Striving for Cross-channel Synergy: A Study of SMEs in Transition Economy

Dragan Stojković
Faculty of Economics, University of Belgrade
Aleksa Dokić
Faculty of Economics, University of Belgrade
Susana Silva
Universidade Católica Portuguesa
Bozidar Vlacic
Católica Porto Business School, Universidade Católica Portuguesa

Cite as:
Stojković Dragan, Dokić Aleksa, Silva Susana, Vlacic Bozidar (2020), Striving for Cross-channel Synergy: A Study of SMEs in Transition Economy. *Proceedings of the European Marketing Academy*, 49th, (64004)

Paper from the 49th Annual EMAC Conference, Budapest, May 26-29, 2020.

Striving for Cross-channel Synergy: A Study of SMEs in Transition Economy

Abstract:

The extent to which SMEs in transitional economies ensure seamless shopping experience may make the difference between venture´s success or failure. In order to respond to increasingly demanding consumers, ventures in transitional economies are shifting from mono-channels to multi-channel strategies. As the ventures in transitional economies are characterised by limited resources and undeveloped marketing channels, the purpose of this study is to examine the role of organizational support in the pursuit for cross-channel synergy. Drawing on the data collected from 97 SMEs in Serbia we found that the higher levels of cross-channel synergy are achieved through direct support to omni-channel (integrated approach) and additional enchancment of offline channels. We further discuss why an additional support to offline channels rather than online channels is more prudent and provide fruitfull future research avenues.

Keywords: Cross-channel synergy, Cross-channel support, Transition economy,

Track: Retailing and Omni-Channel Management

1. Introduction

Small and medium enterprises are facing additional pressure to ensure consumers seamless shopping experience (Picot-Coupey et al., 2016). Under the effects of globalization and digitalization the new "everybody´s an expert era" generated demanding consumers who aim for omni-channel shopping experience (Silva, Martins, & Sousa, 2018; Taylor, 2014). The ventures located in transitional economies are striving to shift from mono-channel to multi-channel strategies in order to cope with the competitors from developed and emerging economies and their high levels of multi-channel synergy (i.e. omni-channel) (Salciuviene, Reardon, & Auruskeviciene, 2011).

An omni-channel strategy can be observed as a practically implementable solution related to the most effective integration and coordination of available offline and online marketing channels (Pentina & Hasty, 2009). One of the most important considerations in conceptualizing and assessing an omni-channel strategy is the potential and utilization of cross-channel synergies. Although cross-channel synergy research gained particular attention (Tagashira & Minami, 2019; Ailawadi & Farris, 2017), the comprehensively identifying relevant influencing factors within transitional economies have not been confirmed.

The omni-channel environment is a significant influencing factor in conceptualizing modern business strategies (Silva, Martins, & Sousa, 2018), especially if its conjuncture provides a potential for achieving economies of scale, economies of scope and coordinated marketing programs on a corporate level (Neslin & Shankar, 2009). As ventures coming from transitional economies are operating under limited resources availability and have less developed marketing channels (Salciuviene, Reardon, & Auruskeviciene, 2011), the aim of this paper is further understanding of the effects of cross-channel support on cross-channel synergy creation and interactions between main omni-channel model components. In that line, this work advances the frontiers of knowledge and contributes to practitioners by investigating effects of cross-channel support on cross-channel synergy in transitional economics.

In the following section we will provide literature overview and support for our research model. The methodological approach and the research findings will be presented in the subsequent sections, followed by implications for theory and practice. Finally, we will provide conclusions and outline the fruitful future research avenues for the field of cross-channel synergy.

2. Literature Background

The successfulness of digital, physical and human assets utilization, embodied in operational and strategic decisions regarding pricing, assortment, return policies and promotions (Zhang et al., 2010) determines the strategic positioning of a company (Watson et al., 2015). In order to systematically and comprehensively approach the process of choosing the adequate omni-channel strategy, three main omni-channel strategic aspects must be considered – channel profile, channel support and channel synergy. Channel profile represent a depiction of main channel characteristics with strategic implications. In this sense, differentiation between offline and online channels must be used, as a necessary strategic prerequisite (Stojković, Lovreta, & Bogetić, 2016). Considerations in common for both online and offline channels are related to the analysis of offered assortment (Ailawadi & Farris, 2017), channel identity, which depicts customer-viewed channel specificities (Jones & Kim, 2010) alongside trust (Chen, Kou, & Shang, 2014; Jiang et al., 2015; Salciuviene, Reardon, & Auruskeviciene, 2011), and the comprehensive assessment of key channel performance deemed crucial in the specific business environment. Specific considerations for offline channel are focused on analysing the store atmosphere (Das, 2014), whereas evaluation distinctions of online channels are related to convenience with touchpoints (Straker et al., 2015), and e-service quality (Blut, 2016).

