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Planning and implementing an effective omnichannel marketing program

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Abstract

Purpose – The purpose of this paper is to analyze differences between multichannel and omnichannel marketing, describe the advantages of omnichannel marketing and explain how retailers can best transition from multichannel marketing to omnichannel marketing.

Design/methodology/approach – The paper's findings are based on a systemic review of the literature of academic studies, research-based studies by major consulting firms and case study reports of effective omnichannel retailers. The approach used is managerial and strategic.

Findings – Four stages are identified between a pure multichannel and a pure omnichannel marketing strategy. This multistage approach enables a firm to determine its current position, to view the gaps in its strategy in moving to the next level and to develop appropriate actions to move to the next higher level. This paper also identifies barriers to a firm implementing an omnichannel marketing strategy and describes how these barriers can be overcome.

Practical implications – This paper describes the advantages associated with omnichannel marketing and discusses a strategy to transition to omnichannel marketing. Barriers to adopting omnichannel marketing and how they can be overcome are analyzed.

Originality/value – This study makes a number of contributions to the literature on omnichannel marketing. It sets forth specific criteria for firms to determine their present stage on the multichannel marketing to omnichannel marketing hierarchy. This strategic approach provides firms with a roadmap to planning and implementing an omnichannel marketing orientation. The paper concludes with directions for future research and managerial implications and conclusions.

Keywords Retailing, Online, Omnichannel, Channels, Touchpoints, Multichannel, Consumer purchase journey, M-marketing, Brick-and-Mortar

Paper type General review

Introduction

Omnichannel marketing is generally contrasted with multichannel marketing. Table I outlines major differences between each of these approaches based on two dimensions: company strategy and consumer behavior. Strategy-based differences are based on the organization's channel-based objectives, the uniformity of messages across devices and channels, the distinction between the physical and online store, the use of simple vs multiple touchpoints, the organization format and the degree to which customer and inventory databases are unified across channels. Consumer behavior-based differences involve: the consumer purchase journey design (uniform vs different and linear vs non-linear), the place of purchase vs the location of pickup and return and the degree of effort a consumer needs to undertake as he/she moves across channels and devices. The large number of differences between multichannel and omnichannel marketing signifies the complexity and multidimensional aspect of omnichannel marketing. It also suggests that a firm can be either at the beginning, intermediate or final stages of adopting an omnichannel marketing strategy.

Changes in consumer behavior, as well as new technologies, have fostered the transition from multichannel to omnichannel marketing. Consumer behavior-related changes include the increased adoption of mobile devices, the extensive use of social media and the popularity of related software (apps, mobile payments and E-coupons). Key technological

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Table I. Key differences between multichannel and omnichannel marketing

Comparative criteria	Multichannel marketing	Omnichannel marketing
Strategy-based differences		
Channel or total firm-based objectives	Focuses on maximizing the performance of a specific channel	Focuses on maximizing a retailer's total performance
Uniformity of message across channels and devices	Does not have a consistent message across all touchpoints	Customers receive a uniform message across channels and devices
Clarity of distinction between the physical and online store	Assumes a division between the physical stores and online facilities exists	There is a smooth and seamless customer experience regardless of the combination of channels and devices used
Role of smartphones, mobile apps and social media	Assumes that the consumer search and purchase behavior is primarily limited to personal computers and in-store facilities	Broadens consumer search and purchase options to include smartphones, mobile apps, tablets, networked appliances and social media. Customers can use multiple touchpoints in a single purchase
Organization format: silo vs integrated	Organized on the basis of silos, with separate organizations, goals, and budgets for online and in-store marketing activities. Each channel is managed independently	A single executive is responsible for merchandising for all channels and devices
Degree of unification of customer and inventory databases throughout the organization	Seeks some cross-functional alignment between store and online. Each channel may sell different products and brands. Each channel has a separate customer and inventory database	Requires a high degree of unification across customer and inventory databases. Markets the same products and brands across all channels. The customer and inventory databases are common across channels
Uniformity of supply chains across channels	Each channel has a separate supply chain	Orders from multiple channels are fulfilled using a common supply chain
Consumer behavior-based differences		
Uniform vs different consumer purchase journeys	Assumes that the consumer purchase journey is similar across customers within a given target audience	Assumes that consumers can have very different purchase journeys. Different purchase journey paths can indicate opportunities to appeal to different target audiences
Linear vs a non-linear purchase journey	Assumes that a traditional sales funnel exists consisting of awareness, search behavior, purchase, and post-purchase behaviors	Assumes that consumers use multiple channels and touchpoints: computers, smartphones, tablets, social media, and in-store experiences at the same point in time. Consumers can employ a non-linear purchase journey by rethinking a purchase option after reviewing online resources
Place of purchase, pickup and return: uniform vs varied	Assumes that the place of purchase, pickup and product return is the same	Consumers have options to purchase, deliver/pickup and return goods through any medium or channel. They could purchase a good via a tablet, have it shipped to their home, and then return it to a nearby store
Ease of movement across channels and devices	Requires a significant effort by consumers as they go from channel to channel	Seeks to minimize the effort customers undertake as they go from channel to channel. Examples include a store's online site showing inventory levels and aisle location at a local store, and allowing an online customer to return an online purchase at a store

developments that have expanded the use of omnichannel marketing include e-valets (software that stores a customer's name, address, and payment information), location-based services (geofencing and iBeacons), virtual mirror-fitting rooms (virtual try-on mirrors) and QR codes (Piotrowicz and Cuthbertson, 2014).

