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DOI: [http://doi.org/10.31617/visnik.knute.2021\(140\)07](http://doi.org/10.31617/visnik.knute.2021(140)07)**VYSOCHYN Iryna,**DSc (Economics), Associate Professor, Professor
at the Department of Economics
and Business FinanceKyiv National University of Trade and Economics
19, Kyoto str., Kyiv, 02156, Ukraine*E-mail:* i.vysochyn@knute.edu.ua*ORCID:* 0000-0002-1738-8553**KHMARA Ahata,**bachelor's degree in Business Economics
Kyiv National University of Trade and Economics
19, Kyoto str., Kyiv, 02156, Ukraine*E-mail:* agatakhmara@ukr.net*ORCID:* 0000-0003-2119-0985

OMNICHANNEL IN IMPROVED PROFITABILITY IN RETAIL

The relationship between omnichannel and the profitability of the trading business is substantiated. The expediency of using the omnichannel approach in retail has been proved in view of the current realities caused by the COVID-19 pandemic. Metrics of efficiency of application of the omnichannel approach are given.

Keywords: omnichannel, multichannel, revenues, turnover, conversion, retail.

Background. World realities encourage businesses to diversify their approaches to doing business, in particular, this applies to trade.

The development of e-commerce and research on consumer behavior show that in order to ensure competitiveness, quality satisfaction of customer needs, and thus increase the conversion rate, retail should conduct trading activities on various possible platforms.

The quarantine restrictions caused by the COVID-19 pandemic have significantly affected the ability to purchase goods. It is obvious that a large portion of purchases that were made directly at the store, transferred to online. In order to remain competitive, companies are forced to make strategic decisions about the further organization of trade: to leave stationary objects, to go online or to focus on omnichannel. It has been quite enough time to understand that the latter option in the form of different sales channels combination proved to be a lifeline for global and domestic retail and created an impetus to consider new scientific and practical approaches to diversifying sources of income in trade.

Analysis of recent research and publications. The concept of "omnichannel" is interdisciplinary, as it is widely used in marketing, business analysis etc. Some attempts to systematize the features of the omnichannel approach in retail are found in the works of D. Rigby, N. Beck, D. Rygl, K. Picot-Coupey, E. Huré, L. Piveteau, R. Sousa, C. Voss, A. Hübner, J. Wollenburg, A. Holzapfel, L. Bocklund [1–6] and others. Among domestic scientists who have studied this issue there are O. Zhegus, O. Zozulov, V. Lisitsa, T. Romanchenko, A. Savchuk, O. Trubey, T. Shtal, N. Proskurina [7–13] and others. These scientists studied the essence of omnichannel, identified

trends, problems and prospects for the introduction of this approach to the sale of goods in the performance of domestic retailers. Particular emphasis in research is placed on the marketing aspects of the omnichannel strategy implementation in retail. On the other hand, the issue of omnichannel influence on the income formation in trade, including long-term perspective, has not yet been systematically reflected in the scientific and practical literature, that actualizes research in this area.

Thus, the **aim** of the article is to consider the omnichannel approach to the sale of goods as an objective reality of modern retail and a factor of income growth of trade entities.

Materials and methods. The information basis for the study was the publications of foreign researchers, materials of analytical reports on the development of retail trade. General scientific and special research methods are used, in particular generalization, comparative analysis, systematization, etc.

Results. Based on the definition of trade as a relationship that arises as a result of the act of purchase and sale of goods in the channels of their implementation [14, p. 37], it can be understood that the use of different channels for the sale of goods significantly affects the volume of trade and allows the trading company to gain more market share.

Turnover is the realized consumer demand (*Figure 1*), that was satisfied through the interaction of buyer and seller in different sales channels.