Channel support aspect provides an insight into critical, strategically essential omni-channel business functions. This implies analysing the overall business information system in a company, which envelops firm's information management (Wallace et al., 2009) and existing technological capabilities and infrastructure. Additionally, company's marketing (Kozlenkova, Hult, Lund, Mena, & Kekec, 2015) and operations (Kozlenkova et al., 2015; Pentina & Hasty, 2009) must be evaluated, alongside the entirety of omni-channel supply chain management efforts (Kozlenkova et al., 2015; Pentina & Hasty, 2009) for successful omni-channel strategy implementation.

The final component in omni-channel strategic context is cross-channel synergy. The focal aspects of cross-channel synergy can be summarized in: channel reciprocity, cross-channel influence, cross-channel coordination and cross-channel integration. Channel reciprocity, amongst other, includes bidirectional channel referrals, image transference, and trust transference (Salciuviene et al., 2011). Cross-channel influence encompasses cross-channel conversion, communication (Zhang et al., 2010), delivery, selling and channel lock-in

(Verhoef et al., 2007). Cross channel coordination includes cross-channel promotions and tracking (Wallace et al., 2009). Finally, cross-channel integration underlines integrated information, customer service and channel access.

The literature review suggested a relation between certain channel supporting functions, such as logistics, marketing and information management, and various types of cross-channel influences and integrations (Cao & Li, 2015; Tagashira & Minami, 2019; von Briel, 2018). This implied a direct positive influence of channel support on cross-channel synergy (H1). Since our goal was to provide a comprehensive model, indirect effects of channel support on cross-channel synergy (H2) were also analysed. This relation was observed through two mediators, offline channel profile (Chatterjee, 2010; Jeanpert & Paché, 2016) (H2.1) and online channel profile (Weinberg et al., 2007) (H2.2). Finally, acknowledging that certain relations between offline and online channels cannot be classified within aforementioned categories (Verhagen & van Dolen, 2009; Xu & Cao, 2019), we examined whether there is a significant positive influence in this respect (H3).

3. Methodology

3.1 Sample and variables

This study draws upon literature on multi-channel integration (Fornari et al., 2016) and cross-channel synergy (Verhoef et al., 2007) to examine the effects of cross-channel support (CS) on cross-channel synergy (CSS). The data was collected through CATI technique interviews with 97 SMEs from Serbia. This choice was owed to the research aim, availability of data and methodological issues as omni-channel approach is still not highly present in transitional economies (Salciuviene, Reardon, & Auruskeviciene, 2011). Previous research acknowledged omni-channel strategic challenges in numerous industries like tourism (Kontis & Lagos, 2015) and apparel industry (Jones & Kim, 2010; Kim & Lee, 2008), hence we aimed to investigate the role of the cross-channel support across numerous industries in order to provide sound results. Upon the data collection we ended up with the 97 SMEs located in Serbia, who achieved omni-channel strategy from following industries: Administrative and support services (3,09%), Communication and Informing (5,15%), Other services(3,09%), Agriculture, Forestry and Fishing (2,06%), Processing industry (22,68%), Retail and

wholesale (59,79%), Entertainment and recreation (1,03%), HORECA (2,06%), Finance and insurance (1,03%).

We modelled our data with a structural equation system by partial least squares due to the lack of a robust theory on the relationships of cross-channel support on cross-channel synergy. This approach aims to enhance the variance explained of dependent variable (CCS). Furthermore, this procedure is more robust than a variance-covariance based model in conditions of small to medium sample sizes (Chin, 1998), which is our case. We performed this by means of SMARTPLS v3.2.7 (Ringle et al., 2015).

3.2 Data adequacy, reflective outer model evaluation, and inner model evaluation

In line with the recommended rule of thumbs by Field's (2005), we retained items with an item-total correlation above 0.5 and confirmed that none of them was higher than 0.9 (see Table 1).

Construct	Definition	# items in the scale	# items retained	Source
CS	Channel support	4	4	Pentina and Hasty (2009); Kozlenkova et al. (2015)
CCS	Cross-channel synergy	4	3	Wallace et al. (2009); Zhang et al. (2010)
ONC	Online channel	6	5	Ailwadi and Farris (2017)
OFC	Offline channel	6	3	Salciuviene et al. (2011)

Table 1: Variables and metrics of the study
Note: items in constructs were measured in a 5-point Likert scale

Furthermore, we adopted Chin (1998) notion that the sample size should be 10 times larger than the number of links to dependent variable with the largest number of impacting independent variables (for our study this was 30). Our sample contains 97 cases, so data adequacy is met. Furthermore, we conducted bootstrapping over 5,000 resamples with individual changes in the resampling.

