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Wield the Power of Omni-channel Retailing Strategy: a Capability and Supply Chain Resilience Perspective

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ABSTRACT

Omni-channel strategy can be a powerful mechanism through which successful implementing organisations achieve higher levels of resilience to better survive disruptions. However, such potential benefits have been overlooked in existing literature with limited discussions on how omni-channel strategy can be exploited for uncertain business environments. We conduct an in-depth case study on a leading UK-based fashion retailer, ***Next***, to explore the role of omni-channel strategy in helping organisations respond to the challenging retail landscape. Our results reveal that ***Next***'s ability to achieve vitality even during the COVID-19 pandemic is largely attributed to its well-executed omni-channel strategy, which enhances its supply chain resilience (SCRES) by maintaining a dynamic fit between the internal information processing capacity and the changing information processing needs induced by external conditions. Our study contributes to the omni-channel and SCRES literature and provides practical insights on how omni-channel strategy can be wielded for both stable and turbulent environments.

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KEYWORDS
Omni-channel strategy; scres; organisational capabilities; organisational information processing theory

1. Introduction

The global retail industry has been turned upside down over the last 20 years, as online shopping led by behemoth Amazon harvests an ever-increasingly large share of the total retail market, making the future uncertain or even gloomy for traditional bricks-and-mortar retailers. Internet sales as a percentage of total retail sales in the UK have surged from 2.8% in December 2006 to 21.4% in December 2019 (ONS, 2020). The shift of customer spending from physical stores to online could be attributed to greater convenience, value and options in online shopping, the advancement in technology, logistics, payment, trust, and increased internet and mobile access (KPMG, 2017). The declining foot traffic in stores and the expensive retail infrastructure and labour cost render many businesses unprofitable in competition with the rising online players and discount stores (Ailawadi & Farris, 2017). Consequently, the high street crisis has featured big names filing for bankruptcy, collapsing into administration, or closing stores (e.g. Debenhams and Marks and Spencer in the UK and J.C. Penney and Sears in the US) (BBC, 2021; Mustoe, 2019; Thomas, 2019). Such phenomenon is noted as the retail apocalypse.

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However, the retail apocalypse is not necessarily the death knell for traditional brick-and-mortar retailers. In fact, many retailers have transformed their business models to be 'bricks-and-clicks' by expanding businesses to both physical and virtual channels, leading to the increasing prevalence of omni-channel retailing (OCR) worldwide (Gartner, 2018; Hübner et al., 2016; Verhoef et al., 2015). Traditional retailers such as Tesco have expanded businesses to the internet website and mobile apps whilst previously pure online players such as Amazon and Warby Parker have invested in physical presences with (pop-up) stores (Debter, 2019; Enders & Jelasssi, 2009). Retailers adopting an OCR strategy can coordinate and integrate multiple channels to provide seamless and channel-agnostic services desired by customers and achieve synergetic benefits in the back-end operations for cost reduction.

The literature is littered with debate on whether to adopt an OCR strategy with proponents highlighting its corresponding synergy effects and opponents the cannibalisation effects (Akturk et al., 2018; Fornari et al., 2016; Herhausen et al., 2015; Pauwels & Neslin, 2015; Steenburgh et al., 2012) and how it can be implemented successfully (e.g. via flexible order fulfilment, data integration, etc.) (Chopra, 2016; Gallino et al., 2017; Mirzabeiki & Saghiri, 2020; Saghiri et al., 2017). However, these studies do not necessarily account for the disruptive business environment. Current understandings of OCR strategies thus are limited as organisations are propelled to adjust their strategies and operations to confront uncertainties caused by unexpected crises and turbulence such as the COVID-19 pandemic. Meanwhile, there is an extensive and still rising body of research on supply chain resilience (SCRES) to combat various risks from demand and supply sides, e.g., resilience for the Industry 4.0 revolution and during and post the COVID-19 pandemic (Ivanov, 2020; Ivanov & Dolgui, 2020; Remko & van, 2020). However, the relationship between OCR strategies and SCRES remains unknown. In particular, no work has been done to investigate the role of OCR strategies in uncertain and risky contexts and how the deployment of OCR strategies can help retailers navigate through the crisis and achieve success. We aspire to bridge these gaps by examining the adoption of an OCR strategy in a British fashion retailer, ***Next***, and consequently the changes made along its value chain, in so doing delineate how an OCR strategy can be harnessed to help retailers fend off competition and deliver long-term business success under environmental uncertainties. Specifically, our study aims to shed light on the following research questions (RQs):

RQ1: How does a successful OCR strategy help the implementing organisation to achieve supply chain resilience (SCRES) and to survive disruptions with superior performance?

RQ2: What are the organisational capabilities that enable and support a successful OCR strategy?

Due to the exploratory nature of these questions, we adopt an in-depth case study of ***Next*** and conduct content analysis with longitudinal data. We choose to investigate a UK-based retailer mainly because of the country's advanced OCR development and maturity, the challenging retail industry with stiff competition, as well as the unfortunate extent to which the country and its retail industry have been affected by the pandemic (Deloitte, 2019; Office for National Statistics, 2021; PwC, 2017) (see Section 3.1 for more details). The main contribution of our work is threefold. First, we enrich the OCR literature by accounting for contextual conditions and going beyond the current theoretical boundaries and frameworks to include SCRES as a key outcome. Our detailed analysis on the execution of

and benefits from the OCR strategy in ***Next*** provides novel insights on how retailers can tackle the dynamic and challenging market by employing an OCR strategy. Our results underline the potential benefits of adopting an OCR strategy to increase SCRES and thereafter risk management capabilities and survivability. Second, we take a capability approach to OCR strategy and extract the key organisational capabilities that collectively support a successful OCR strategy by analysing ***Next***'s value chain and primary practices. Third, our study builds on organisational information processing theory (OIPT) and examines the role of OCR capability in the dynamic fit between organisational information processing capacity (OIPC) and organisational information processing needs (OIPN). To the best of our knowledge, this study is among the first attempts to bring OCR discussions into the broader context of the supply chain and market condition, making valuable contributions during the current global pandemic.

The rest of the paper is organised as follows. Section 2 presents relevant literature. Section 3 demonstrates the methodology employed for this study including data collection and analysis methods. Section 4 presents the upheavals of ***Next***'s value chain in executing its OCR strategy and extracts important capabilities that contribute to its strong standing amid the challenging retail space. Section 5 discusses meaningful insights from the case study and presents the propositions and conceptual framework. Finally, section 6 summarises the theoretical contributions, practical implications, and limitations of the study.

