

Omnichannel Synergy: A Review of the Convergence Between Digital and Physical Retail

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Abstract

Retailing is undergoing a remarkable transformation brought by recent advances in technology. Technology developments, shifting customer habits, and globalization have all had a major impact on the retail industry throughout the years. The advent of omnichannel shopping has completely changed how conventional e-commerce companies' function, which has led to significant adjustments in customer expectations and decision-making procedures. With this in mind the purpose of the current paper is to provide comprehensive and concise state of the art of literature review in omnichannel retailing. We study the Stimulus- Organism- Response framework to understand the decision of omnichannel shoppers. The present investigation is based on a thorough analysis of existing research papers, which were found after a thorough search of different databases like EBSCO, Google Scholar, Web of Science covering the work of last five years. This body of work was carefully examined in order to examine its goals, approach, and main contributions. Apart from doing a thorough analysis of the research, we also contribute to the body of literature by understanding the evolution of omnichannel retailing and how it has changed the decision power of consumers.

Keywords: Omnichannel retailing, Multichannel, Stimulus-organism-response, retailing, consumer decision.

Introduction

Selling products and services directly to customers for their domestic or personal use is referred to as retailing (Kotler & Keller, 2016). Customers now have more alternatives for interacting with businesses and making purchases because to advancements in information and communication technology, which allows retailers to use both physical and online channels like websites and mobile devices. Technology developments, shifting customer habits, and globalization have all had a major impact on the retail industry throughout the years (Levy, Weitz, & Grewal, 2019). With the increasing popularity of digital technology, and the advent of online e-commerce, mobile e-commerce, social media and other developing retail channels, the retail business has witnessed a major upheaval worldwide. The communication has evolved with the ever-increasing use of computers & with the growth of internet penetration across the country. E-Commerce has also emerged as a new avenue for growth in the retail segment. The overall retail dynamics have changed drastically in the last decade. One needs not visit physical retail outlets to buy anything rather they go online & shop from the many options available on the internet. On click of a button, they can order consumer durables to apparels & even groceries for their daily consumption. Almost all the products & services are available on the internet. Consumers specify their own set of features & choices & get customized products. The age-old marketing concepts like segmentation, targeting & positioning still hold but the scope of application of these concepts has increased enormously. The consumer behavior definition quoted by (Schiffman & Kanuk, 2005) states that it is that set of behavior which a consumer exhibits in searching, purchasing, using, evaluating & disposing of

products & services that they want to satisfy their needs. A new trend in commerce called omnichannel retailing has revolutionized traditional shopping by combining all consumer interactions into a cohesive, all-encompassing experience.

Omnichannel management is "the synergistic management of the numerous available channels and customer touchpoints, in such a way that the customer experience across channels and the performance over channels is improved," according to (Verhoef et al. 2015). Even while study on this new subject has recently increased, there is still little and irregular work that focuses on how customers view omnichannel retailing. Prior research indicates that the way in which customers view and utilize the omnichannel service being provided determines whether omnichannel retailing methods are successful or unsuccessful (Juaneda-Ayensa et al., 2016; Kazancoglu & Aydin, 2018; Shen et al., 2018). Moreover, cultivating and keeping omnichannel customers is essential to any company's strategic success, since they represent a significant portion of the retail market (Manser Payne et al., 2023). Finally, numerous scholars highlight the importance of studying how consumers behave in the omnichannel setting in order to provide them with a seamless shopping experience (Barwitz, & Maas, 2018; Dahl et al., 2018).