Latent constructs	Mean (*)	SD	Quality criteria		AVE (Latent) and Correlations Matrix			
			CR	AVE	1	2	3	4
1. CS	3.94	0.65	0.85	0.59	0.768			
2. CCS	3.95	0.63	0.80	0.58	0.584	0.767		
3. OFC	4.04	0.60	0.81	0.59	0.456	0.642	0.771	
4. ONC	3.79	0.69	0.89	0.62	0.533	0.497	0.416	0.793

(*) Mean, the average score for all the items included in this construct; SD = standard deviation; CR=composite reliability; AVE=average variance extracted; The italic numbers on the diagonal are the square root of the AVE. Off-diagonal values are correlations among constructs/variables; n.a.=not applicable (single-item or categorical variable)

Table 2:Descriptive statistics and correlation matrix

We also adopted the rule to retain reflective indicators based on outer loadings that met the minimum threshold of 0.40 (Hair et al., 2014). It is important to notice that all the constructs exceeded the minimum threshold of CR=0.70 for discriminant validity (Bagozzi and Yi, 1988), the minimum threshold of 0.5 for the AVE as a measure of convergent validity, and fulfilled the Fornell and Larcker (1981) criteria, as shown in Table 2.

4. Results and Discussion

Drawing on the literature and gathered primary data we created an omni-channel model, which is presented in Figure 1.

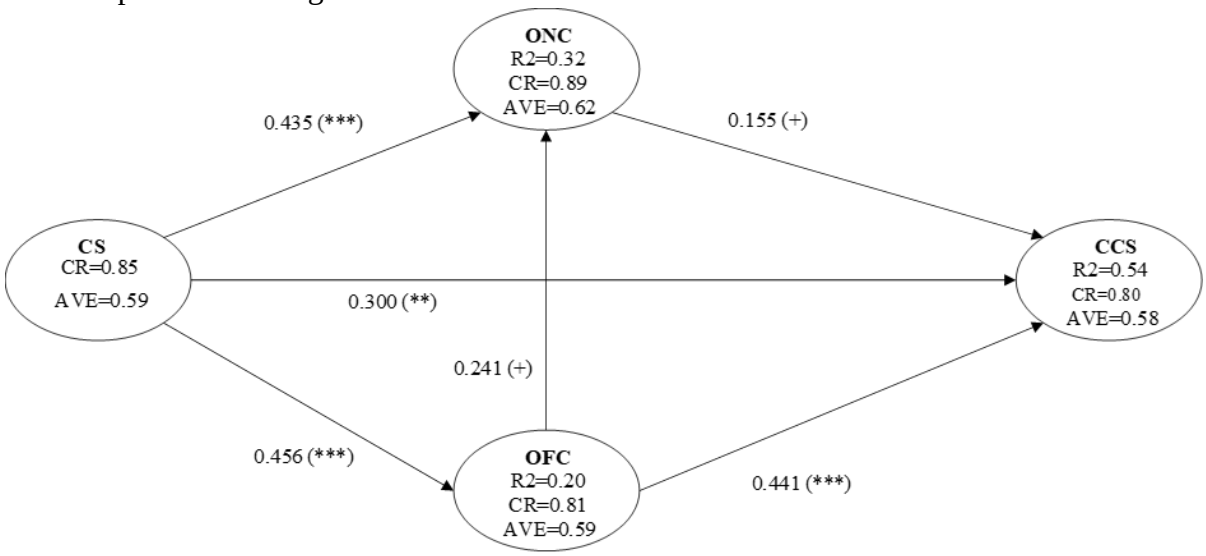

Figure 1: Final path analysis

Note: t-values thresholds at one-tailed test of alpha=0.05 and 5000 resamples: +t (0.050, 4999) = 1.645; *t (0.010. 4999) = 2.327; **t (0.005, 4999) = 2,57; ***t (0.001, 4999) = 3.091

We can see that cross-channel support has a significant positive direct effect on cross-channel synergy creation (coef. of 0.3), thus confirming H1. When analysing total effects, we can conclude that the direct link between CS and CCS is also the strongest, as expected since high synergy is most likely to be achieved in simultaneous creation and co-development of both offline and online omni-channel aspects. Results show that omni-channel companies in transitional economies focusing their efforts on offline component also achieve higher levels of cross-channel synergies, confirming H2.1. The model also confirms H2.2. but this conclusion must be taken with reserve, since the total effect of online channel mediation is significantly lower than in previous cases. No synergetic effect was found if the companies focused on offline channel as an enhancer for online channel development, because of which H3 was rejected. These findings confirm conclusions from previous research that companies

operating in transactional economies tend to be lacking in terms of online channel development and utilization for omni-channel synergy creation (Salciuviene, Reardon, & Auruskeviciene, 2011). Summarized findings are shown in Table 3.