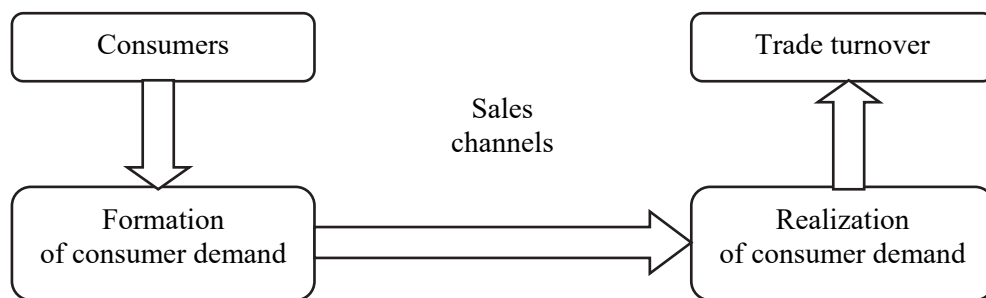


Figure 1. Algorithm of consumer demand formation and its realization

Source: compiled by the authors.

During the analysis and further planning of turnover of the trade enterprise (TE) it is usually considered as a whole on TE, on separate commodity groups, commodity departments, categories of buyers. The object of analysis can be the total turnover, commodity structure and composition of turnover, cashier’s checks.

We also propose to consider the classification of trade turnover depending on the used sales channels of goods: trade turnover of the trade stationary object; turnover from the sale of goods through Internet platforms; turnover from the sale of goods through the mobile application; turnover from the sale of goods through social networks, etc., depending on the sales channels that are being used.

O. Zhegus thoroughly considered the definition of omnichannel [7]. *Omnichannel strategy* is an integrated approach to the organization of business processes for customer service, based on a holistic concept, a single platform for all selected channels for the promotion of goods and services. This approach allows the buyer to freely switch from one channel to another, get the necessary information, compare and choose the product, make decisions and make a purchase.

Using a single platform for all sales and communication channels will also allow to accumulate information flows on customer behavior and quickly obtain data on purchases, the use of certain channels, the navigation aspects of the purchase.

Recently, there has been interest in all possible sales channels. Traditional retailers are increasing their online presence, and the first online stores are supplementing their list of services, opening shops and showrooms.

Customers are increasingly using electronic devices to both search for goods and placing orders. Moreover, the sphere of trade is now developing precisely due to the application of the omnichannel approach to sales, where consumers are offered alternative channels to find the goods they need.

In the scientific literature it is not always possible to find a clearly defined definition of the concept of omnichannel. In 2011, in the article "The Future of Shopping" D. Rigby [1] first used the word, defining retail with using all channels as an integrated sales experience that combines the benefits of physical stores with a rich information experience on the Internet.

N. Beck and D. Rigl defined that retail through all channels is "a set of activities related to the sale of goods or services through all widespread channels, due to which the customer can initiate a full interaction between channels and / or the retailer controls full integration of channels" [2].

K. Pico-Coopi and co-authors made a systematic review of the professional literature to describe the omnichannel approach as a holistic and integrated shopping experience through all sales channels, which eliminates the differences between a stationary and online store [3].

According to researchers, to establish a service delivery system it is required:

- company decision related to the choice of omnichannel approach;
- physical elements of the delivery system, namely: equipment and logistics technologies;
- infrastructural choice of programs and sites for work, definition of marketing policy.

In addition, the development of information and communication technologies has increased the number of means by which customers can interact with retailers.

R. Sousa and K. Voss [4] distinguish two types of channels: *virtual*, consisting of means of interaction with the use of modern telecommunications, information and multimedia technologies, and *physical*, consisting of means of communication with the customer using physical infrastructure

(for example, warehouses). Scientists propose to combine these two channels, as both virtual and physical in any case belong to the personal interaction of the customer and the company's representative.

A. Hübner and co-authors confirm this information and add that the transition from single-channel to omnichannel requires the restructuring of logistics structures and, at the same time, optimization of processes related to the sale of goods and services [5]. Consumer participation is extremely important in this process. Process optimization requires coordination of the transition to an omnichannel approach with the customer, as the goals of the company and the client coincide.