2. Literature review

2.1 OCR

A channel is defined unanimously in the literature as the touchpoint for an organisation to interact with customers for the purpose of communications and/or transactions (Lewis et al., 2014; Verhoef et al., 2015). The plethora of channels available to retailers ranging from online to offline channels makes it a mandate for retailers to rethink their channel strategies. Consequently, there is a rich stream of literature on comparing the single-channel strategy with multiple channel strategies and thus shedding light on whether and/or when a new channel should be added by retailers to their existing businesses (Berman & Thelen, 2004; Gulati & Garino, 2000; Sharma & Mehrotra, 2007; Zhang et al., 2010). Whilst acknowledging the potential channel cannibalisation (Kollmann et al., 2012; Wiener et al., 2018), many researchers have demonstrated that the synergetic effects in multiple channel systems can be more significant than channel cannibalisation with enhanced customer engagement and increased total sales and revenue (Cao & Li, 2015; Fornari et al., 2016; Lee et al., 2019; Pauwels & Neslin, 2015). For example, click-and-collect services (collect online orders from conventional retail stores) are typical cross-channel functionalities and have been noted to contribute to the broader customer base and increased sales for retailers (Akturk et al., 2018; Gallino & Moreno, 2014; Gallino et al., 2017; Gao & Su, 2017). Each channel has its own strengths and weaknesses with respect to information flow (e.g., larger customer base without geographic barriers for online channels), fund flow (e.g., more acute security and trust issues for online payment), product flow (e.g., possible 'endless aisle' with a wide variety of products for online channels), and operating costs (e.g., cost of store rent, marketing, delivery, warehousing,

staffing, etc) (Chopra, 2016; Wang et al., 2016). Therefore, various strategies and mechanisms (e.g., integrated marketing communication, pricing, assortment planning, inventory management) have been proposed by researchers to coordinate and integrate different channels to maximise the cross-channel synergy effects (Blom et al., 2017; Breugelmans & Campo, 2016; Hossain et al., 2020; Nyquist, 2016; Zhang & Wang, 2017). The intricacy and importance of enhancing and maintaining service quality across channels to ensure omni-channel performance have also been well documented (Akter et al., 2018; Cai & Lo, 2020; Reis et al., 2019).

Researchers have categorised multiple channel retailing strategies into multi-channel, cross-channel, and omni-channel, with the level of channel integration progresses (Beck & Rygl, 2015; Verhoef et al., 2015). Whilst channels are operated in silos for a multi-channel retailing strategy, an OCR strategy orchestrates the operations of various channels to ensure a unified, consistent, flexible, seamless, and channel-agnostic experience for customers. As the OCR strategy has been embraced by more businesses with mixed results, many researchers have studied how to implement such strategy. Hansen and Sia (2015) investigate how Hummel's, a European sports fashion company, tackled various challenges in the transition to OCR. Their case study underlines the benefits of OCR strategies and accentuates the importance of organisational realignment and IT infrastructure upgrade when implementing the OCR strategy. Saghiri et al. (2017) propose a three-dimensional framework for omni-channel systems and highlight the main enablers (i.e., integration and visibility) to support the implementation of the OCR strategy. Zhang and Wang (2017) delineate the approach of the retail giant Wal-Mart's to achieve omni-channel synergy and Mirzabeiki and Saghiri (2020) emphasise the critical importance of data integration across channels within the company and between the company and its business partners (e.g., logistics service providers and suppliers) to ensure the integrity and value of OCR strategies. Hajdas, Radomska and Susana (2020) conduct case studies and identify both internal and external obstacles for omni-channel implementation, suggesting that such obstacles could render the implementation of OCR strategies as a utopia for certain industries and products. Though value-adding, these studies focus mainly on the implementation of the OCR strategy. Empirical studies explicating how the adoption of an OCR strategy leads to success in an uncertain and challenging retail market are starkly scarce and our work aspires to bridge this gap.

2.2. Supply chain resilience (SCRES)

The global outbreak of COVID-19 is unarguably the biggest black swan event in 2020, disrupting numerous global supply chains. Based on the nature of risk, SCRES is built on the premise that not all events that possibly have negative effects on an organisation or its supply chain can be avoided (Wong et al., 2020). SCRES is defined as 'the adaptive capability of the supply chain to prepare for unexpected events, respond to disruptions, and recover from them by maintaining continuity of operations at the desired level of connectedness and control over structure and function' (Ponomarov & Holcome, 2009, p. 131). According to Gölgeci and Ponomarov (2015), SCRES is a strategic capability of an organisation that is developed from managing its supply chain. It is a complement to the traditional supply chain risk management (SCRM) capability of organisations, which focuses on risk identification and statistical analysis (Kamalahmadi & Parast, 2016).

Kamalahmadi and Parast (2016) note the three phases of SCRES: anticipation, resistance, recovery and responses. As pointed out by Tukamuhabwa et al. (2015), in addition to adaptability, preparedness, and timely response and recovery, cost effectiveness should not be excluded from SCRES. Accordingly, SCRES is redefined as 'the adaptive capability of a supply chain to prepare for and/or respond to disruptions, to make a timely and cost-effective recovery, and therefore progress to a post-disruption state of operations – ideally, a better state than prior to the disruption' (Tukamuhabwa et al., 2015, p. 5599). Therefore, our study includes cost effectiveness as one of the key components of SCRES, along with preparation for, response to, and recovery from disruptions in the context of retailing.

As Wong et al. (2020) suggested, the key to a resilient supply chain is the availability of a buffer or diversification, which can take the form of alternative suppliers, substitutability and portability of design information, as well as supply chain visibility. Existing literature demonstrates the crucial role of various organisational capabilities in developing SCRES, including supply chain risk management capability (Jüttner & Maklan, 2011), supply chain visibility capability (Brandon-Jones et al., 2014; Johnson et al., 2013), innovation capability (Gölgeci & Ponomarov, 2015), data analytics capability (Dubey et al., 2021), supply chain collaboration capability (Scholten & Schilder, 2015; Wieland et al., 2013), integrated logistics capabilities (Mandal et al., 2016), and supply chain ambidexterity (Aslam et al., 2020; Gu et al., 2021), among others. However, as a valuable buffer that provides organisations with quick responses to the changing demands of customers, OCR and its related capabilities have not received sufficient attention in existing studies. Therefore, targeting this important gap and by adopting an in-depth case study approach, our study aims to illustrate how ***Next*** can achieve SCRES in highly competitive situations and disruptions with the help of its effective OCR strategy, which is enabled by the organisation's strong capabilities.

2.3 Organisational information processing theory (OIPT)

It is generally acknowledged in the literature that SCRES is beneficial to organisations and supply chains because it enables information to be effectively processed in a timely manner (Gu et al., 2021). Given an open system, organisations and supply chains are subject to various uncertainties, ranging from the kinds that are inherent in the supply chain (e.g., changing consumer demand) to the uncontrollable and external kinds (e.g., natural disasters) (Wong et al., 2020). Uncertainties, defined as the difference between the amount of information required to execute a task and the level of information already available within the organisation (Galbraith, 1973), determine the need of organisations to process information. In uncertain environments, it is more challenging for organisations to make decisions to maintain desired performance, as they may not have sufficient information processing capacity to deal with the increased level of complexity.