Hypothesis	Path	Total effect	Conclusion
H1	CS→CSS	0.300**	Supported
H2.1	CS→OFC→CCS	0.201***	Supported
H2.2	CS→ONC→CCS	0.035+	Supported
H3	CS→OFC→ONC→CCS	0.015 n.s.	Not supported

Table 3:Overview of hypothesis tested and total effects

Presented findings represent a solid basis for future omni-channel researches in both transitional and developing economies, mainly because derived results were based on a relevant sample in which all companies implemented omni-channel business model, and achieved above-the-average levels of cross-channel synergy (mean value of 3.95).

4. Conclusion and Future Research Avenues

Implementation of omni-channel model is the right way to go for companies in transitional economies trying to improve market performance and optimize its business conduct. The idea behind the shift from mono to multi-channel, and ultimately to omni-channel is driven by cross-channel synergies. Our research guided us towards a conclusion that the best way to create and utilize cross-channel synergies is to develop all the channels in an omni-channel business simultaneously. A viable alternative in transitional economies with similar results was to create an omni-channel model with an emphasis on the offline component. This mainly draws upon the fact that online channel in transitional economies, though present and functional, still fail to match offline channel potential for cross-channel synergy potential. Finally, omni-channel approach focusing on offline channel as an enhancer for online channel showed no promise in terms of synergy creation.

Limitations of this paper are related to the chosen sample. The overall number of analysed companies prevents the use of certain statistical analyses. Furthermore, derived conclusions apply for countries whose economies are in a state of transition. This study should help create a good starting point for further research in this area. Future efforts could go in an analytical drill-down direction, further decomposing offline and online components, or towards analysing certain international omni-channel specificities.

References.

Ailawadi, K. L., & Farris, P. W. (2017). Managing Multi- and Omni-Channel Distribution: Metrics and Research Directions. *Journal of Retailing*, 93(1), 120–135.

Bagozzi, R.P., Yi, Y., 1988. On the evaluation of structural equation models. *Journal of the Academy of Marketing Science*, 16(1), 74–94.

Blut, M. (2016). E-Service Quality: Development of a Hierarchical Model. *Journal of Retailing*, 92(4), 500–517.

Cao, L., & Li, L. (2015). The Impact of Cross-Channel Integration on Retailers' Sales Growth. *Journal of Retailing*, 91(2), 198–216.

Chatterjee, P. (2010). Multiple-channel and cross-channel shopping behavior: Role of consumer shopping orientations. *Marketing Intelligence & Planning*, 28(1), 9–24.

Chen, K., Kou, G., & Shang, J. (2014). An analytic decision-making framework to evaluate multiple marketing channels. *Industrial Marketing Management*, 43(8), 1420–1434.

Chin, W.W. (1998) The Partial Least Squares Approach for Structural Equation Modeling, in Marcoulides, G.A. (Eds.), Modern Methods for Business Research, Lawrence Erlbaum Associates, Mahwah, NJ, 295-336.

Das, G. (2014). Store personality and consumer store choice behaviour: An empirical examination. *Marketing Intelligence & Planning*, 32(3), 375–394.

Dholakia, U. M., Kahn, B. E., Reeves, R., Rindfleisch, A., Stewart, D., & Taylor, E. (2010). Consumer Behavior in a Multichannel, Multimedia Retailing Environment. *Journal of Interactive Marketing*, 24(2), 86–95.

Duarte, P., Costa e Silva, S., & Ferreira, M. B. (2018). How convenient is it? Delivering online shopping convenience to enhance customer satisfaction and encourage e-WOM. *Journal of Retailing and Consumer Services*, 44, 161–169.

Fornari, E., Fornari, D., Grandi, S., Menegatti, M., & Hofacker, C. F. (2016). Adding store to web: Migration and synergy effects in multi-channel retailing. *International Journal of Retail & Distribution Management*, 44(6), 658–674.

Fornell, C., Larcker, D.F., 1981. Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39-50.

Hair, J.F., Hult, G.T. M., Ringle, C.M., Sarstedt, M., 2014. A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM), Thousand Oaks, Sage.

Jeanpert, S., & Paché, G. (2016). Successful multi-channel strategy: Mixing marketing and logistical issues. *Journal of Business Strategy*, 37(2), 12–19.