The most difficult aspect of the effective implementation of the omnichannel strategy is ensuring the efficiency and interconnection of processes, as well as the purposeful accumulation and management of data. L. Boklund notes that the technology will be effective only when all available resources are effectively interconnected with each other and provide a synthesis of all business processes [6]. Thus, the technological, informational and managerial components of the omnichannel strategy will play an important role.

Changes in purchasing behavior testify to the benefits and necessity of introducing an integrated approach to sales at retail enterprises and the introduction of an omnichannel strategy. Buyers of consumer goods are increasingly using online channels to search for goods, compare alternatives, make choices.

According to the integrated approach, all communication and sales channels are interconnected, that determines the variety of decision-making models for purchasing. The buyer can use all channels at once (start with online and complete the purchase offline and vice versa), thus a comfortable business environment for both customers and sellers is creating [7].

Statistical studies confirm that the omnichannel strategy is indeed the optimal solution for retailers. According to the Adobe Digital Index, the buying probability of an existing consumer is 9 times higher than the probability that a new customer will create a minimum order size [15]. And according to the Harvard Business Review, omnichannel consumers spend 10 % more on online shopping and 4 % more on offline shopping [16].

Under the influence of the development of online sales channels and communication, certain models of customer behavior have already been formed, which can be divided into groups [7]:

- those who prefer online shopping, i.e. finding the necessary product, choice, analysis of alternatives, making the final decision, the transaction takes place in online stores;
- trying to get more information, reduce the time to visit stores and choose the product, search for it, analyze alternatives in online stores, and buy from stationary store;
- first customers visit a stationary store, and then they search for the necessary product, analyze alternatives and buy in online stores;

- customers explore alternatives and choose a product in online stores, then they visit a stationary store to see the product in real performance and buy it in an online store.

In fact, today it is the omnichannel approach that can ensure the effective functioning of retailers. To prove this, we first need to define the "retailer path", which goes from meeting the needs of consumers through the availability of goods, price flexibility and consumer loyalty to brand recognition. At the same time, the "consumer path", which extends to both offline and online platforms, involves viewing products, creating a basket, buying and inspiring future purchases.

So, by this logic, a retailer can assume that in a pandemic it is enough to open an online store or page on social networks and spend money purely on this effective sales channel. In addition, according to Google research, 3 out of 4 people will visit a site that has been advertised on the Internet before [17]. However, in the digital environment, everything is much more complicated than at first glance.

On average, 97 % of online visitors do not buy at all, and 70 % of those who go to the last stage of purchase, eventually leave the product and abandon the basket [18]. Why is this happening? You cannot compensate for the ignorance of who your client is, the friendly staff and the staff who can provide advice.

Also, given the experience of the pandemic beginning, it is really possible to record an increase in sales on the Internet platforms of companies that have been forced to go online.

According to research, omnichannel consumers spend 4 % more on offline visits and 10 % more on online purchases [19]. In the short term (the first 2–3 months), companies really not only managed to survive, but they were also profitable. However, the pandemic continues, and in the long run, those retailers that do not implement an omnichannel approach to sales will not only begin to lose turnover, but will also suffer losses. Very often under such conditions the next step of the retailer is a multi-channel strategy for selling goods (*Table 1*).

Table 1

The main differences between multichannel and omnichannel strategies

Comparison of parameters	Strategy	
	Multichannel	Omnichannel
Sales channels	The brand is represented on various channels	Synchronized
Form of management	Decentralized	Centralized
Brand presentation	Each platform operates separately and is a point of sale	Formation of a holistic image of the company
Purpose	Attract more customers	Provide repurchase

Source: compiled by the authors.

In a multi-channel strategy, the channels operate in parallel, i.e. the brand is represented on different platforms, which are managed independently of each other. With the omnichannel approach, there is a synchronization of channels, which are managed centrally so as to form first a holistic image of the company in the eyes of the consumer, and only then on one of the channels to sell.

Therefore, the level of consumer confidence in it is extremely important for the retailer. The results of the survey, highlighted in the BrandsGetReal report [20], answer the question of why customers trust more brands that are represented on different platforms (*Figure 2*).



