppers as well as decreasing brand image for those people who use to purchase and search online. This is also tied to the target and the limited corporate vision. The latter is enhanced by the strategic choice of the WOM and huge promotions while the consumer base is mostly the eldest generation. Therefore, the retailer is unable to capture the young generation's attention since they prefer to try the products in the store

but buying them in different website with half of the price. Brand channels face the same dynamics: they have been activated but not used with a marketing purpose of gathering data and increase brand value. In this context, the customer experience could not be built: “ there is a non-existent consumer profile, we never made a points card or loyalty card. We have profile deriving from equipment rentals emails only from the last 5 years. We don't even have a registry profile. If you ask me why is because I have no idea how to do it and investment.” Regarding warehouse and logistics, the shop is also a centralized warehouse where all the products arrive but they only have a logistics provider for delivering the items. Everything is done in paper form, "it's madness". According to the interviewer, omnichannel is the survival but cannot be achieved at the moment since the company have not entered the digital world yet. In his opinion, the company has a well-defined value proposition but changes in personnel and top management are necessary to make the big step:"

ALESSANDRO BARCHETTI

The participant was focused mainly on two aspect, the advent of online channels and the importance of agility within the omnichannel implementation. To develop these activities, interviewer identified some common challenges. The increase of the demand for service, efficiency and safety is forcing the SMEs retailers to a continuous process of improvements of the warehouse logistics to guarantee both the virtual and real customer experience. The roads are few and not easy but very cheap and simple in the short term. Small businesses tend not to be prone to these investments because they do not have an immediate and direct return on the results of these operations. The result is almost never advantageous because e-commerce is an expensive department and omnichannel investments are important. The main challenges outlined were: customer expectation, entrance of marketplace (e.g Amazon) that guarantees high level of service and the inability to predict the future and to manage the rapid change in customer preferences. The steps identified for constructing a seamless experience for customers with a limited budget were: (1) Relying on an agile system with little steps (2) Empowering the marketing for digital activity (3) Supporting investments in digitalization to have a successful system in long –term, (4) creating a strategy feasible for the future. Besides, it is important to adopt a courageous mentality since it is a risky decision for a SME, especially concerning e-channels. The latter’s goal is to build a consolidated relationship with the customer that is achieved by understanding how the various channels and activities affect the customer through the collection and analysis of data. Then cooperation within SMEs and partnership with external platforms are necessary to build virtual warehouses and not an isolated system since it is based on an cloud.

ANNEX 3

Appendix 1: Omnichannel Implementation



CHANGE CORPORATE CULTURE

- Creation of an agile system with cross-functional teams
- Short-term objectives
- Introduction of performance management incentives
- Competency coaching on new technologies
- Customer experience feedback



UNDERSTAND and MAP THE CUSTOMER JOURNEY

- Collection and insight generation of customer history at each stage of the funnel
- Digital marketing strategy oriented by data, coming from both internal and external sources and touchpoints
- Rely on external platform and Google tools if the company is not able to design a precise customer profile
- Data hub for creating a clustering strategy



BRAND AND VALUE PROPOSITION EQUALIZATION

- **Product inventory to determine exclusive products in each channel and those to be offered both online and offline**
- **Guidelines on prices and promotions between channels**



EVALUATE EXISTING SERVICES AND TECHNOLOGY WITHIN THE CHANNELS

- Analyse the technology available as well as the channel and the services that the company is currently not using
- Optimize the channels:

1. Physical stores

Experiment new initiatives with technological devices, providing online transaction and relationship with the customer based on their history profile, interesting contents

2. E-retailers

Enhance channel extension through a partnership with physical retailers with temporary stores or pop up stores

3. E-commerce

Presence with retailer website, marketplace or external platform as Shopify



CONNECT THE DIFFERENT ELEMENTS OF THE MULTICHANNEL CUSTOMER EXPERIENCE

- Decisions regarding which supply chain elements will be run in-house or outsourced
- Strategic decision to enter the e-commerce
- Collaboration with third parties to have a centralized system with a visible Cloud-based inventory

1. Transactional website to drive the traffic on the stores
2. Online platform like Shopify to present the product range

- Operations integration

- Platform choice
 - Single platform for both online and offline channels
 - Integrate different solutions for each platform



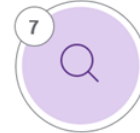


ESTABLISH THE CORRECT PROCESSES AND POLICIES

- Check the processes with the competent online-offline marketing team
- Inter functional team focused on investigating new omnichannel opportunities
- Finalize the processes through personalization:

- product advice
- content personalization
- online advertising,
- fidelity cards
- one to one integration
- communication for specific events
- direct and customized emails

- CRM to attract customers in channels they do not prioritize
- Customized interaction between customer-sales personnel
- Omnichannel initiatives with a variation of click and collect option
- Communication with the clients through marketing strategies



OBSERVATION AND VALUATION OF THE INITIATIVES

- KPIs for both online and offline
- Collect feedback from both partners, sales personnel and customers

Source: Author's creation