As suggested by the OIPT, organisations need to keep a match between their OIPC and OIPN in order to achieve operations effectiveness (Hong and Schniederjans, 2000). When the OIPC is greater than OIPN, it indicates unnecessary investment in infrastructure and capability development such as IT, which in turn indicates ineffectiveness of resource utilisation. Conversely, if the organisation has inadequate OIPC for the OIPN, uncertainty exists which limits the ability to achieve the desired level of organisational performance. In sum, a dynamic

fit between OIPC and OIPN is ideally to be maintained for the organisation to operate effectively and efficiently. The OIPT is one of the most widely used theoretical lenses through which SCRES is studied (El Baz & Ruel, 2021; Gu et al., 2021; Wong et al., 2020), and the role of SCRES in maintaining an OIPC-OIPN fit is largely confirmed. However, the failure of numerous supply chains under the disruptions caused by the COVID-19 pandemic warns that SCRES is still a luxury, especially to supply chains that have cross-border and global presence. Therefore, it is imperative that we continue to explore the enablers of SCRES and our study answers this call by examining the role of OCR and related capabilities.

During uncertain times such as the COVID-19 pandemic, OIPN suddenly rises, and those who can quickly adjust their OIPC to meet the need are more likely to succeed. SCRES, supported by a successful OCR strategy, serves as one of the mechanisms through which the organisation can potentially maintain a dynamic fit between OIPC and OIPN. In the short run, an OCR strategy enables organisations to meet the changing customer behaviour. For instance, customers in many countries have limited access to physical store experience due to lockdown policies (e.g., store closure and/or indoor social distancing rules). Therefore, they tend to shift to click-and-collect or home deliveries. The OCR strategy in place thus can facilitate this transition effectively and in a timely manner. In addition to short-term solutions to supply chain disruptions, OCR has the potential to help tackle the long-term effects of disruptions. For instance, as pointed out by Hobbs (2020), the long-term effect of the COVID-19 pandemic could be changes in people's income and the subsequent changing buying behaviour and buyer–supplier relationship. As consumers are likely to spend money more wisely after the pandemic, convenience and choice will be highly valued, which is exactly what OCR is able to offer. Therefore, our study aims to illustrate how a successful OCR strategy (enabled by various organisational capabilities) can contribute to SCRES in uncertain times through the lens of the OIPT.

3. Methodology

According to Barratt et al. (2011, p. 329), the purpose of conducting qualitative case studies is to 'build and extend theories, and/or to explore and better understand emerging, contemporary phenomena or issues in their real-world settings'. Our research, which purposes to understand the role and mechanism of the nascent OCR strategies in the uncertain business environment, falls into this category and therefore our approach of using a qualitative case study to shed light on the proposed research questions is well justified.

3.1 Case selection

We use a single (successful) case to gain an in-depth understanding of how OCR strategies can be harnessed for success following Hendry et al. (2018)'s elaboration approach. In terms of the methodological approaches to case research defined by Ketokivi and Choi (2014), our study mainly resides in the domain of 'theory elaboration' with certain 'theory generation' features as a compliment. The single case approach can contribute to theory development and elaboration by fitting theory exactly to many details and particulars of a specific case and making further adjustments in the existing understanding of reality, particularly when the case is extremely revelatory and exemplary (Eisenhardt & Graebner, 2007; Tsoukas, 2018). Single case studies have been widely conducted in the literature in

various fields such as Marketing and Operations Management (Cao, 2014; Dholakia et al., 2005; Hansen & Sia, 2015; Larke et al., 2018). Given our research purpose to explore the potential association between OCR strategy and SCRES and thereby enriching theories, our use of a single case study with the assistance of a highly relevant and exemplary retailer is well justified. After careful scrutiny, ***Next*** plc., the second-largest fashion company in the United Kingdom based on market capitalisation (£ 7.16 billion) (FashionUnited, 2020), was selected based on the following criteria.

The choice of country. This research aims at investigating how OCR strategy can be wielded to generate benefits for retailers to survive and thrive in today's competitive retail industry. United Kingdom has been ranked as one of the most progressive countries in terms of OCR development and maturity (PwC, 2017). Meanwhile, it is also one of the most competitive retail markets in the world with high pressure from international competitors, trade uncertainty from Eurozone politics, and slowed economic growth (Deloitte, 2019). The occupation costs for high street retailers in the UK has also been particularly high, whilst online sales as a percentage of total retail sales have surged at a staggering rate (Judith, 2019). These factors are breeding grounds for a significant retail shakeup, making the UK retail market a compelling context for research to examine relevant topics in the field of OCR.

The choice of sector. With a composite net profit margin of 6% and a return on assets composite of 7.8%, the apparel and accessories sector has been the most profitable product sector (Deloitte, 2019). The sector also enjoys rapid retail revenue growth, which resonates with the fact that fashion clothing, footwear and accessories are some of the most purchased product categories online (Statistica, 2020). However, the apparel and footwear sectors have been plagued with high e-commerce returns rate (e.g., typically 30–40%), as the non-digital attribute of the products and lenient returns policies lead to the phenomenon of 'wardrobing' (Reagon, 2019). The opportunities and challenges for the apparel and accessories sector fit greatly into the objective of this study.

The choice of company. As the second-largest fashion company in the UK, ***Next*** is one of the few to succeed with OCR. ***Next*** has been noted to overtake its more conspicuous counterparts quietly owing to its attractive product ranges and its strong, efficient and reliable online operations (The guardian, 2014). Even amid the COVID-19 pandemic, its sales have performed better than expected and increased 4% from July to September 2020 compared to the same period in 2019, driven by the increasing spending on staycation wardrobe updates and new home furnishings. This makes ***Next*** the biggest riser in the FTSE-100 (Financial Times Stock Exchange 100 Index) on Thursday 17 September 2020 (The guardian, 2020a). Its online sales in the 3rd quarter in the year of 2020 rose 23.1% and offset the 17.9% drop in its retail business (The guardian, 2020b). Being searched over 82 million times on Google between May 2018 and April 2019, ***Next*** is the most searched fashion brand in the UK (Imms, 2019). The success of ***Next*** in such a challenging retail landscape amid such difficult times makes it an appropriate case for our research purpose.

3.2 Data source and analysis

This case study collects data from various secondary sources (see Figure 1), as the increasing research attempts on OCR generate a number of real-life secondary data to support and facilitate exploratory research in this field (Saghiri et al., 2017). When