Inspired by above trends and gaps this study has adopted a structured literature review approach (Canabal & White, 2008; Paul & Singh, 2017; Kahiya, 2018; Rosado-Serrano et al., 2018) to classify and examine critical conclusions drawn from the body of research in the field of omnichannel commerce. The focus constructions, the study setting, and the procedures that define earlier work in this field are covered first in the review. Following, we study the Stimulus-organism-response model of Mehrabian and Russell (Mehrabian and Russell 1974) to analyse the consumer experience in omnichannel retailing environment. A number of factors highlight the significance of the current work and its potential to significantly advance current studies. Despite a few prior research that examine omnichannel retailing literature, the evolution of omnichannel retailing and how it has created an impact on the decisions of omni channel shoppers is still scarce. Existing body of literature represents logistics and supply chain aspects of omnichannel retailing; such as freight transportation (Lafkihi et al., 2019), warehousing (Kembro et al., 2018), and fulfilment and distribution (Melacini et al., 2018) and customer experience fulfilment.

This paper has adopted a structured review approach (Paul & Criado, 2020) in which we identify and present detailed information on omnichannel retailing research.

Second, the retailers' point of view has been used in the majority of omnichannel studies (Verhoef et al., 2015). According to (Kazancoglu and Aydin 2018), there is a theoretical knowledge vacuum regarding consumer behavior in the context of omnichannel retailing. To overcome this constraint, we present the main conclusions of omnichannel research from the viewpoint of the consumers in this paper using S-O-R model. This allows the study to function as a basis for future research focusing on the consumer (Verhoef et al., 2015) behavior facets of omnichannel retailing. We fill this gap by including a greater number of pertinent journals that examine omnichannel retailing-related subjects, such as the International Journal of Retail & Distribution Management, the Journal of Retailing & Consumer Services, the Journal of Research in Interactive Marketing, the International Journal of Consumer Studies, the Journal of Retailing & Consumer Services, and the International Journal of Physical Distribution & Logistics Management. As a result, the present review can offer more thorough insights that cover a wider range of disciplines.

This paper's remaining sections are arranged as follows. Following a description of the research methods used in the current systematic review, the results and a discussion of the findings are presented in the following section. Following an overview of the major themes and conclusions, we

provide our findings together with several insightful study ideas and suggestions to support future research in this field.

Research Methodology

The study has adopted a thorough review of existing body of knowledge on omnichannel retailing and has added to our paper's goal of creating a comprehensive understanding of omnichannel retailing by pointing out gaps in the scientific literature, identifying trends, and ultimately proposing pertinent future research directions (Canabal & White, 2008, Paul & Singh, 2017; Kahiya, 2018; Rosado-Serrano et al., 2018; Paul and Feliciano-Cestero, 2020).

To move forward with the study Ebsco databases were used with keywords like 'omnichannel', 'omnichannel retailing', omnichannel consumer' and, 'omnichannel commerce'. Secondly specific journals that research articles related to omnichannel retailing including the International Journal of Physical Distribution & Logistics, the Journal of Retailing and Consumer Services, and the International Journal of Retailing and Distribution Management, The International Journal of Consumer Studies, Management, and Decision Support System were searched. We have limited our research to 5 years of literature review from year 2019 to year 2024. Special attention was given on the concept development of omni channel retailing, and how omni channel retailing has revolutionized in the last five years. Sourcing of relevant articles was done through key word search and there after the abstract and full text of manuscripts were thoroughly read so understand relevancy of the studies. The study incorporated the Stimulus-Organism-Response framework to understand the concept of omni channel retailing, the transition shift from multi-channel to omni channel retailing and how omnichannel retailing has created an impact on decision making of omnichannel shoppers.

Literature Review

Background Study

The development of online and continuing digitization with mobile application buying has been an interrupter in physical stores buying in the retail industry. Consumers currently use various retail channels to connect with their preferences in anticipation of unified retail services. The development of online and continuing digitization with mobile application buying has been an interrupter in physical stores buying in the retail industry. Consumers currently use various retail channels to connect with their preferences in anticipation of unified retail services.