Jones, C., & Kim, S. (2010). Influences of retail brand trust, off-line patronage, clothing involvement and website quality on online apparel shopping intention: Online apparel shopping intention. *International Journal of Consumer Studies*, 34(6), 627–637.

Kim, J., & Lee, H.-H. (2008). Consumer product search and purchase behaviour using various retail channels: The role of perceived retail usefulness. *International Journal of Consumer Studies*, 32(6), 619–627.

Kozlenkova, I. V., Hult, G. T. M., Lund, D. J., Mena, J. A., & Kekec, P. (2015). The Role of Marketing Channels in Supply Chain Management. *Journal of Retailing*, 91(4), 586–609.

Neslin, S. A., & Shankar, V. (2009). Key Issues in Multichannel Customer Management: Current Knowledge and Future Directions. *Journal of Interactive Marketing*, 23(1), 70–81.

Pentina, I., & Hasty, R. W. (2009). Effects of Multichannel Coordination and E-Commerce Outsourcing on Online Retail Performance. *Journal of Marketing Channels*, 16(4), 359–374.

Picot-Coupey, K., Huré, E., & Piveteau, L. (2016). Channel design to enrich customers' shopping experiences: Synchronizing clicks with bricks in an omni-channel perspective – the Direct Optic case. *International Journal of Retail & Distribution Management*, 44(3), 336–368.

Ringle, C.M., Wende, S., Becker, J-M., (2015). SmartPLS 3. Bönningstedt: SmartPLS. Retrieved from http://www.smartpls.com (accessed on October 5, 2018).

Salciuviene, L., Reardon, J., & Auruskeviciene, V. (2011). Antecedents of performance of multi-level channels in transitional economies. *Baltic Journal of Management*, 6(1), 89–104.

Silva, S. C. e, Martins, C. C., & Sousa, J. M. de. (2018). Omnichannel approach: Factors affecting consumer acceptance. *Journal of Marketing Channels*, 25(1–2), 73–84.

Stojković, D., Lovreta, S., & Bogetić, Z. (2016). Multichannel strategy—The dominant approach in modern retailing. *Economic Annals*, 61(209), 105–127.

Straker, K., Wrigley, C., & Rosemann, M. (2015). Typologies and touchpoints: Designing multi-channel digital strategies. *Journal of Research in Interactive Marketing*, 9(2), 110–128.

Tagashira, T., & Minami, C. (2019). The Effect of Cross-Channel Integration on Cost Efficiency. *Journal of Interactive Marketing*, 47, 68–83.

Taylor, D. (June 22, 2014). Suddenly everyone's an expert. Retrieved from https://www.independent.co.uk/voices/comment/suddenly-everyones-an-expert-9554153.html (Last accessed: August 15, 2019).

Verhagen, T., & van Dolen, W. (2009). Online purchase intentions: A multi-channel store image perspective. *Information & Management*, 46(2), 77–82.

Verhoef, P. C., Neslin, S. A., & Vroomen, B. (2007). Multichannel customer management: Understanding the research-shopper phenomenon. *International Journal of Research in Marketing*, 24(2), 129–148.

von Briel, F. (2018). The future of omnichannel retail: A four-stage Delphi study. Technological Forecasting and Social Change, 132, 217–229.

Wallace, D. W., Johnson, J. L., & Umesh, U. N. (2009). Multichannels strategy implementation: The role of channel alignment capabilities. *Decision Sciences*, 40(4), 869–900.

Watson, G. F., Worm, S., Palmatier, R. W., & Ganesan, S. (2015). The Evolution of Marketing Channels: Trends and Research Directions. *Journal of Retailing*, 91(4), 546–568.

Weinberg, B. D., Parise, S., & Guinan, P. J. (2007). Multichannel marketing: Mindset and program development. *Business Horizons*, 50(5), 385–394.

Wiener, M., Hoßbach, N., & Saunders, C. (2018). Omnichannel businesses in the publishing and retailing industries: Synergies and tensions between coexisting online and offline business models. *Decision Support Systems*, 109, 15–26.

Xu, J., & Cao, L. (2019). Optimal in-store inventory policy for omnichannel retailers in franchising networks. *International Journal of Retail & Distribution Management*, forthcoming: published online ahead of print, doi: 10.1108/IJRDM-09-2018-0199.

Zhang, J., Farris, P. W., Irvin, J. W., Kushwaha, T., Steenburgh, T. J., & Weitz, B. A. (2010). Crafting Integrated Multichannel Retailing Strategies. *Journal of Interactive Marketing*, 24(2), 168–180.