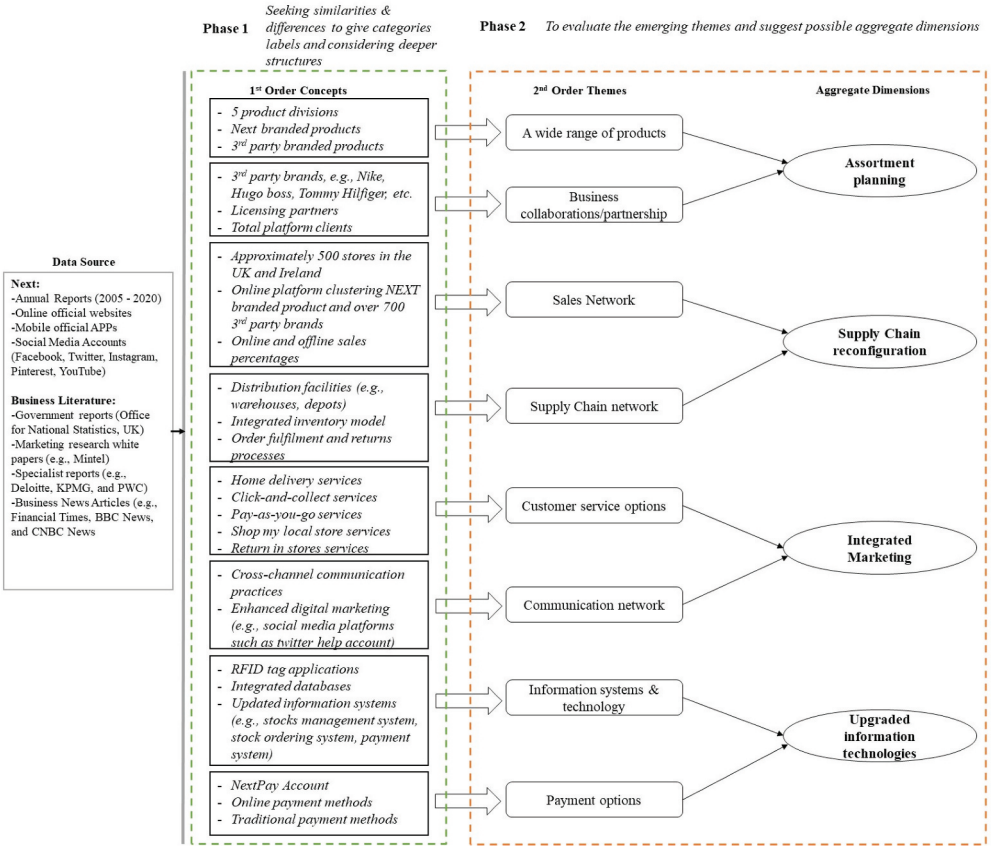

Figure 1. Illustration of data source and data analysis process for the study.

available, secondary data provide great supports for exploratory research given its objectivity (Calantone & Vickery, 2010). The variety of data sources assists triangulation and ensures the reliability of results (Eisenhardt & Graebner, 2007).

In terms of reasoning, our study mainly adopts the abductive approach, with certain inductive aspects, and such a combination enables us to make effective use of both empirical observations and professional judgment of general theories (i.e., SCRES and OIPT) to fulfil our research objective (Ketokivi & Choi, 2014). Figure 1 delineates the content analysis process performed (Montabon et al., 2007). We first carefully synthesise the massive amount of data collected and discern similarities and differences to categorise information into themes. We then scrupulously evaluate these themes, which suggests four aggregate dimensions of value chain redesign – assortment planning, supply chain reconfiguration, integrated marketing, and upgraded information technologies (IT). Such analysis allows us to focus our discussions on the four identified dimensions in Section 4.

4. Results

Our analysis reveals that ***Next*** has transformed its business model to embrace an OCR strategy in response to market innovations and trends and has consequently developed strong OCR capabilities. To capture the transformation and capability development process, we first present the company background and proceed with analysis on changes made by ***Next*** in its value proposition and value chain and discuss how such changes have enabled ***Next*** to deliver innovative value to customers and business partners with high cost efficiency.

4.1 Case background

Whilst continuing its root in brick-and-mortar retailing since its establishment in 1981, ***Next*** launched its directory for home shopping catalogue in 1988 after the acquisition of a mail-order company named Grattan plc. It later introduced its website in 1999 to combine online shopping for both catalogue and the internet (nextplc.co.uk). Specialised in fashion and home businesses, ***Next*** has primarily five product divisions: womenswear clothing, women's shoes and accessories, Menswear, childrenswear, and Home. The group has a network of approximately 500 stores in the UK and Ireland and online businesses serving approximately 70 countries globally (Figure 2). As customers spending has shifted from offline to online in recent years, revenue from ***Next*** online has overtaken that from traditional retail and the company has slowed down its physical store expansion correspondingly (Figure 3).

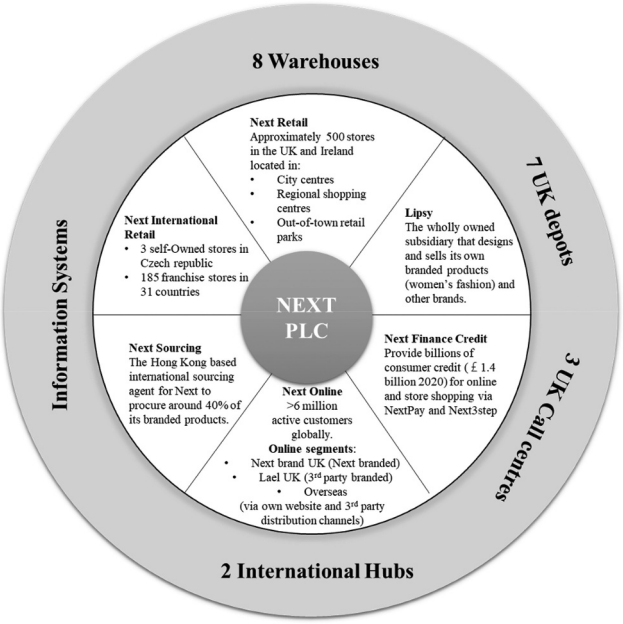

Figure 2. An overview of primary businesses of ***Next*** (Source: Next, 2020).

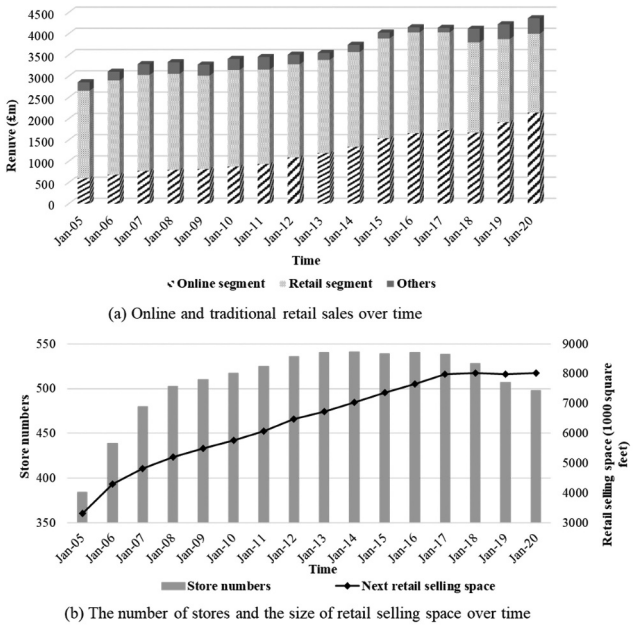

Figure 3. The structural shift of businesses in ***Next*** from traditional retail to online.

4.2 Value proposition design

Value proposition describes the offerings of an organisation as well as its value delivered to the targeted customer groups (Wiener et al., 2018). It plays a major role in strategy making and process implementation for an organisation on how to create and capture value (Teece, 2010; Xiao et al., 2021). An organisation's value proposition should be dynamic (and redesigned as a form of strategising) rather than static to actively respond to changes caused by uncertainties in the market (Antonopoulou & Begkos, 2020).

