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MULTICHANNEL STRATEGY – THE DOMINANT APPROACH IN MODERN RETAILING

ABSTRACT: *The purpose of this paper is to thoroughly analyse the concept of multichannel strategy, focussing on retail, to enable the academic community and marketers to better understand its advantages and disadvantages. This paper presents a comprehensive literature review and financial data analysis. The authors have analysed the financial data of 88 retail companies in the 2007 to 2014 period, and have proven that the importance of multichannel strategy has grown with the emergence of e-commerce. The main hypothesis is that the multichannel concept dominates modern marketing channels because it is widely accepted and provides superior financial performance. Multichannel retailing is definitely a winning concept, if adequately implemented. However, wrongly implemented it can negatively influence business performance.*

KEY WORDS: *multichannel strategy, retailing, e-commerce, marketing channels*

JEL CLASSIFICATION: L81, M31

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1. INTRODUCTION

Multichannel strategy, or multichannel marketing strategy, has been in use for a long time, especially in retail. However, it has significantly grown in importance with the emergence of new business channels – above all, electronic marketing channels and the internet (Zentes et al. 2007). In this paper the authors have examined whether e-commerce has been crucial for multichannel strategy development. Before1995 very few researchers addressed this subject. Since the introduction of e-commerce there has been at first a slight and then a large increase in interest in the concept of multichannel marketing, or the multichannel approach, especially after 2000. Today, this is one of the most interesting subjects in the field of marketing channels and marketing in general (Lovreta and Stojković 2009). In addition, multichannel strategy has a growing influence in food retailing since more and more grocery retailers are opening online stores in addition to their traditional stores (Melis et al. 2015).

This concept has significant application in marketing channel practice. It dominates modern retailing:combining classical (store) channels and electronic channels has proved to be the best option for most of the world's leading retailers. However, multichannel strategy is not the best solution for all retailers and has its advantages and disadvantages. It is important to thoroughly analyse all the potential benefits and negative effects before implementing this strategy.

A strategic profit model was used to analyse the financial performance of 88 leading retail companies, taking into account whether they were single or multichannel retailers. Multichannel companies show higher Return on Net Worth (RONW) in all analysed years.

2. MULTICHANNEL APPROACH – DEFINITION AND CHARACTERISTICS

Multichannel marketing or multiple marketing channels; multichannel strategies; multichannel retailing; omni-channel retailing (Verhoef et al. 2015); bricks & clicks; click and mortar; bricks, clicks and slicks – all of these are terms used in business theory and practice. They are all linked to the multiple-marketing-channels concept. Much attention has been paid to the features of multiple marketing channels, especially their advantages and disadvantages. Researchers are particularly interested in dual marketing channels, which combine traditional and electronic channels (Wilson 2008; Berman and Evans 2012).

Multichannel strategy in marketing channels, multichannel retail, and multiple marketing channels have all been discussed in academic journals and books that focus on business economy by authors such as Levy and Weitz (2013), Rosenbloom (2007 and 2013), Berman (2004 and 2012), Venkatesen, (2007), and Ansari et al. (2008). In addition, many eminent management and marketing consulting companies such as McKinsey, Gartner, Forrester, and Standard & Poor's have taken an interest in the multichannel approach.

Many authors have introduced definitions of multiple marketing channels. They all have more or less the same basis – the usage of more than one channel in market access. Kotler and Keller (2009) defined multiple marketing channels as a situation where "a company uses two or more marketing channels to reach one or more market segments". Some authors have defined multiple marketing channels from the consumers' perspective. Rangaswamy and Van Bruggen (2005) defined a multiple marketing channel as a situation wherea firm interacts with different segments of the customer base through different channels.

Much research focuses on the application of multichannels in retail. Berman and Thelen (2004) defined multichannel retailing as "a situation where the retailer enables the consumers to shop in several different types of channels such as traditional stores, catalogues and e-commerce". Levy and Weitz (2013) have defined multichannel retailers as "retailers that sell products or services through more than one channel". Scram-Klein defined multichannel retail as "a parallel usage of multiple channels in retail" (Zentes et al. 2007).

Based on all the above, we define multiple marketing channels in the following way:

Multiple marketing channels appear when an organization uses more than one channel type in an attempt to reach its target market segments.

It is important to clarify the term 'channel type' in this definition. A channel type is a group of formats with similar characteristics that attract customers. This definition relates to all levels of marketing channel and is different from the majority of definitions which focus on the final level of marketing channels, retailer-customer relations. In this paper we will follow the guidelines of the greatest authorities in the field of marketing channels, commerce, and marketing in general, bearing in mind other aspects of the multichannel approach. In the above-mentioned definition we have endorsed a wider approach to multichannel strategy. The term 'organisation' has been used in the definition because it includes producers, wholesalers, and other business and non-business subjects. Thusthe multichannel approach is not limited to business subjects – government activities and the relationship between the public sector and citizens and business subjects are the best examples of other applications. The definition also uses the term 'target market segments', which include final consumers as well as business buyers.