Omnichannel marketing recognizes that consumers often channel hop within a given transaction among retail stores, computer, smartphones, tablets, in-store kiosks and social media sites. These different channels and touchpoints are used constantly, interchangeably and simultaneously by both customers and firms (Verhoef *et al.*, 2015). In omnichannel marketing, customers can use different combinations of channels and devices at each stage of their purchase journey: initial product discovery, information research, purchase, payment, order fulfillment and product return. In one possible purchase journey, a consumer can use a tablet to preview a product, a computer with multiple screens to obtain product and competitive information, a smartphone to check the latest prices and make a credit card payment whilst in a store and then arrange for pickup and/or return, as well as product instruction at a local store.

A common example of channel hopping is "research shopping" wherein a consumer searches for a good in an online channel and then purchases the good in a store environment (Verhoef *et al.*, 2007). Another common practice is showrooming when consumers view the product in the store, search for the best price online (often using the store's WiFi) and then to ask the retailer to match the price of the other (online or store-based) retailer (Gustafson, 2014).

The following list summarizes retailer-based synergies associated with omnichannel marketing. These include access issues, product information capabilities, cross-selling opportunities and logistical economies:

(1) Access issues:
- enables store pickup for online and mobile purchases at reduced delivery charges;
- allows in-store return capability for online sale purchases;
- notifies online customers of new store openings, events, sales, etc., in their area;
- enables web and mobile customers to reserve goods for in-store pickup;
- provides store aisle location for online and mobile shoppers through iBeacons; and
- enumerates nearest store locations, store hours and directions on websites based on a customer's location provided by location-based apps via geofencing.

(2) Product information capabilities:
- offers free in-store WiFi to make it easier for customers and retail salespeople to acquire additional product-based information; and
- helps salespeople suggest niche products using online and mobile channels and devices that could not be profitably stocked in the store.

(3) Cross-selling opportunities:
- provides online coupons to consumers with high store but low online purchases;
- gives store-based coupons to high online but low store users;
- provides store inventory in-stock status for online and mobile shoppers;
- sends store-based customers highly targeted e-mails for selected goods and services based on past purchases;
- provides opt-in customers targeted in-store e-mails (on product characteristics or special sales) to their mobile device using iBeacons;

- uses mobile coupons applicable to store-based purchases;
- equips store personnel with iPads to show customers merchandise not available in the store; and
- includes a store's weekly circulars and coupon offerings on tablets and mobile devices.

(4) Logistical economies:

- increases bargaining power through common buying across channels;
- enables lower inventory investment and risk due to using drop shipping for selected goods in select channels; and
- ships web- and mobile-based purchases from the closest store, resulting in reduced warehouse expenses and faster shipping.

Whilst this paper focuses on omnichannel marketing in a retail context, omnichannel marketing is also applicable to manufacturers and service providers. Through analyzing the consumer purchase journey, a manufacturer can determine the appropriate content, as well as emphasis in each channel and device-based promotion. Opportunities for cooperative promotions with retailers can also be better evaluated. A firm such as Procter & Gamble can determine the relative value of a freestanding insert coupon for Tide detergent, a digital coupon that is transmitted whilst a consumer is in the detergent aisle, or a Dash button that enables a consumer to order the detergent by pressing a thumb drive-sized device next to his/her washing machine. Each option has a different price-convenience mix and entails a different purchase journey.

Service-based organizations have also embraced omnichannel marketing. Whilst Weight Watchers continues to offer its clients the ability to interact via traditional methods such as meetings and information sessions, it has also expanded to providing services to its clients via apps, personal 24/7 online chat support, e-mail and unlimited one-to-one phone sessions. Weight Watchers offers clients tiered overlapping options (e.g. OnlinePlus, Meetings, Coaching).

This paper provides retailers with a detailed roadmap to planning and implementing an effective omnichannel marketing orientation. Utilizing academic research, data-based consulting reports of major consulting firms and case studies, this paper identifies four stages between a pure multichannel and a pure omnichannel marketing strategy. This four-stage model enables retailers to identify the stage they are currently operating, view gaps between their current and desired level of channel integration and develop and implement the necessary strategic initiatives to move a higher level.

Literature review

There has been a paucity of academic literature on omnichannel marketing. One possible reason for the low volume of academic research is that this subject spans distribution, IT, marketing and organization behavior disciplines. One study attributes the shortage of empirical studies across multiple touchpoints to the lack of data availability (Baxendale *et al.,* 2015). Another study (Beck and Rygl, 2015) attributes the limited research to the lack of consensus among academics as to where multichannel begins and ends. It has also been argued that the movement from multichannel marketing to omnichannel marketing retailing needs to be better conceptualized (Verhoef *et al.,* 2015).