The channels in retail have evolved from mono channel to multi-channel and finally to omnichannel. Mono channel means that a company is operating only through a single channel e.g., a physical store, and the company co-exists individually without any other channel or medium of contact. Multi-channel means the company operates on multiple channels but the channels are not integrated with each other. They exist in the retail environment individually but there is no common data among the channel (Beck & Rygl, 2015). The recent tendency is to integrate all the channels, it not just multichannel it has to be omnichannel, the word "omni" is derived from a Latin word meaning all or universal (Akter et al., 2019)

E-commerce is rapidly growing and so is the consumer's shopping mindset. This rapid growth is because of factors like the proliferation of smartphones, retailers' increased investment in technological platforms, and high confidence among shoppers to hop and search among different channels.

The Transition Phase from Multichannel to Omnichannel

Multichannel Marketing to Omnichannel marketing strategy is a four-stage process where the

transition goes from Crawl to walk to run and Sprint

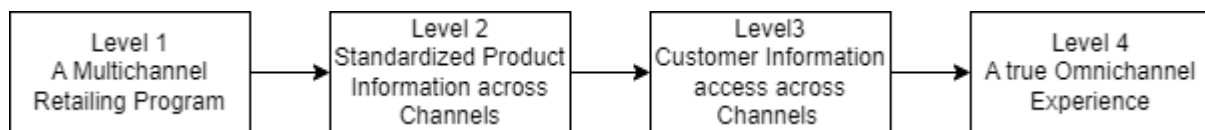
Crawl- Store and Online channels are separate, Buy Online Pickup in store.

Walk- Buy online ship from the store or Buy at the store, and get it shipped from a different store.

Run- Buy and Return Anywhere.

Sprint- Works on Customer experience and Optimizing Supply chain Operations.

It is not an easy task for a brick-and-mortar retailer to switch to an online platform or vis-a-vis. This transition requires detailed research and investments in infrastructure, products, services, customers, and employees. A well-explained four-stage research literature review model adapted by (Cao and Li,2015; Beck and Rygl,2015) depicts the transition phase for an organization from a multichannel to an omnichannel marketing program. The model shows four levels as depicted below:



Source: Cao and Li,2015; Beck and Rygl,2015

Figure 1: Transition Phase from Multichannel to Omnichannel

Level 1: In this stage, channel integration reflects a siloed multichannel marketing program. Retailers sell goods and services through multiple channels but each channel works independently and fails to provide unified information across all channels. Lack of coordination, inventory sharing, joint planning, and uniform customer information across channels causes the retailer to work independently without any cohesion. The promotional tools and appeals may vary on multiple channels thus it becomes difficult to break these silos as most of the operations and distribution channels of the retailers are established independently (Gallino and Moreno,2014; Rigby,2011).

Level 2: In this stage, there is minimal integration across channels. Company logos, product taglines, colours, fonts, and descriptives are present among all the devices i.e., laptops, mobiles, desktops, and tablets but there is a lack of sharing of customer data and information. Some partial integration across channels exists such as a mobile coupon that can be sent to the customer to encourage him or her to visit the store and redeem the benefits of the coupon.

Level 3: In this stage customer information, pricing data, and order/inventory availability-related information are integrated. This stage refers to order fulfilment where omnichannel strategies play a key role in establishing communication between the consumer and the company across channels. Consumers can view inventory in the store via a tablet, they can Buy Online Return in Store, Buy Online Ship to Store, Buy Online Pickup in Store, and Buy online ship to home. Further, it was explained by (Bell et al., 2014) that BOPIS minimizes the critical friction point for the consumers which means an uncertainty developed in the mind of the consumer that whether the good is available in the store and what price it may it costs. In this stage both store and online site stock the same good with common stock keeping unit (SKU) to provide a seamless view to the consumer.

Level 4: In this stage, there is the highest degree of channel integration. Customers experience a seamless shopping journey across any device and touchpoints. This stage adapts to cross-channel integration. Retailers can use past purchase history from all the channels and can suggest specific purchases based on consumer choice and preference.

