

## **Omnichannel strategy and organizational change: HRM challenges for luxury & fashion companies**

### **INTRODUCTION**

With the advent of technology, even the way of shopping has changed. Today's consumers want to be always connected, receive information and above all have the product they want as quickly as possible wherever they are. This led to a transformation also in the retailer business models that had to move from a multi-channel logic to an omni-channel; always having as a key objective to offer a seamless customer experience. At present, there are many marketing studies aimed at the omnichannel strategy, but very few are those oriented to investigate the most organizational aspects regarding the corporate structure, the changing roles and the new skills to be acquired. Very few researches focus on Human Resources Management.

The omnichannel strategy and the related new HR management becomes interesting, which is why it will be my field of study, for fashion companies as one of the biggest challenges for these organizations have faced since the beginning of the digital era is how to bring the same high-end experiences they offer in-store to the digital space. This study is an ongoing research and I will go to present the theoretical framework and the research design.

### **1. MULTIDISCIPLINARY PERSPECTIVE OMNICHANNEL**

To date, the main theoretical contributions in this marketing field come from Verhoef et al. (2015), which describe omnichannel retailing and its differences from a multi-channel strategy; Bell et al. (2014) for their study of hybrid purchasing behavior; Brynjolfsson et al. (2013) for having identified successful competitive strategies in an omnichannel perspective. They said that omnichannel retailers could take best practices from the world of brick and mortar and e-commerce and combine them together and Sambar et al. (2015) regarding the new performance evaluation metrics.

### **2. THEORETICAL FRAMEWORK**

The theoretical framework has 2 pillars: 1) *Socio-technical system*: The theoretical framework for this project starts from socio-technical systems: prior to change, task planning, coordination and control, interpersonal and inter-relationship constraints were facilitated and mediated by

the culture of the working group. The new technology has imposed a different set of interpersonal relationships and has made planning and control clear. The core features of the working group have been altered; the structural features of the and in the group, have been dismantled and reconstructed. Like a spider web among the gardening tools that remains attached to the walls of a shed, the workgroup culture canvas was torn off when the tools were reordered (Reis Louis, 1994). This model envisages an interaction between the social system that includes all human factors (e.g. organizational culture, degree of communication, etc.) and the technical system that focuses on the type of productive technology (e.g. interdependence, complexity of tasks, etc.). One of the strongholds of the socio-technical approach is that one intervenes only on one of the two subsystems (typically the technical one) there is the risk of being disappointed. It is easy to find perfectly designed systems that fall on the level of the organizational structure that hosts them. Hence the need for a strategy called "conjunction optimization", which launches a bridge in organizational planning between technical disciplines (industrial engineering, IT, etc.) and humanistic discipline (sociology of organizations, work psychology, etc.) (Eason, 2008).

2) *Contingent Theory*: theories that state that the organization must adapt to the characteristics of the situation and that, therefore, there is no type of organization valid in all situations (Burns & Stalker; Lawrence & Lorsch; Woodward).

## 2.1. DEFINITION OF OMNICHANNEL STRATEGY

Rigby was the first to mention the term in the academic literature by defining the omni-channel sale as "an integrated sales experience" (Rigby, 2011, p.4). Omnichannel is "*the synergetic management of the numerous available channels and customer touch-points intended to optimize the customer experience and performance across channels*" (Verhoef et al., 2015 p. 176).

The purpose of the omnichannel is to improve the customer experience by eliminating breakpoints between channels, making interaction data and history available on all channels using analysis to continuously improve the experience. The progressive shift was:

- ***Single channel strategy***: this strategy involves the exclusive use of a channel to reach customers; the choice to operate in a physical channel, then excludes the virtual one, and vice versa (Kotler et al., 2017).
- ***Multi-channel strategy***: the evolution of marketing practices has led companies to use more channels to reach customers thanks to technology. This strategy, unlike the single channel, offers different access channels with the consequent achievement of a greater number of customers, greater profits, greater visibility of the brand, but on the other hand also presents a series of organizational challenges that should not be underestimated. The most important is to provide for the integration between the different channels used, evaluating the contribution that each channel can offer and thus avoiding cannibalization. This approach has become obsolete because it is not able to

create value by uniting the different points of contact. So much so that Stone et al. (2002) had already identified the greatest limitation of this strategy: "*the channels must be managed and maintained in silos with more infrastructures, management teams, technology and, possibly, different marketing strategies*" (Stone et al., 2002). It can be said that the transition from multi-channel to omnichannel is being driven by consumers. The increasing use of smartphones, tablets and mobile applications has created online shoppers with an insatiable appetite for information and has added a new dimension to the consumer shopping experience (Napolitano, 2013). Customers want everything. They want the benefits of digital, such as a wide selection of available merchandise, detailed product information and review and suggestions from other customers. They also want the benefits of brick and mortar, such as personal service, the ability to touch products and shopping as an unforgettable event and experience (Rigby, 2011).

- **Omni-channel strategy:** the omnichannel strategy allows its customers to move freely between online, mobile devices and the physical store, all in one transaction process (Piotrowicz & Cuthbertson, 2014).

The omnichannel strategy becomes particularly interesting in fashion companies as they have been more reluctant to invest heavily in digital space because of the belief that customers would be reluctant to shop online for such expensive items. The adoption of these strategies by luxury fashion brands has a relevant impact on the whole value chain and generates many critical organizational implications for luxury companies (Gentile, Spiller & Noci, 2007).

The new consumer has become more demanding – here today, gone tomorrow - and particularly hasty as the product he has seen today during the parade will already be available tomorrow to be purchased. That is why one of the challenges that fashion companies face with the advent of the omni- channel is to redesign consumer shopping experience, in fact, most retailers are now supporting e-commerce (from bricks and mortar at bricks and click) to create virtual shops where the customer can look for the tailor-made solution for him staying comfortably at home (Burt, 2010).