The academic research relating to omnichannel marketing can be categorized according to several themes: channel integration, mobile solutions, the role of social media, the changing role of the store, diverse customer requirements, personalization vs privacy and supply chain redesign (Piotrowicz and Cuthbertson, 2014). One study (Verhoef *et al.*, 2015) greatly contributed to the discussion of omnichannel marketing as an emerging area of research distinct from multichannel marketing. The authors developed two matrices to differentiate between multichannel and omnichannel marketing strategies. The first, a 6×2 matrix, highlights differences between multichannel marketing and omnichannel marketing for channel management issues (focus, scope, exclusivity, customer relationship, etc.). The second, a 3×2 matrix, depicts axes of research themes (performance/customer behavior/retail mix) and channel paradigm (multichannel vs omnichannel) for categorizing research. In the matrix, highlighting research themes developed by Verhoef *et al.* (2015), there were cells that were either empty or where only a single article was listed indicating that the study of the evolution from multichannel to omnichannel marketing is a nascent field of research. Whilst Verhoef *et al.*'s (2015) 3×2 and 6×2 matrices are easily interpreted, another approach would be to present a matrix with research streams or managerial issues on one axis and the four levels of the continuum identified in this research on the other axis.

This paper divides the literature review into two separate sections: a discussion of the advantages associated with a multiple channel-based strategy and a summary of the gap between customer expectations and retailer performance. The first grouping of studies identifies the payoffs associated with use of multiple channel-based strategies. Without sufficient quantifiable benefits, the costs of channel integration could not be justified. The second literature section depicts the gaps between consumer expectations and retailer omnichannel performance. This sets the stage for the last part of the paper that identifies programs to overcome channel integration issues. Whilst other areas of omnichannel research have been conducted, our literature review is focused on these two areas.

Advantages associated with an omnichannel marketing strategy

Cao and Li (2015) identified four mechanisms by which cross-channel integration affects a firm's sales growth: improved trust, increased customer loyalty, higher customer conversion rates and greater opportunities in cross-selling.

A study of 24,000 shoppers concluded that a retailer's multiple-channel shoppers are more valuable than single-channel shoppers on multiple counts. After controlling for store experience, omnichannel shoppers spend an average of 4 percent more than single-channel shoppers in the store and 10 percent more online. In addition, in-store shopper spending increased with every additional channel used. Customers who used four or more channels spent 9 percent more in-store than single-channel users. Omnichannel shoppers were also found to be more loyal, had 23 percent more repeat shopping trips to the retailer's stores within six months and were more likely to recommend the brand to friends and family than single-channel users (Sopadjieva *et al.*, 2017). Earlier studies also found that consumers who shopped at multiple channels spend more than single-channel shoppers (Berman and Thelen, 2004).

A Deloitte study of the UK women's dress market and the German appliance market (based on a sample of 1,000 adults in the UK aged 16–75 and 1,000 adults in Germany aged 16–70) found that a retailer's presence across channels increases both store and total sales. Approximately 95% of the non-store sales were incremental to store sales. This study also reported that the average value of goods purchased in-store with online research prior to purchase was 55 percent higher than for purchases made solely in store-based purchase paths. Up to 63 percent of shoppers used multiple channels when making an order over £100. Those shoppers who shopped online at least once per week were 30 percent more likely than less frequent shoppers to do online research. This heavy usage group of consumers accounts for up to 70 percent of retail spending (Giddes *et al.*, 2014).

Another study (Herhausen *et al.*, 2015) found that channel integration generates additional sales from customers in integrated internet stores that would otherwise go to non-integrated and competing online stores. In addition to the increased sales levels, this report also determined that, as a result of channel integration, customers were willing to pay 28 percent higher prices for flip-flops and 35 percent more for sunglasses.

A study of 1,478 French consumers of a multichannel retailer found that a retailer's overall image improves on the basis of high consumer-perceived congruence between its online presences and stores (Bezes, 2013). This study found that despite buyers' channel preference (i.e. online buyers, multichannel buyers and offline buyers), their perception of the retailer's overall image was positively influenced by their percipience of the online image. Retailers need to be aware that even if a customer values one channel another congruence among channels boosts a retailer's credibility and appeal (Bezes, 2013).

Several studies found some mixed results associated with omnichannel marketing strategies. One study found that greater online – offline channel integration results in an increased competitive position and channel effects (Herhausen *et al.*, 2015). The ability to properly thrive in an omnichannel marketing environment means that salespersons need to be more efficient in their jobs in order to prevent showrooming (Rapp *et al.*, 2015). It has become too easy in today's world for consumers to use the store as a showroom then purchase online from the same or another retailer. This can be combated by increasing the skills, technical/sales/administrative, of the sales force found in the retail outlet.

Cao and Li (2015) studied 71 publicly traded US retail firms from 2008 to 2011. The study's main finding was a positive influence on cross-channel integration on a firm's sales growth. An additional finding was that retail firms with a stronger focus on a specific channel benefit less from an omnichannel marketing strategy. The authors explain this phenomenon by arguing that strong brand awareness has already reduced the risk of a customer's purchasing from a new channel. Another explanation is that customers may be reluctant to switch to a new channel when they are already familiar with an existing channel. Melis *et al.* (2015) found that whether the addition of an online presence to a store-based retailer increases sales and share of wallet is influenced by the type of product and consumer segment.