What is Omni Channel Retailing

Omni channel is a cross-channel business model that companies use to improve customer

experience. Omni-channel businesses are “seamless and effortless, high quality customer experiences which occur within and between contact channels.” Omni-channel retailing is an expansion of multi-channel retailing (Verhoef et al., 2015). The major difference between the two is the level of integration. Multi-channel is usually identified as non-integrated way to approach customers while omni-channel requires coherent and absolute integration (Kersmark and Staflund, 2015). Figure 1 compares the differences of omni-channel and multi-channel operation. omni-channel retailing takes a broader perspective on channel integration, considering not only the range of channels but the needs, communications and interactions between customers, brand and retailer (Verhoef et al., 2015). While multi-channel retailing focuses on separate channels each maximizing its sales at the expense of others, omni-channel retailing emphasizes integration of various channels to enhance customer experience and total sales while optimizing overall operational efficiency. The distinctions between diverse channels tend to vanish in an omni-channel environment, giving the customer a completely unified shopping experience (Ailawadi and Farris, 2017). As the world of retail markets changes rapidly, there is a growing research interest exploring the impacts of the channel transformation (Beck and Rygl, 2015)

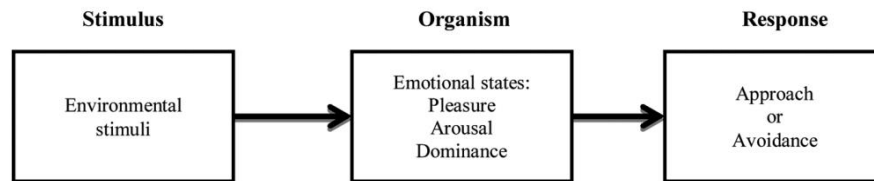
Stimulus-Organism-Response framework and its application in Omnichannel Retailing Environment

The framework discusses three stages that take place in a buying decision process. An individual's internal assessment is triggered through environmental stimuli (S) or it can be called clues. This stimulus affects the organism(O)also called the internal assessment state of the individual, which results in a negative or positive behaviour/response (R). A stimulus is an influencing force from the external environment that affect the mental and cognitive state of an individual (Lin and Lo, 2016).The S-O-R framework is somewhat like the information processing model, which focuses on how inputs from the decision environment are processed through consumers' cognitive systems and how they lead to final responses (Chen et al., 2013).

According to (Donovan and Rossiter,1994) extended the S-O-R model to the retail industry, investigating how environmental signals impact customers' feelings and the intentions behind their actions. Later, (Jacoby, 2002) improved the model to investigate which outside factors can influence how customers behave. Since it illustrates how external influences impact consumers' behavioral responses, the S-O-R model has been used in a variety of research settings. For instance, (Chang et al. 2011) discovered that an apparel store's ambient/design features (S) encourage impulsive purchasing behavior (R) and had a beneficial impact on customers' emotional reactions to the store environment (O). In recent years, a number of studies have expanded the S-O-R model to look into how consumers' behavioral intentions are affected by cutting-edge technology, such augmented reality. The users' perceived enjoyment and satisfaction (O) were strengthened by the increased utility, usability, and interactivity of AR apps (S), which in turn strengthened their desire to purchase (R).Since it illustrates how external influences impact consumers' behavioral responses, the S-O-R model has been used in a variety of research settings. For instance, (Chang et al. 2011) discovered that an apparel store's ambient/design features (S) encourage impulsive purchasing behavior (R) and had a beneficial impact on customers' emotional reactions to the store environment (O). In recent years, a number of studies have expanded the S-O-R model to look into how consumers' behavioral intentions are affected by cutting-edge technology, such augmented reality.

The S-O-R framework is a meta-theory for analyzing user behaviours and has been widely demonstrated in the area of information science and information management. As a well-known framework, previous research used the S-O-R framework to explain consumer loyalty, purchase intention, buying behaviour, engagement, and co-creation. S-O-R as an important analytical framework to explain the process of human behaviour was used to predict the cognitive judgment and subsequent behaviour or intention of online users. With the advent of e-commerce, the consumer environment has become a virtual space mediated by computers, where stimuli refer to

clues and signals from online stores (Zhang et al., 2018). A stimulus is an influencing force from the external environment that affect the mental and cognitive state of an individual (Lin and Lo, 2016).