Figure 2. Reasons for the success of omnichannel companies

Source: compiled by the authors on the basis of [20].

As follows from *Figure 2*, most responses focus on the fact that consumers seek to feel real interaction, to be contacted, helped, and so on. You should also pay attention to the last two answers. By omnichannel, the company demonstrates its ability to pay for various platforms and thus reveals its leadership position in the market. Consumers have the impression that if a brand is able to maintain all platforms in good condition, it has enough money, so they buy goods from it, i.e. the retailer is in demand.

If we think about the other three key factors mentioned in the survey, we can see the same answer to the question why the consumer comes back and buys again – personalization. It shows customers that the retailer actually knows them: habits, preferences, needs, etc. The ultimate goal of developing an omnichannel strategy is to create a personalized digital journey.

For example, it may be provided with guidance mechanisms designed to display goods or services that customers are more likely to buy, or to display related products (cross sell). This personalization exists due to certain technologies and algorithms and it cannot be created manually. An alternative solution is the well-known loyalty program. These are not just bonus programs that everyone is used to and that exist not so much to attract customers with their "loyalty" as to analyze and segment.

Together with the omnichannel approach, the retailer can quickly track and explore the consumer’s digital journey. Thanks to constant authorization, the customer receives more adaptive recommendations for him, and retail gets access to one of the most important data for him: how the consumer made the purchase decision. Due to the fact that the company is omnichannel, you can understand where and how many times the client entered, added, viewed, compared etc. This analytics provides an opportunity to investigate actions and do everything possible to not only increase conversion, but also the share of sales of goods and services. It is difficult to disagree that every retailer dreams of buying from him as much as possible, and not that his store was one of the platforms for comparing prices and reviews.

Metrics for the effectiveness of the omnichannel approach are often associated with monthly revenue growth, marketing costs, gross profit, average cost of customer involvement, and so on. In addition to the standard metrics, you should pay attention to the *conversion* to recommended products and the *duration of the visit* with links to them. This indicator is the key goal of loyalty. *Cross-conversion* is also defined as how our authorized customer travels digitally between all integrated channels.

Customer Retention Rate (CRR) reflects the loyalty of our customer and his loyalty. This simple calculation makes it possible to assess how existing customers are willing to return to the retailer:

$$\frac{\text{Consumers}_{\text{end of period}} - \text{Consumers}_{\text{new}}}{\text{Consumers}_{\text{beginning of the period}}} \cdot 100 \% . \quad (1)$$

Lifetime Value (LTV) is the measurable amount of money a customer will spend on purchases over his life cycle. There are different approaches to its definition: someone relies on the money spent so far, someone on the projected values. There are four key performance indicators (KPI) that determine LTV [21]:

$$\text{average order price (AOV)} = \frac{\text{Total sales revenue}}{\text{Total number of orders}} ; \quad (2)$$

$$\text{frequency of purchases (F)} = \frac{\text{Number of orders}}{\text{The total number of unique customers}} ; \quad (3)$$

$$\text{gross margin (GM)} = \frac{\text{Total sales revenue} - \text{The cost of goods sold}}{\text{Total sales revenue}} \cdot 100 \% ; \quad (4)$$

$$\text{outflow factor (OF)} = \frac{\text{Consumers}_{\text{end of period}} - \text{Consumers}_{\text{beginning of the period}}}{\text{Consumers}_{\text{beginning of the period}}} \cdot 100 \% . \quad (5)$$

Another important indicator is the *customer acquisition cost (CAC)*. This is the amount that the business will spend on one new customer. Another name: *user acquisition cost* – the cost of a new user:

$$\frac{\text{The amount of costs to attract consumers for the period}}{\text{Number of new consumers for the period}} \quad (6)$$

Together, the vital value of consumers and the cost of attracting them allow you to segment customers. *LTV* means "vital value" for each client, and *CAC* means "cost of attracting a client". The *LTV / CAC* ratio allows you to compare the value of the consumer throughout its life cycle with the

cost of its involvement. If the *LTV / CAC* ratio is less than 1.0, the company loses value, if more than 1.0, it creates value. As a result, 4 groups of consumers are formed (*Table 2*).