The research findings suggest that some of the potential rewards of an effective omnichannel marketing strategy include additional spending by consumers, greater loyalty, the ability to charge higher prices and an improved image. These benefits may be moderated by brand/store image and the quality of a retailer's in-store sales support. Whilst these studies looked at cross-channel integration, each study had used different definitions of channel integration. As the authors of this paper will later discuss, there are multiple degrees of channel integration. Using a different definition of channel integration levels could result in a very different overall research finding.

Customer expectations and retailer performance in channel integration

This section looks at whether a gap exists in customer expectations vs retailer performance. Despite the demonstrated value of an omnichannel marketing-based strategy to retailers, studies have reported significant gaps between customer expectations and retailer performance in channel integration. The presence of a gap sets the stage for the balance of the paper that examines retailer-based strategies to overcome channel integration issues.

According to one study, the most difficult task to achieving an omnichannel marketing strategy is identifying the impending challenges and prioritizing them. This task includes, but is not limited to, tearing down walls between departments, integrating the retail mix across channels and initiating a climate that welcomes change. These researchers found that whilst these challenges may have seen insurmountable, they are necessary to maintaining a consistent brand image among customers (Picot-Coupey *et al.*, 2016).

A Forrester Research study (based on a sample of 256 US and European retail and manufacturing decision makers and 1,053 multichannel shoppers) found that whilst 71 percent of respondents expect to be able to view in-store inventory online, and half of all consumers cited store pickup options as important or very important to online shoppers, only one-third of the retailers surveyed have operationalized even the basics of store pickup, cross-channel inventory visibility and store-based fulfillment available. This study cited internal technological challenges, organization silos and poor operation execution as barriers to the successful implementation of omnichannel marketing. Only 6 percent of the executives surveyed reported no significant barriers to their firm having an integrated omnichannel marketing strategy.

Similar results were found in a Retail Systems Research's (RSR) "Retail Insight" study. This report found that whilst omnichannel marketing is top of mind with retail executives, 94 percent of e-retailers have not yet executed omnichannel marketing strategies (Schaeffer, 2015). According to a vice president and principal analyst at Forrester Research, only 3 percent of companies can start a customer interaction on one channel and move it to another channel in a seamless manner (Klie, 2016).

The initial section of this paper was designed to differentiate between multichannel marketing and omnichannel marketing strategies, establish the advantages associated with an omnichannel marketing strategy and demonstrate that a gap exists between customer expectations and retailer performance in channel integration. The balance of this paper focuses on developing and implementing strategies to overcome channel and device integration problems. The following list provides an outline of significant contributions to the literature that outline the various stages, levels and categories that have been identified to exist along multichannel, cross-channel and omnichannel marketing strategies.

The omnichannel four-stage research literature review follows:

(1) Strang (2013) differentiated among four levels in the multichannel marketing to omnichannel marketing transition: crawl, walk, walk to run and run to sprint:

- Crawl: while store and online channels are separate, consumers may be able to buy online and pick up goods in the store. However, store pickup is challenging.
- Walk: the retail system can accommodate buy online-ship from store; buy at store, ship from distribution center; and buy at store, ship from different store.
- Run: consumers can buy and return from anywhere. The customer database is unified to reflect purchases via any device or channel. Next and same-day delivery are accommodated.
- Sprint: retailers focus on improving the customer experience and on optimizing supply chain operations.

(2) Cao and Li (2015) classified cross-channel integration into four levels: silo, minimal integration, moderate integration and full integration:

- Silo: pricing, branding, assortment and service levels differ by channel.
- Minimal integration: consistency in brand and marketing message across channels.
- Moderate integration: consumers can by online and pickup as well as return in-store. Online customers can browse in-store inventory.
- Full integration: aligned services, promotion, price and loyalty programs across channels. Integration of logistics and information systems across channels. Incentive system linked to both online and in-store sales.

(3) Beck and Rygl (2015) distinguished among multichannel, cross-channel and omnichannel marketing retailing, with two categories for multichannel marketing, four categories for cross-channel and two categories for omnichannel marketing:

- Multichannel categories I and II: there is no integration among channels. Customer, pricing and inventory data are not shared across channels.

- Cross-channel Categories III and IV: customers can return merchandise purchased online to a retail store. Mobile coupons can be redeemed in retail stores. Customer, pricing and inventory data are shared across channels.
- Cross-channel Categories V and VI: often called cross-channel retailing. There is full integration of at least two, but not all channels.
- Omnichannel Categories VII and VIII: there is full interaction and integration across all channels from both a customer and retailer perspective.

Methodology for analysis

The previous sections provided a description of the existing literature offering an assessment of the "state" of omnichannel marketing strategies adopted by retailers. A systematic review approach was adopted for analyzing and categorizing the literature for outlining strategies that retailers can employ to overcome the issues with adopting an omnichannel marketing strategy. Systematic reviews may not necessarily involve the same level of statistical analysis of a meta-analysis, nor are they adopted for the purpose of building strategy as with a grounded theory approach, but they do involve a rigorous review of germane and pertinent literature. In accordance with a systematic review approach, the relevant literature were analyzed, combined and categorized into themes. The subsequent section offers strategies for dealing with channel integration issues in addition to identifying and eliminating impediments to channel integration.