Next offers a wide range of well-designed, high-quality clothing and homeware products that are globally sourced and reasonably priced to customers. Since its founding, customers remain at the heart of ***Next***'s business. In today's highly competitive retail world, customers are exposed to a plethora of choices from different enterprises via different channels to fulfil their needs, which poses challenges for retailers to attract and retain customers and cultivate loyalty behaviours. Holding the view of 'if you cannot beat them, join them', ***Next*** has continuously developed its online channel to achieve online-offline integration for its own brand but also enable external brands including competitors to trade via their platform (Next, 2019).

Specifically, three initiatives have enhanced ***Next***'s resilience, i.e. Label, Licensing and Total Platform (Figure 4). The Label business aggregates more than 700 3rd party brands for clothing, home, sportswear, footwear, and beauty products that can reach more customers by selling products on ***Next***'s online platform using either wholesale or commission model (Next, 2019; Rozario, 2020). It allows ***Next*** to create more customer value with broader product assortments and potentially 'one-stop' shopping experiences while generating extra revenue streams from 3rd party brands using a commission model. The licensing business allows ***Next*** to combine its sourcing and quality control expertise

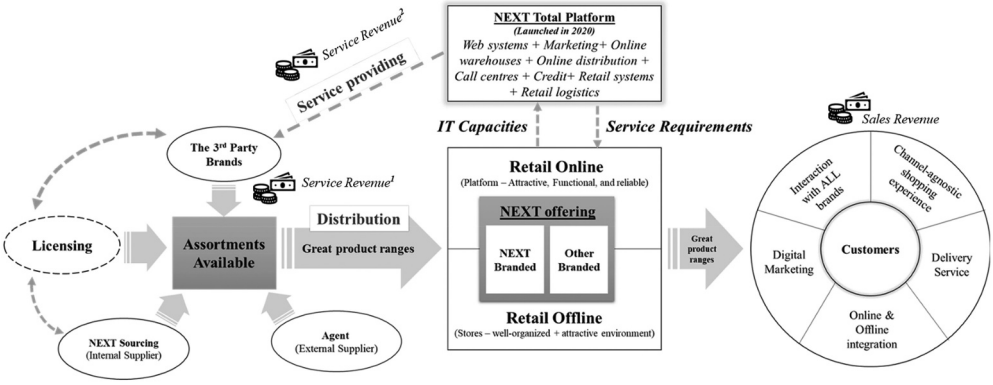

Figure 4. An overview of ***Next***'s value proposition.

with the design skills of partners to launch the so-called 'licenced products' (Next, 2020), which is expected to generate encouraging economic values. The Total Platform business offers 3rd party brands pay-as-you-go services (e.g., website system, retail logistics, information system) to operate online businesses without being burdened by the hefty investment and business management responsibilities.

These businesses diversify ***Next***'s portfolio and generate more revenue for the company to be more resilient amid disruptions such as the COVID-19. Also, they provide benefits to ***Next***'s brand partners who can expand their online businesses and reach more customers via either ***Next*** online platform (Label and Licensing) or its own website (The Total Platform service) without prohibitively expensive investment. Such reciprocal mechanism implies the sustainability of the value proposition design in ***Next*** for creating more value to customers and business partners whilst attaining more revenue from multiple streams to survive and thrive in the competitive and dynamic retail environment.

4.3 Redesign of the retail value chain

The changes in the value chain of ***Next*** in executing the OCR strategy can be classified under four critical retail functions, namely assortment planning, supply chain configuration, marketing, and information technologies. In the following sections, we discuss the changes in each of the four retail functions and illustrate how such changes have realigned the organisational capacity in ***Next*** with requirements from the retail environment and therefore pave the way for its success.

4.3.1 Assortment planning

The website of ***Next*** has transformed from a single brand site to an online platform clustering over 700 3rd party brands under its Label business (Next.co.uk, 2020). These 3rd party brands offer a breadth of products that can be substitutable (e.g., River Island for fashion clothing), complementary (e.g., Victoria's Secret and Calvin Klein for lingerie), and independent (e.g., Armani and Lancôme for beauty) for ***Next*** branded products. Additionally, the online platform allows ***Next*** to target 3rd party brands for collaboration in response to changing market trends. For example, regarding the strong sales growth in

the clothing subsectors of sportswear and menswear (Mintel, 2019; Office for National Statistics, 2020), ***Next*** is able to offer a broad assortment for these subsectors by collaborating with 3rd party brands such as Nike, Addidas, The Northface, Hugo Boss, Lacoste, Tommy Hilfiger, etc. As beauty products inject momentum into the growth of online sales, ***Next*** has extended beauty product lines via the acquisition of Fabled by Marie Claire (a premium beauty brand) in 2019 and the joint venture with L Brands to sell Victoria's Secret and Pink products (Lingerie and Beauty brands) in the UK and Ireland from 2021 (Next, 2020; Rozario, 2020). As customers desire personalisation, customised products are also available from its websites since 2017 (Next, 2018).

The online platform allows ***Next*** to satisfy customers' desire for a one-stop shopping experience via increasing the breadth and depth of its product assortments and to obtain opportunities for cross-selling and upselling and reaping an ever-widening customer base (Bijmolt et al., 2021). Meanwhile, the wealth of customer data gathered via its online platform can be analysed to optimise the assortment planning of its own branded products and the choice of the appropriate 3rd party brands partners, thus forming a virtuous cycle. The optimal assortment planning helps ***Next*** mollify the stagnant if not declining sales in its physical stores, strengthen its brand image and reach, and most importantly seize strong ownership of customer interface in its online platform for long-term strategic success (Reinartz, Wiegand and Imscholoss, 2019).

4.3.2 Supply chain reconfiguration

Figure 5 illustrates the supply chain configuration in ***Next*** for forward order fulfilment and backward returns handling. For order fulfilment, ***Next*** has adopted an integrated inventory model so that inventories from different stocking locations (e.g., retail stores and warehouses) are pooled together to fulfil demand from various channels. Warehouses have been leveraged to fulfil online orders as well as handling traditional store replenishment. For example, its Pontefract site in West Yorkshire, England, stocks and processes new collections for both conventional stores and online orders (career.next.co.uk). The role of conventional retail stores has been redefined to play an integral part of its online platform to facilitate channel integration. Most of its 500 ***Next*** stores are used as collection points in addition to a large number of Parcelshops across the UK for click-and-collect customers. Orders requesting store delivery service (i.e., deliver to stores for customer collection) account for approximately 43% of all online sales and represent 50% of the total number of online orders (Next, 2018). Whilst serving traditional walk-in customers, store inventories can be used to fulfil online orders for customers to collect in one hour (i.e., the 'Shop My Local Store' service), to be transferred to other stores with low inventory levels, and to be shipped directly to online customers when warehouses encounter stocks out (next.co.uk). When customers request items stocked in ***Next*** brand partners' warehouses (the Label business), such items can be delivered through ***Next*** logistics network and consolidated with other items in the same order, which ensures better service control and achieve cost savings from a reduced number of order shipments (Next, 2019).