From Stimulus-Organism-Response framework studies have supported that channel integration and convenience are two primary factors that work as stimulus in consumer experience journey. These two primary factors impact the Organism (O) in the customer journey, as suggest by studies they are: Trust, satisfaction, perceived value and Consumer Empowerment. The response (R) in the model is results in the decision making of omnichannel shoppers.

Consumer Conduct in Response to the S-O-R framework in Omnichannel Retailing Environment: Final Thoughts

Three emotional states (conditioned by approach avoidance) in reaction to a certain environment were identified by Mehrabian and Russell in 1974. The following emotional components were included in the "PAD" (Pleasure, Arousal, Dominance) model, which consisted of these three states: (1) Arousal, which refers to how stimulated, alert, or roused the consumer is in the situation encountered; (2) Dominance, which refers to whether the consumer feels in control or free to act in a particular situation (reactance); and (3) Pleasure, which refers to how the consumer feels (pleased, good, happy, and satisfying feelings).

Eight years later, the authors (Donovan and Rossiter 1994) applied the theory to the setting of a retail outlet in order to better understand the influence on consumers of stimuli from the atmosphere perceived in a physical store. This model is known as S-O-R (Stimulus-Organism-Response) and has been widely developed in the academic literature on consumer behavior. This model was used to explain the connection between environmental factors and the approach and avoidance behaviors in the pertinent environment, all of which are impacted by the individual's emotional actions under the different "states" that the environment stimulates. As e-commerce grew in popularity in 2001, numerous studies were released to evaluate the S-O-R model's applicability in the context of online retailers (Ha and Lennon, 2010), where physical stores are replaced by "enriched" virtual environments for the shopping experience (Eroglu et al., 2001; Ha and Lennon, 2011). There is a wealth of research on the S-O-R model in a real-world (physical store) context that examines how different aspects of store or point-of-sale stimuli (exterior, interior, design, display, and staff) impact buyers and sellers and the responses or behaviors that follow (Turley and Milliman, 2000). Authors like (Childers et al. 2001) have expanded the S-OR model to include the idea of "digital atmosphere" or "webmospherics," which pertains to another facet of the omnichannel reality. The growth of omni channel retailing has taken a significant pace and consumers have immersed themselves in this digital realm and seek convenience and trust in their shopping journey. Thus, omni channel retailing will change by multiple folds as technology upgrades and awareness of consumer increases in the digital shopping era.

Conclusion

The rapid evolution of technology, coupled with changing consumer behaviors and increased globalization, has fundamentally reshaped the landscape of retailing. Omnichannel retailing, in

particular, has emerged as a transformative force, blending physical and digital touchpoints to create seamless, integrated customer experiences. Through a comprehensive review of recent literature spanning the last five years, this paper has explored the development and impact of omnichannel

strategies, with a specific focus on understanding consumer decision-making through the lens of the Stimulus-Organism-Response (S-O-R) framework.

Our analysis reveals that omnichannel retailing significantly influences how consumers perceive, evaluate, and interact with retail environments. The integration of multiple channels not only enhances customer satisfaction but also raises expectations for consistency, personalization, and convenience. By synthesizing findings from various scholarly sources, this review highlights the dynamic interplay between technological stimuli, consumer cognitive and emotional responses, and resultant purchasing behaviors.

Ultimately, this study contributes to the existing body of knowledge by mapping the evolution of omnichannel retail and identifying key shifts in consumer decision-making power. It provides valuable insights for both academics and practitioners aiming to understand and navigate the complexities of modern retail environments. Future research could further explore emerging technologies, such as AI and augmented reality, and their potential to shape the next phase of omnichannel experiences.

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