Strategies to overcome integration issues

A study of retailers found that the most significant inhibitors to adopting an omnichannel strategy were: a firm's not having a single view of consumers across channels, lack of integration of inventory and order management across channels, difficulty in changing and adapting current store systems to an omnichannel marketing strategy and mismatched metrics and incentives (Rosenblum and Kilcourse, 2013).

Significant impediments to implementing these changes exist in many retail firms. One consultant argues that barriers to adopting an omnichannel marketing strategy include: retail executives who are "shockingly subpar in computer literacy," retailers with a "technophobic culture" and the difficulty in attracting professionals with the appropriate computer skills (Rigby, 2011).

The first step in developing an omnichannel marketing strategy is to identify a firm's current degree of channel integration. This process enables a retailer to identify specific gaps between its current and desired stage, and to develop specialized programs to close these gaps. One study reported that a firm's omnichannel marketing capability can be assessed through four criteria: the extent to which customers are put at the heart of the experience, the ability for customers to access consistent pricing, promotions and customer service across channels, the breadth of the retailers' delivery and return options and a retailer's ability to employ technology for collectively utilizing data from each channel to create a unified view of its customers (Bacon, 2015).

Channel integration activities can be either initiated by the customer or controlled by the retailer (Beck and Rygl, 2015). Examples of channel integration initiated by customers include: the ability of a customer to online access whilst in-store to verify a product's reviews, and the ability to return an item at a store regardless where it is purchased. These activities may not be encouraged by the retailer but undertaken by the enterprising nature of some consumers. Activities controlled by the retailer include: customer, pricing and inventory data integration across all channels, and consistency of merchandise across all channels.

A study of 62 leading European multichannel retailers of fashion, electronics and household goods found that the most common channel integration activities are efficient dealer search (used by 19 percent of these retailers), the ability to check product availability in the store via the internet (34 percent), being able to reserve products online in the physical store (25 percent) and to return products purchased online at the store level (15 percent) (Herhausen *et al.*, 2015). This study may overstate a retailer's degree of channel integration as these criteria are measured individually, not collectively.

Figure 1 depicts the transition from a multichannel to an omnichannel marketing strategy as a four-stage process. The multistage process recognizes that not every firm starts from or seeks the same goal. This model recognizes that retailers cannot quickly or easily jump more than one level at a time, despite additional resources. Finally, the multilevel pathway enables a retailer to focus on specific activities that need to be implemented as it progresses to a higher stage.

The multistage model stage process is adapted from Cao and Li (2015), Beck and Rygl (2015) and Strang (2013). See "Omnichannel four-stage research literature review" for a review of these studies. This paper's findings are consistent with the research by Zhang *et al.* (2010) and Chaffey (2010) that suggests that most retailers should utilize a stage-of-adoption model to develop their omnichannel marketing strategy on a step-by-step basis. This model is also in line with the research that suggests that cross-channel integration can range from a complete separation of channels to full coordination (Yan *et al.*, 2010).

The first stage in the development of an omnichannel marketing strategy (refer to "Omnichannel four-stage research literature review") is the identification of a firm's current level of channel integration. A Level 1 stage of channel integration corresponds to a firm's having a siloed multichannel marketing program. Whilst retailers sell goods and services through multiple channels in this stage, each channel's marketing program is independently planned and implemented. In this stage multichannel retailers fail to provide a common and unified image across channels. There is no coordination, joint planning or sharing of inventory and customer information across channels or devices. Different channels can also

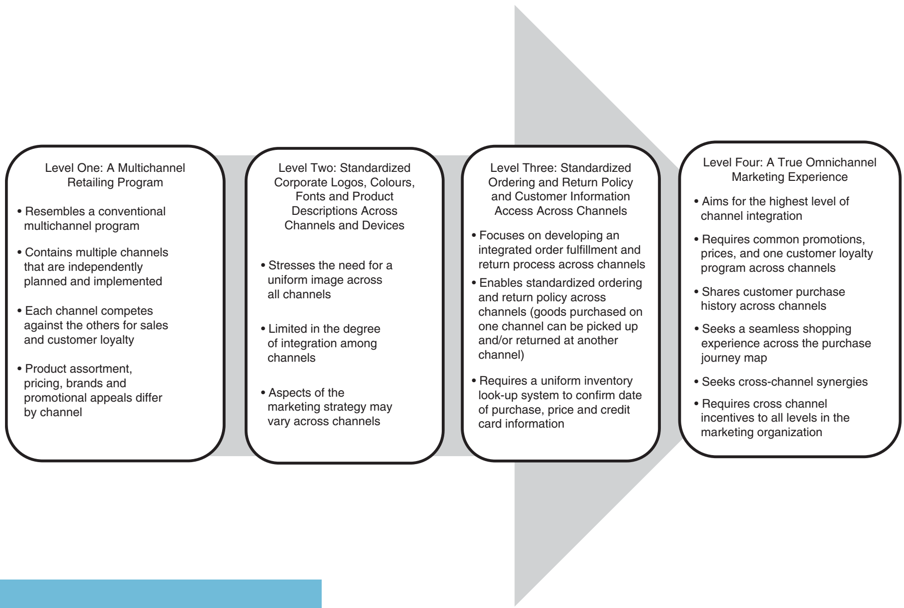

Figure 1.
A four-level pathway to achieving omnichannel marketing

sell different items under separate brands. Product assortments, pricing and even promotional appeals can significantly vary by channel. The various channels typically compete against one another in this stage. Coupons, for example, cannot be redeemed across channels. Often, different items are shipped through separate supply chains, depending on channel. A research study concludes that a firm selling through multiple channels needs to improve the image of all of its channels, including those visited by single-channel buyers for information purposes only (Bezes, 2013).