For returns handling, Cross-channel synergy has also been exploited to ensure cost-efficiency whilst offering lenient returns policies (e.g., convenience and flexible returns options via stores or by post). ***Next*** employs its store network for returns handling and more than 80% of online returns are received from its retail stores. Resalable returns from stores are then shipped back to warehouses for further processing (e.g., repair) before

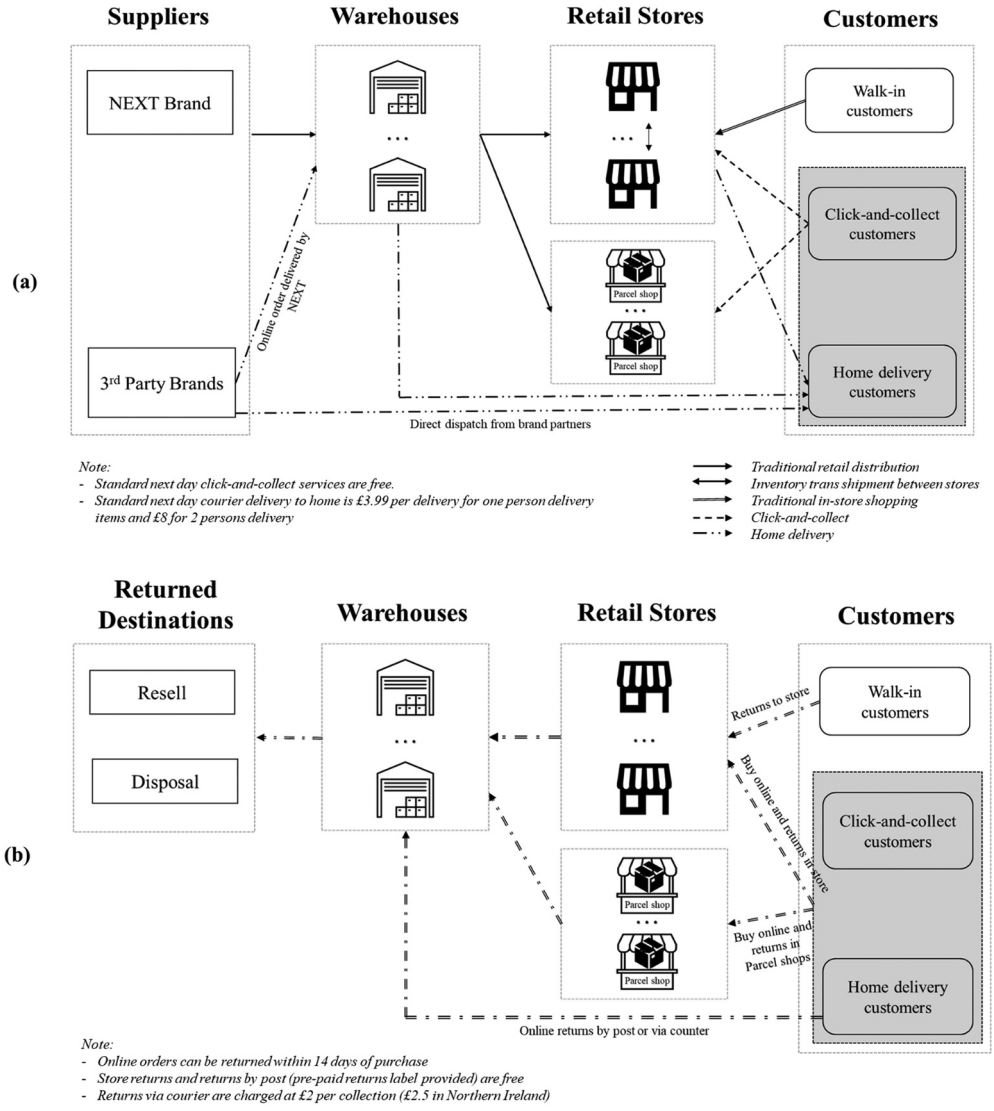

Figure 5. ***Next*** supply chain configuration: forward order fulfilment and delivery/collection services offered in (a), and backward returns handling and returns options offered in (b).

being dispatched to customers for resale. One innovation of ***Next*** in integrated returns handling is to use physical stores not just for collecting online orders but also for performing simple operations such as fold-and-pack so that returned products can be made ready for resale quickly (Next, 2019).

Another reflection on the redesign of ***Next*** supply chain is capacity management. In 2018, ***Next*** initiated a six-year programme to increase its warehouse and logistics capital expenditure in order to revamp up online capacity and throughput and boost operations productivity and accuracy (Next, 2020). A new automated returns storage and retrieval system has been installed and operational in one warehouse from February 2020 to handle online boxed items, which is expected to yield a 30% picking cost reduction

(Next, 2020). Capacity planning in ***Next*** is supported by continuous performance evaluation on its business operations across channels. A store portfolio test is conducted annually to ensure the profitability of stores under different scenarios and infer relevant decisions (e.g., store closure or expansion), taking into account the embedded value of retail stores in online businesses. Such vigilant capacity planning implies swift counteract to confront the mandatory closure and underutilisation of warehouse facilities amid the COVID-19 pandemic. Specifically, warehouses have been reorganised to increase health and safety after the shutdown and have been operating at approximately 60% of the normal capacity (Sword, 2020). Consequently, ***Next*** has reached a sale-and-leaseback agreement with a property investment company (Aviva) for its three warehouses in Yorkshire to stay resilient and keep its business afloat during COVID-19 (Walton, 2020).

The high degree of channel integration exhibited in ***Next*** supply chain configuration allows the company to adjust its capacity to meet customer needs for flexible, convenient and cheap (or free) delivery/collection and returns options and lenient returns policies (Accenture, 2019; Shang et al., 2017). Meanwhile, it leverages its supply chain network to offer services such as retail logistics to clients in Total Platform and Label businesses and therefore support its portfolio management. The continuous monitoring and adjustment in its capacity management also help ***Next*** to align its overall supply chain capacities with the requirements during times of rapid change and turmoil.

4.3.3 Integrated marketing

Next has significantly increased investment in its online marketing (Next, 2019), especially regarding the improvement of online platforms and selling processes. For example, it has recently launched a 'Website Modernisation' project to enhance customer purchasing experience by improving the resilience and speed of its website (Next, 2019). A subscription-based annual delivery pass called 'Next Unlimited' has been offered since 2017 for benefits such as the expansion of customer base, lock-in customers, and a steady stream of delivery income (Bijmolt et al., 2021). Such improvement of the online platform and selling process has been integrated with other marketing channels (e.g., social media platforms) to implement OCR and offer a seamless purchasing experience to its target customers. ***Next*** encourage customers to adopt the cross-channel services that tightly integrate onsite and online shopping experience (e.g., click-and-collect services in Figure 4 (a). Such services enhance the information flow across different marketing channels and allow ***Next*** to effectively create a unique customer information base.

Next's investment in online marketing also includes the improvement and integration of its seamless digital marketing communications such as search engines and web-based marketing tools (Next, 2019). Customers can straightly call the ***Next*** help team and enquire about the cross-channel delivery options via either a help box on the website or a Twitter help account available 24/7. The ease of communication contributes to the implementation of ***Next***'s OCR strategy and bolsters customers' seamless interactions with ***Next***.