The omnichannel strategy might affect the way products are manufactured and delivered: collections and assortments can no longer be designed for separate outlets and channels (e.g. flagship collections that are wider than the ones available in boutiques or department stores, or special collections depending on geo- graphical markets) but may require a more integrated approach in order to allow customers to access merchandising through a wider and more complex set of touchpoints (Pini & Quacquarelli, 2017).

The adoption of these strategies by luxury fashion brands has a relevant impact on the whole value chain and generates many critical organizational implications for luxury companies. All this is certainly convenient for the consumer, but from the point of view of the companies? The omnichannel is increasingly turning out to be a necessity for businesses. Knowing how to intercept the customer and his needs wherever he prefers is a skill and a challenge for companies, as it implies changes at a cultural,

organizational, operational and strategic level. This process supports the idea of Berman & Thelen (2004) according to which retailers must hire and train staff because this strategy requires a staff with different skills, often due to the use of new technologies. Furthermore, for the omnichannel customer, the store experience they desire is very different from that of the traditional customer. The moment they pass through the shop door, they are much more prepared and know the products they want to see / try; expect the staff to be aware of more information. It is therefore useful to provide staff with a technology to support the sales process; allow staff to recognize the customers and their recent activities and allow to visualize the warehouse levels and delivery times (Cook, 2014).

## **2.2 HR PERSPECTIVE AND FUTURE STEPS**

To date, the organizational studies present have focused on changes in the organizational structure and supply chain. In order to apply a winning strategy, companies will have to change the organizational structure as they will have to create more integration between the different channels, develop an adequate online presence (perhaps by creating new roles entirely dedicated to this task), invest more in CRM (Customer Relationship Marketing) and the company should map the customer journey to be always aligned and try to better satisfy its customer.

Human resources play a crucial role, as they must also preserve the cultural change that the whole company will face (Salmon, 2014).

All this has led to a change in the role of the seller who has evolved with the future of technological change. The traditional shop assistant we were used to is not enough anymore. The new consumer has replaced the shop assistant with the smartphone, most consumers now consult their smartphone while in the store looking for additional details about the product they are buying, or to read information and opinions about that particular product.

Issues such as internal commitment to digital progress, HRM lifecycle, talent attraction and retention, are strictly intertwined with ongoing digital transformation that modern organizations are experiencing. Digital technologies clearly allow new forms of organizing work (Hertel et al., 2005).

The technological changes have deeply affected managerial strategies, organizational re-design and HRM practices (Orlikowki, 2007).

The goal is to move towards an agile HR in order to support the omnichannel. It's a move away from a rules and planning-based approach toward a simpler and faster model driven by feedback from participants. The agile HR thinks back to performance evaluation, team work, recruiting, compensation, etc.

So, top-down planning models are giving way to nimbler, user-driven methods that are better suited for adapting in the near term, such as rapid prototyping, iterative feedback, team-based decisions, and task-centered "sprints".

Because HR touches every aspect and every employee of an organization, its agile transformation may be even more extensive (and more difficult) than the changes in other functions (Cappelli, 2018).

### **3. RESEARCH QUESTIONS**

This research project aims to investigate how the adoption of the omnichannel strategy changes the organizational structure above all from the point of view of *Human Resources Management*; specifically, the research questions are:

*RQ1: Which new roles or coordination mechanisms should be developed in order to apply an omnichannel strategy?*

*RQ2: Which kind of skills and competencies need to be acquired in order to adopt an omnichannel strategy?*

*RQ3: Which changes in performance management systems does the adoption of the omnichannel strategy require?*

### **4. NEXT STEPS**

The methodology I will use for my project will be mixed-method. The goal is to focus on one or two brands that are entering the world of the omnichannel. The quantitative part will be more geared to investigating the necessary training needs with an ad hoc questionnaire, while the qualitative part concerning corporate culture and the change in the organizational structure will be analyzed through interviews with Human Resource Managers and Marketing Managers later focus groups will also be performed.

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**“Riccardo Massa” Department of Human Sciences for Education PhD in  
“Education in contemporary society” – Cycle XXXIII – Academic year 2018-2019**

Milan, 13th February 2019

**Object:** Letter of references PhD Student Bua Ilenia

Dear,

I am Barbara Quacquarelli, associate professor in Organization and Human Resource Management at the University of Milan-Bicocca. I am very pleased to be able to write this letter of reference for Ms. Ilenia Bua. Before being a PhD student, she was a student of mine during the Master's Degree in "Training and Development of Human Resources" at the University of Milan-Bicocca, achieved with a 110 and honors mark.

Currently, Ms. Bua is in the 2nd year of the Doctorate in "Education in Contemporary Society" at the University of Milan-Bicocca, with a thesis entitled "*Omnichannel strategy and organizational change: HRM challenges for luxury & fashion companies*". The objective of her PhD project is to, through 1 or 2 case studies, analyze the organizational impacts due to the adoption of a omnichannel strategy; specifically, going to see how roles change but above all, what kind of skills and training are required to face this challenge.

Being her, a predominantly qualitative study, I would be pleased if you could participate in your Summer School to refine her skills and knowledge on techniques and methods of data collection, but also on different methodologies that could be useful, not only for her project but also, for future research.

In 2019, Ms. Bua will perform a visiting at the University of Reims where, together with a research group, she will follow projects related to the Omnichannel at Champagne companies. Conclude by saying that, Ms. Bua is a curious person, eager for new experiences and used to work in teams, features that will appreciate the experience you propose.

I am waiting for your kind feedback with best regards,

Barbara Quacquarelli

Associate Professor Organization and Human Resource Management University of Milan-Bicocca