The breaking down of silos is very difficult as most multichannel retailers have separate organization structures wherein the firm's distribution and online operations operate independently (Gallino and Moreno, 2014; Rigby, 2011). There are also significant capital expenditures associated with integrating front- and back-end systems and operational procedures. To proceed to a higher level, channel-centric behavior has to be replaced by a new customer-centric, channel-agnostic retail model (Bovensiepen *et al.*, 2015).

A Level 2 stage is characterized by minimal integration across channels. A firm's integration efforts are often confined to promotions and brands across channels. Standardized corporate logos, colors, fonts and product descriptions are present among devices (laptops, mobile devices and tablets) and channels (store, catalogue and online). Whilst these uniform elements help develop a common cross-channel look, there is no sharing of customer data across channels in this level. As in Stage 1, each channel is managed by a separate organizational unit. Some partial integration across channels may exist such as a mobile coupon being sent to a customer to encourage him/her to visit the store.

In a Level 3 stage, customer order fulfillment, customer information access and pricing data are integrated across channels. Consumers are able to view a firm's inventory in the store via a tablet, smartphone or computer. Customers can also buy online and ship to store (BOSS); buy online and pickup in store (BOPIS); buy online and return to store (BORIS); or buy online and ship to home (BOSH). A RSR study found that buy online, return in-store; buy in-store, fulfill through online; and BOPIS were used by 71, 68 and 64 percent of the respective retailers studied (Rosenblum and Kilcourse, 2013).

The BOPIS reduces a critical friction point for consumers – uncertainty about whether a good is available at a store and what it costs. It also gives consumers immediacy (Bell *et al.*, 2014). This stage requires that stores handle returns for items not in the store's inventory.

In the third stage, a retailer's online site contains accurate and timely inventory counts by item for each store. Both stores and the online site stock the same goods with a common SKU designation. The consumer and retailer benefit through the order online and pick up in-store option. The customer saves delivery charges and obtains goods faster as compared with home delivery. The retailer receives additional in-store traffic, is able to cross-sell (e.g. batteries and additional insurance for electronics) and saves delivery expense. In addition, the retailer has an opportunity to sell a replacement unit or to explain how to properly operate the returned unit. With in-store returns, the consumer saves repacking time and has an opportunity to quickly receive a replacement product. A store's point-of-sale system needs to be able to handle the return of items not currently sold in the store. A wide variety of retailers currently provide multiple channel options for order fulfillment and return. These include Target, Best Buy, Home Depot, Macy's, Staples, Kohl's, Bed Bath & Beyond, Walgreens, J.C. Penney, Walmart, Petsmart and Uniqlo.

The Level 4 stage corresponds with the highest degree of channel integration. Consumers receive a seamless shopping experience due to common promotions, a single customer loyalty program across channels and devices (PC, tablet, mobile device, the same price across channels, and tablets and smartphones) and cross-channel customer data integration. Using past purchase history from all channels, a retailer can suggest specific purchases on each individual channel based on all of a customer's prior purchases in all channels. The Level 4 stage also enables joint-channel promotions in which an online and mobile-based banner ad encourages customers to visit a retailer's stores and/or a retailer's store-based promotion seeks to increase online-based sales. This approach can also be extended to real-time interaction via mobile marketing where customers are made aware of flash sales and/or discounts at the retail location based on their physical location or destination.

The Level 4 system shares knowledge across channels. As an example, Williams-Sonoma's integrated database can connect a name, e-mail address and physical address to 70 percent of its total purchases. It is also able to track customer purchase histories across its seven brands (Williams-Sonoma, Pottery Barn, Pottery Barn kids, West Elm, PBteen, Rejuventation, and Mark and Graham). This cross-channel database enables Williams-Sonoma to provide personalized offers and to cross-sell to its customers across channels. The Williams-Sonoma database is managed by a team of 11 data scientists (Lamy, 2014).

Similarly, Starbucks customers can check and reload their Starbucks card balance via a phone, the Starbucks online site or when they are at the store. The balance is updated in real time across all channels, regardless of device. All rewards points are also visible in multiple channels (Trout, 2014).

Upgrading to a Level 4 multichannel strategy requires more than just cross-functional alignment. Retailers need to unify their profit and loss reporting data, organizations and technology (Forrester Consulting, 2014). It is conceivable that a retailer may straddle different levels on the multichannel to omnichannel pathway. That is, each channel strategy may be managed separately, product assortment may vary across channels and returns may be possible through any channel while customer data are shared across all channels. Conceivably, with the appropriate level of resources and commitment, a retailer could go from being single channel to omnichannel. For example, a large online retailer that moves into "brick" locations may have the infrastructure to jump to omnichannel without transitioning through the other levels.