4.3.4 Upgraded information technologies (IT)

Integrated information sharing across channels within the retail system and between the retailer and its business partners has been widely acknowledged as the backbone of the execution of OCR (Mirzabeiki & Saghiri, 2020; Saghiri et al., 2017). ***Next*** has been

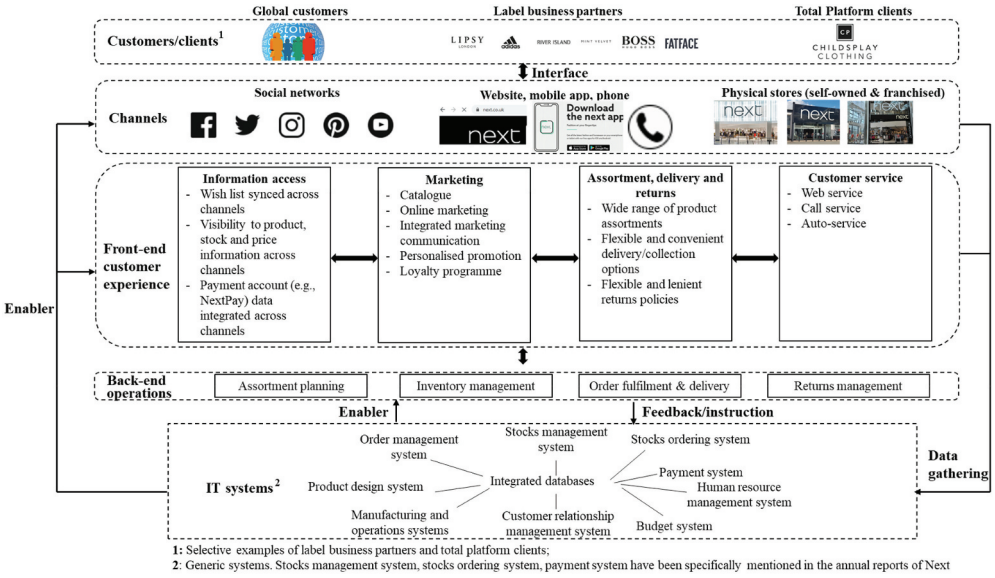

Figure 6. IT infrastructure as the backbone of ***Next***'s businesses.

developing its information systems to ensure channel integration that can be triggered by front-end customers and be controlled by back-end operations (Beck & Rygl, 2015). Front-end customers can access information on the product, stock availability and pricing across channels (e.g., research online to check stock availability in stores for click-and-collect). Wish lists are synced across different devices so that customers can switch smoothly from one channel to another during their shopping journeys. IT upgrade also allows customers to use their NextPay home shopping account (previously used online only) in stores to achieve integrated transactions across channels (Next, 2018). Naturally, only updated IT can render such a channel-agnostic shopping experience possible.

Renovating the IT systems and ensuring information sharing within the retail system have also availed ***Next*** of back-end operational efficiency. ***Next*** initiated an upheaval project on its IT infrastructures in 2014 and have been continuously developing its IT systems to update and replace existing legacy systems (Next, 2015; 2020). It launched a new stock ordering system for its online business to improve stock availability from 65% to 70% in 2017. RFID tags in physical stores have been introduced to facilitate the stock counting process and achieve a cost reduction of approximately £2 million per annum. With updated stock systems, ***Next*** now shares data with its brand partners who can directly manage their product stocks in ***Next***'s warehouses and onto its website (Next, 2018). Synergetic benefits from cross-channel order fulfilment and returns handling cannot be exploited without the support of optimised IT systems. Besides, its IT capabilities have empowered ***Next*** to develop new businesses such as the Total Platform and redesign its value proposition for a more robust business portfolio. In other words, updating and optimising the IT systems accordingly enables ***Next*** to adjust its capacity to better cope with the changing retail environment by expanding its business portfolio, satisfying customers with omni-channel shopping experiences, and achieving cost efficiency in the back-end operations (Figure 6).

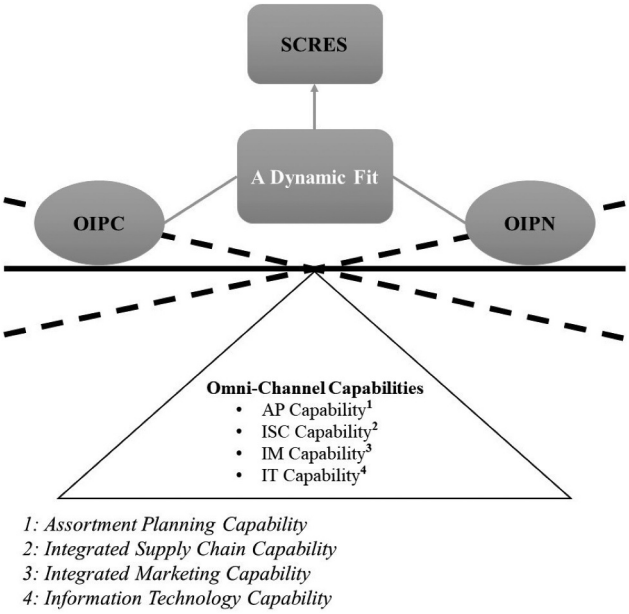

Figure 7. Conceptual framework.

5. Discussions

Driven by the market trends and bolstered by its strong organisational capabilities, ***Next*** has transformed its business model to embrace an OCR strategy through managing its OIPC. Consequently, the company is able to exhibit a high level of SCRES during the current challenging environment and achieve impressive business performance whilst other businesses have been dwindling. Figure 7 shows the conceptual framework developed from the key findings of our study.

5.1 Onmi-channel integration capabilities

Transiting successfully from a single- or multi-channel strategy to an omni-channel strategy is very challenging, as businesses need to adjust and align organisational capabilities, infrastructure, and processes to operate the retail system with multiple channels effectively and efficiently (Hübner, Wollenburg and Holzapfel., 2016; Saghiri et al., 2017). Our content analysis results illustrate that the successful execution of OCR in ***Next*** is enabled by its strong capabilities, including the assortment planning capability, integrated supply chain capability, integrated marketing capability, and IT capability.

The pursuit of an OCR strategy has prompted ***Next*** to optimise its assortment planning, particularly via its online platform to increase the depth and width of products available to customers. Taking a customer-centric standpoint, ***Next*** has diversified itself to initiate the Label business to offer more appealing product ranges by partnering with carefully selected 3rd party brands in response to the shifting customer expectations, whilst optimising its own branded product design with rich customer knowledge. Its assortment planning capability facilitates the delivery of a 'one-stop' shopping experience to

customers and allows the company to respond quickly to changes via flexibly adjusting the product offerings. Integrated supply chain capability plays a pivotal role in delivering seamless and channel-agnostic shopping experiences to customers and developing new businesses for a robust portfolio to be more resilient. ***Next*** has reconfigured its supply chain for channel coordination and cooperation so that flexible and convenient front-end customer services can be guaranteed and back-end operations efficiency can be obtained, thus strengthening its OCR capabilities. Integrated marketing contributes to OCR efficiency by understanding and effectively managing consumer demand. The endeavour to achieve integrated marketing enables the sharing and synthesising of information across multiple channels, thus increasing ***Next***'s capacity to process sophisticated customer data. Lastly, IT capability is the cornerstone of the OCR strategy as it supports the development of ***Next***'s overall OCR capabilities ranging from assortment planning to integrated marketing. Based on the potential role of these four types of organisational capabilities, we propose:

Proposition 1. Assortment planning capability, integrated supply chain capability, integrated marketing capability, and IT capability are foundational capabilities of a successful OCR strategy.