The strategy of promotion of goods and services should be adjusted according to the predominant category of buyers.

Table 2

Consumer segmentation by "profitability-value" ratio

Group	Characteristic	Recommendations
<i>High-margin, high-value</i>	The most profitable consumers. Followers of the brand as it is	–
<i>High-margin, low-value</i>	Consumers buy goods at full price, but not so often	Personalized advertising should be used
<i>Low-margin, high-value</i>	Those customers who often buy goods at a discount	A well-designed discount system will replace advertising, as consumers are already tracking your promotions
<i>Low-margin, low-value</i>	Unprofitable customers who rarely buy goods	Companies should avoid targeting this group of consumers

Source: compiled by the authors on the basis of [20].

It is very important to define the considered metrics, because a more detailed understanding of the processes that occur simultaneously, before and after the purchase, can be analyzed in more depth. As a result, the retailer becomes more flexible to the effects of the crisis due to the pandemic and other circumstances that always accompany the changing retail market. Thus the retailer can prevent the manifestation of negative consequences before they occur.

Conclusion. The future of the omnichannel approach to sales and its implications are still uncertain, but it is promising. Such transition usually requires reengineering of business processes and, thus, forces business representatives to focus more on the issues of accurate and appropriate combination of several sales channels. In today’s world, this moment is important for retail, as businesses try to identify and develop new trends that may be relevant to consumers, based on which to gain a competitive advantage. The timely introduction of new sales channels significantly affects the position of the trading company in the market, where there is a fierce struggle for the consumer.

Thus, omnichannel is not only a means of surviving retail in a pandemic, but also a modern business model that aims to overcome the effects of quarantine restrictions and is a powerful tool for revenue growth and business scaling in general.

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Височин І., Хмара А. Омніканальність у підвищенні дохідності в ритейлі.

Постановка проблеми. В умовах карантинних обмежень, спричинених пандемією COVID-19, поєднання різних каналів реалізації товарів виявилось рятівним засобом для світового та вітчизняного ритейлу і створило поштовх для розгляду нових науково-практичних підходів до диверсифікації джерел формування доходів у торгівлі.

Аналіз останніх досліджень і публікацій. Можна констатувати, що проблема стратегічного управління доходами підприємств торгівлі не достатньо розкрита в сучасній вітчизняній економічній літературі, а питання впливу омніканальності на формування доходів в торгівлі, в тому числі у довгостроковій перспективі, поки що не знайшло системного відображення у науковій та практичній літературі.

Метою статті є розгляд омніканального підходу до реалізації товарів як об'єктивної реальності сучасного ритейлу та фактору зростання доходів суб'єктів торговельної діяльності.

Матеріали та методи. Інформаційним підґрунтям для проведення дослідження слугували публікації зарубіжних дослідників, матеріали аналітичних звітів щодо розвитку роздрібно торгівлі. Використано ряд загальнонаукових та спеціальних методів досліджень, зокрема узагальнення, порівняльного аналізу, систематизації та ін.

Результати дослідження. Останнім часом сфера торгівлі розвивається внаслідок застосування омніканального підходу до продажів, де споживачам пропонують альтернативні канали для пошуку необхідних їм товарів. При омніканальному підході відбувається синхронізація каналів, які управляються централізовано таким чином, щоб спочатку сформувати цілісний образ компанії в очах споживача, а вже потім на одному з каналів здійснити продаж. Головною метою цієї стратегії є забезпечення повторної покупки.

Висновки. Омніканальність – це засіб виживання ритейлу в умовах пандемії, сучасна бізнес-модель, яка має на меті не тільки сприяти подоланню наслідків впливу карантинних обмежень, потужний інструмент для нарощення обсягу доходів та масштабування бізнесу в цілому.

Ключові слова: омніканальність, багатоканальність, доходи, товарооборот, конверсія, ритейл.