Identifying and removing barriers to channel integration

This section identifies barriers to channel integration and makes recommendations to reduce or remove these barriers. Barriers to channel integration include: marketing organizations based on channel-based silos, low levels of consistency across channels and devices, poor levels of adoption of RFID, misunderstanding the customer purchase journey, the existence of failure points or weak links in a customer's purchase journey and channel-specific goals and rewards.

Marketing organizations based on channel-based silos

A common organization structure in the Levels 1, 2, or 3 stages is siloed, wherein the in-store, catalogue and online divisions operate independently of each other and are managed by different departments and executives (Gallino and Moreno, 2014). With a silo-based organization, each channel—physical, phone, computer and mobile—has its own reporting structure and revenue goals (Pophal, 2015). In a traditional siloed environment, the retailer's chief merchant officer controls in-store activities, whilst an online-based digital officer controls the store's online stores. Siloed organizations reduce a retailer's ability to track overall customer purchases, to notify online customers of a new store opening in their area, or to encourage store-based customers to order online.

In contrast, in an organization employing an omnichannel marketing strategy, a retailer's channel management activities are directed by a chief digital officer (CDO) who is responsible for infusing digital strategy into all areas of the business (Hansen and Sia, 2015). The CDO works with IT, logistics, sales, finance and product development departments. The CDO is also responsible for all budget areas including online pages, social media, key account support and translation of product descriptions into different languages.

KPMG, Amazon and Google have chief customer experience officers, customer experience vice presidents or customer experience managers responsible for creating and managing the experiences of their customers regardless of channel (Lemon and Verhoef, 2016). Likewise, Sephora, the cosmetics retailer, has removed traditional silos by connecting marketing, IT, operations and loyalty programs. According to Sephora's chief merchandising officer, this requires "the whole team to think client-centric and 360 degrees instead of 'I work on this' " (Bonchek and France, 2013). Neiman Marcus merged its online and offline divisions in 2014. The same team is responsible for merchandising, planning and marketing for its stores and e-commerce operations (Bovensiepen *et al.,* 2015). Macy's has replaced its two separate, siloed budgets, with a single overall marketing budget. As a result, Macy's now looks at the best way to spend marketing monies, whether it is digital or offline (Krueger, 2015).

Low levels of consistency across channels and devices

The large number of possible purchase paths, devices, browsers and operating systems makes it especially difficult for a retailer to check for consistency across channels and devices. The layout, color, photos and description of a product on a mobile device, laptop and tablet may look very different. Different mobile and tablet brands and models may also portray product descriptions and images differently due to different operating systems and device screen sizes.

The first thrust of Hummel's (a German-based sportswear brand) omnichannel marketing strategy was to take control of the online brand across all online sites. To ensure a uniform customer experience throughout the world, Hummel developed a digital manual which listed specific branding standards so that logos, brand name and product pictures were consistent in all online and offline platforms. Before this transition, visitors to its online site received a very different brand experience based on whether the site was from a Spanish, American or German source. As part of its omnichannel marketing-based reorganization, Hummel consolidated 22 local Hummel online sites (some were launched by distributors and retailers) to just one global platform with localized sites. Hummel also transitioned from having 25 inconsistent Facebook pages to a single global Facebook page (Hansen and Sia, 2015).

Poor levels of adoption of RFID

A third major impediment to omnichannel marketing integration focuses on the need for accurate inventory data to successfully fill online orders from a local store, or for a consumer to accurately verify a local store's inventory levels for a desired good found on a computer, smartphone or tablet. According to one source, the industry average for in-store inventory accuracy is about 60 percent (Hardgrave, 2012). Retailers that have not adopted RFID may have their online site indicate a store has one unit in stock when in reality it is out of stock. According to Macy's president of logistics and operations, "about 15 to 20 percent of inventory is accounted for by the last unit in the store" (Berthiaume, 2016). Macy's is using RFID to ensure that the last unit indicated in stock is actually available for either home delivery or pickup in a particular store or in a Macy's distribution center.

The existence of failure points or weak links in a customer's purchase journey

A fifth barrier consists of failure points or weak links in a customer's purchase journey. According to Scott Houchin, the managing principal of eClerx, a marketing consulting firm, "The many points of customer interaction are where failure points most often exist" (Pophal, 2015). Common errors include a retailer stocking items with poor customer reviews, inaccurate inventory levels reported on an online site or a poor store experience based on a popular item not being properly displayed or available.

Another common weak link is when retailers neglect the importance of the role of the in-store experience due to declining store sales at many retail locations. A.T. Kearney's "Omnichannel Shopping Preferences" study of over 2,500 US shoppers found that in two-thirds of the instances when consumers indicate a preference for online purchasing, they still rely on traditional stores for the other steps in their shopping journey. The physical store is involved at various stages along the shopping journey in 71 percent of online sales for apparel and accessories. Brown *et al.* (2014) found that a retailer's stores were found to be particularly important for the trial and test, purchase, delivery or pickup and returns. This highlights that retailers need to provide a positive in-store experience for customers.

Marketers can anticipate and minimize weak points through a four-part process: streamlining parts of the journey via automation, personalizing promotions, delivering the next anticipated interactions and using data mining to suggest adjacent goods and services (McGovern, 2015).