5.2 Omni-channel integration capabilities and the dynamic fit between OIPC and OIPN

The OIPT posits that given an open system, organisations and supply chains are subject to various disruptions/uncertainties introduced by the external environment (Wong et al., 2020). Therefore, it is crucial to have a buffer capacity to respond to these disruptions. Ideally, a dynamic fit can be maintained between the OIPC and OIPN so that companies can cope with any unexpected disruptions while avoiding unnecessary expenses at the same time. Our in-depth case study on ***Next*** suggests that the OCR strategy, collectively supported by the four foundational capabilities discussed above, can act as an effective 'stabilising mechanism' (Wong et al., 2020) that helps organisations to achieve the OIPC-OIPN fit.

The high degree of integration across multiple channels manifested in an OCR strategy is a buffer resource that can be flexibly employed for various purposes when needed. When the business environment is relatively stable and predictable, this buffer is used for ordinary value-adding activities such as fulfilling customer needs for blended online-offline shopping experiences flexibly. However, in turbulent situations, such as the COVID-19 pandemic associated with movement restrictions and unpredictable lockdown policies, ***Next*** can use this buffer to handle the rising home deliveries and click-and-collect demand. Such buffer resource is not underutilised in stable situations and can be quickly mobilised to shield the business from disruptions in turbulent situations. Therefore, the OCR strategy is the key to maintaining a dynamic fit between OIPC and OIPN. Further, omni-channel capabilities meet the criteria of 'organisational flexibility' defined by Srinivasan and Swink (2018), which proves to be of crucial importance in helping companies generate quicker and better solutions to challenges and enhance performance. Therefore, we propose:

Proposition 2. A successful OCR strategy contributes to the dynamic fit between OIPC and OIPN.

5.3 Omni-channel integration capabilities and SCRES

Next's omni-channel integration capabilities have allowed the company to be better prepared for changes and respond rapidly to shifting customer demands, e.g., the surging online shopping demand during the COVID-19 pandemic (Yohn, 2020). Due to its persevering efforts to implement the OCR strategy (e.g., by continuously enhancing the online platform), ***Next*** has strengthened its online businesses significantly, which compensates to some degree for the loss from traditional retail stores (Next, 2020). ***Next***'s OCR strategy enables the effective resource allocation that best captures and satisfies customers' requirements, and its online businesses become even stronger than they were before the pandemic, and this is what a resilient organisation or supply chain is able to achieve (Kamalahmadi & Parast, 2016). More importantly, ***Next***'s omni-channel capabilities have enabled the company to achieve SCRES without unnecessarily hefty investments, and this cost efficiency contributes to the competitive advantage. Thus, we propose:

Proposition 3. A successful OCR strategy, supported by omni-channel integration capabilities, is positively related to SCRES through the mechanism of a dynamic OIPC-OIPN fit.

5.4. Theoretical and practical contributions

Our results analysis and discussions suggest a number of theoretical and practical implications. From a theoretical perspective, our study mainly contributes to the OCR and SCRES literature. Existing OCR literature has focused on enablers and challenges of implementing OCR strategy, as well as the expected benefits to the implementing organisation (Lee et al., 2019; Mirzabeiki & Saghiri, 2020; Pauwels & Neslin, 2015). However, the effect of environmental turbulence has been largely overlooked. This study, motivated by the distinguishingly strong performance of ***Next*** during the global pandemic, is among the pioneers to extend our understanding of the outcomes of a successful OCR strategy. In addition to the more widely proven financial and business benefits (Cao & Li, 2015; Fornari et al., 2016), our findings suggest enhanced SCRES as an intangible benefit of OCR, which is crucial for organisations and supply chains to survive disruptions and recover from them more promptly with less harm than competitors. Further, through an in-depth case study, our study also identifies four foundational capabilities which collectively support the successful implementation of OCR strategy and achieve higher levels of resilience. On the other hand, SCRES literature has emphasised the pivotal role of a buffer for a resilient supply chain (Wong et al., 2020). However, despite the potential fit into the context, effective OCR strategy as a buffer in distribution and channel management has not been investigated. This becomes increasingly crucial during the pandemic and the post-pandemic era as convenience, choice and value for money are predicted to be the top factors that consumers will consider when making purchasing decisions (Hobbs, 2020). Through the lens of OIPT, our study sheds light on

how a well-executed OCR strategy can improve the implementing firm's SCRES by effectively maintaining a dynamic OIPC-OIPN fit and satisfy the changing consumer needs.

For practitioners, our case study provides a transformational map of a successful yet underresearched company (***Next***) to embrace OCR and describes how this company wields its OCR strategy to seek success amid the retail apocalypse. Our study therefore identifies and shares great practices and gives decision-makers insights and references to contemplate their retail channel strategies. This is particularly pertinent and helpful as the retail landscape has compelled many businesses to implement the basic levels of omni-channel systems (Mirzabeiki & Saghiri, 2020).

6. Conclusions, limitations, and future research

Through an in-depth case study on a leading British fashion retailer, ***Next***, our research underlines the critical role and mechanism of OCR strategies in cultivating business success. Specifically, we develop three propositions and a conceptual framework to delineate how OCR strategies can be wielded to obtain SCRES by retaining a dynamic fit between OIPC and OIPN. This is one of the first studies to understand OCR strategies from a capabilities perspective and identify the key foundational capabilities that support a successful OCR strategy. Our study paves the way for future capabilities and OCR research that aspires to fully conceptualise and operationalise the constructs of OCR capabilities. Further, our results suggest that SCRES can be an important intangible performance outcome of a well-executed OCR strategy. Such theoretical postulation presents novel perspectives that fit perfectly with the current global turbulence caused by the COVID-19 pandemic. Lastly, using the theoretical lens of the OIPT, our results highlight the role of OCR capability in helping focal companies to achieve a dynamic fit between OIPC and OIPN, maintaining responsiveness, flexibility, and cost efficiency simultaneously.

Despite the valuable research findings, this study is not without limitations. First, we use a single case and publically available data which may limit the generalisability of results. Future studies can develop this line of research by increasing the sample size either qualitatively or quantitatively and expanding sources of data (e.g., combining primary and archival data). Second, our study targets a successful case in a developed country where most prior studies were conducted. Future studies are encouraged to examine other contexts such as the emerging economies and developing countries with account for contextual factors.

Disclosure statement

There are no relevant financial or non-financial competing interests among the authors.

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