Channel-specific goals and rewards

The last major barrier relates to channel-specific company goal and reward structures. Such metrics as same-store sales performance, sales per square foot and in-store sales per labor hour, and all commodity volume place too much emphasis on store-based purchases to the exclusion of online. Likewise, the likelihood of a consumer to purchase from a retailer's online site may be based on pricing or product reviews provided by existing online customers.

An example of an integrated goals and reward structure is Courts, a Singapore-based retailer, which has redesigned its performance evaluation system for managers. Courts has now integrated online sales into its store budgets. Courts' store managers have become "trade area managers." To ensure that its store personnel take a broad view of sales across all channels and devices, trade area managers are evaluated on sales across all channels in their trade area (Noble *et al.*, 2015). Similarly, LL Bean and Hallmark Retail reward both their online and store-based staff for total sales regardless of where these sales are transacted (Ailawadi and Farris, 2017).

On an industry perspective, metrics such as online-influenced sales takes into account the contribution of the online sales in other channels. One study projected 2016 US online sales at $371bn, whilst online-influenced retail sales were projected to be $1.667bn (Statistica, 2015). More companies need to develop strategies to maximize online-influenced sales in setting budgets and in rewarding performance. A major difficulty in using online-influenced sales as a metric is that e-commerce is difficult to define and measure. One example is a consumer, when finding an item is out of stock in the store, uses an in-store terminal to have another store location ship it to their home (Rigby, 2011).

Evaluating channel performance via "online-influenced sales" can be problematic as it requires a marketer to revise its traditional measures of return on investment, customer lifetime value, total number of customers and total marketing expenses (Lewis *et al.*, 2014). The following examples illustrate the influence of the online experience on store-based sales. Sprint found that paid search ads generate five in-store sales to every online sale. Sears Hometown and Outlet stores and PetSmart use Google's "Store Visits" metric, designed to track online-to-offline sales, to see the impact Google AdWords has in driving in-store visits and purchases. Google's Store Visit metric in AdWords shows that 10–18 percent of all clicks on its search ads resulted in an in-store visit within 30 days (Krueger, 2015).

Directions for future research

The authors suggest a number of strategies relating to the adoption of an omnichannel marketing strategy. One important area relates to the ideal role of each channel or device in an omnichannel marketing environment. A key question is the proper role of the store in an omnichannel environment. Should the role of the store be a pickup or return location for online-based purchases, a location that fulfills an order for a closely located customer, or a showroom for high-involvement products. This is a very relevant question in light of the significant number of US store closings by such retailers as Sears, Kmart, Sam's Club, Payless Shoe Source, Abercrombie & Fitch, Staples and CVS.

Retailers need to study the differences in omnichannel preferences among customer segments and product types. Different target markets may require different levels of channel integration. The type of good, convenience, shopping or specialty goods can also have a significant impact on a customer's desired role for each channel or device.

Consideration should be given to studying the degree of customer satisfaction with the current omnichannel marketing options: BOSS, BOSH, BOPIS and BORIS, available to customers. It is conceivable that a retailer may assume that all of its customers want the highest degree of omnichannel marketing integration but in reality, part of the customer base is satisfied with a single-channel or multichannel strategy. Supply chain management issues need to be studied as they relate to product availability across channels, and the handling of delivery and returns across channels.

From an implementation perspective, researchers need to study different paths that organizations take to find the most efficient and effective path from multichannel to omnichannel marketing adoption. A significant question relates to the proper organization structure for a firm pursuing an omnichannel strategy. It is also possible that a firm needs a different organization structure as it progresses across the different levels of integration. The pros and cons of a project team vs a single executive responsible for implementing and managing an omnichannel marketing strategy need to be studied.

Continued research needs to focus on determining the lifetime benefits in sales and profits of an omnichannel marketing vs a single-channel customer. Currently, only average purchases and short-term customer loyalty have been studied. Finally, there needs to be a greater understanding of suitable goals for a retailer that reflects the input of multiple channels and devices in the consumer purchase decision.

Managerial implications and conclusions

Rising competitor capabilities, as well as changes in consumer behavior, require that retailers quickly achieve omnichannel marketing capability. The strategies covered in this paper should aid retailers seeking to plan and implement the transition from multichannel to omnichannel marketing, i.e., the discussion of the four-level channel capability, and the removal of barriers to adopting an omnichannel marketing strategy.

A firm converting from multichannel marketing to omnichannel marketing needs to look at financial benefits as well as costs. Possible benefits to an omnichannel marketing include incremental sales due to new channels and devices, higher average sales to existing customers, a higher proportion of consumers making a purchase, promotional synergies across channels, lower inventory costs, reduced shipping costs due to in-store pickup and lower product returns. Costs include hardware and software (both centralized customer and inventory management systems), employee training, additional employee incentives for cross-selling, additional market research expenditures and costs associated with hiring cross-channel managers and IT personnel.

Understanding impediments or barriers to omnichannel marketing adoption is a critical step in implementing change. Some barriers can be removed via outsourcing (such as upgrading a firm's online capability); others require hiring personnel with different education backgrounds, levels of training and experiences, whilst still others require major corporate reorganizations as a means of removing silos. In all cases, firms need to integrate functional areas, as well as broaden goal and reward structures.

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