One channel in retail is the traditional (physical) marketing channel, or store channels. As per the above-mentioned definition, hypermarkets, supermarkets, and specialized stores are the same type of channel (this excludes inter-type and intra-type competition between formats). Some authors define these as individual channels, but theyare only sub-types of physical or store channels. The electronic marketing channel is another channel type, which includes e-commerce and internet sales, regardless of whether the orders are placed online by computer or by mobile phone. The catalogue channel is yet another type of channel. Here, the catalogue is the basis for customer attraction, regardless of whether they order by phone, mail, fax, or e-mail. The specified typology has been adjusted according to Levy and Weitz's (2013) characterization. However, we should point out that a combination of traditional and electronic marketing channels dominates today's multichannel environment, which is indicated in the works of the most renowned marketing channel theorists (Berman and Evans 2012; Tiernan 2001).

The multichannel approach in retailing is best described as consumers researching and examining products and services via one channel type, buying them in another channel type, and collecting and returning them in yet another type of channel (Berman and Thelen 2004). In academic papers we often come across the term 'hybrid companies', which are multichannel companies that always have e-channels in their portfolios (Tiernan 2001).The term 'click-and-mortar' is also used, and involves using e-retail (clicks) in a combination with traditional operations (bricks and mortar). In the field of business strategy and operations this is also called 'bricks-and-clicks' and means using e-commerce in combination with traditional operations in a way that best exploits the advantages of both channels and realises their complementarities and synergy (Khosrow-Pour 2006).

Most of the academic papers mentioned above have focused on retail and the Business-to-CustomerB2C component of marketing channels. We should emphasize that the application of a multichannel approach is very present in relationships between business subjects. There is an even greater level of application of the multichannel approach in Business-to-Business B2B relations between primary participants in marketing channels than in targeting final consumers. In other words, the relationships between producers and wholesalers, producers and retailers, and wholesalers and retailers in developed countries, and also increasingly in developing countries, are hard to conceive without the multichannel approach. E-commerce in the B2B segment is considerably larger than B2C e-commerce. According to Laudon and Guercio Traver (2015), the value of e-business to business transactions has reached 12.4 trillion USD (41% of all B2B transactions). B2B platforms are widely used and allow great savings in procurement, as well in product and services placement. Although a large portion of transactions is done online, the majority of primary participants in marketing channels have kept the traditional marketing channels, which means that the majority of companies have a multichannel approach. A multichannel approach in theB2B environment has also been widely written about, but our subject is multichannel retailing, which has been the focus of much of the work of the researchers mentioned above and currently is one of the most interesting areas in marketing channels. We have considered both the growing significance of retailers in the marketplace and their dominance in many segments of marketing channels.

3. THE IMPORTANCE OF MULTICHANNEL STRATEGY FOR COMPANY COMPETITIVENESS

The subject of multiple marketing channels is complex and its features depend on a number of factors. The combination of channels is important – whether they are electronic and physical channels, or catalogue and digital, or physical and catalogue, etc. Also relevant in the multichannel approach is the importance of a channel, the channel integration level, and the vertical position of channel participants; i.e., whether it is from the retailer's, wholesaler's, or producer's perspective. There are no examples of analysis that includes all these aspects. As we have mentioned, the retail strategy features are the most analysed, especially when it comes to combining electronic and traditional channels.

Several authors have analysed the advantages of a multichannel as opposed to a single-channel strategy. Poloian (2013) has analysed the multichannel strategy characteristics from the perspective of the benefits that it brings to the companies that use it. This analysis highlights the following features and advantages, which are also the reasons for applying the multichannel approach.

1. Expanding the customer base – by using more than one channel, retailers can reach consumers in local, national, and global markets that they could not reach through only one channel.
2. Customer convenience – the customer has to go to the traditional store, and this takes time and money. In addition, most stores are not open 24/7/365. By using catalogues and the internet, working hours are longer and the possibility for interaction with customers is greater.
3. More and more consumers can now be considered multichannel consumers and they expect companies they shop at to be multichannel as well.
4. Risk balance – companies gain competitive advantage by using multichannel options because they can choose a channel to focus on. This is especially important in times of economic instability.

All of the above-mentioned advantages contribute to the popularity of the multichannel approach. However, other authors have analysed the advantages of multichannel retail strategy from a different angle. Kotler and Keller (2009) identified three main advantages of the multichannel approach:

1. Greater market coverage – consumers can buy products the company offers in multiple locations. Furthermore, it has been proven that multichannel consumers spend more and are more profitable than single-channel consumers.
2. Channel cost reduction –internet sales are cheaper than renting or building expensive stores and require fewer employees.
3. Greater level of sales customisation – a company can more easily adjust to their customers' requests if they have multiple channels available. For example, they can hire technical staff if they sell complex equipment or offer online support for consumers in distant locations.

Targeting multichannel shoppers is an advantage. Multichannel shoppers spend more than single-channel shoppers and they provide more benefits to business subjects. In addition, consumers who buy goods and services through more than one channel shop more often than single-channel consumers. The main reason is that they have more contact with business subjects through communication channels (Dholakia et al. 2010).

However, in the process of formulating a multichannel strategy, the motives and expectations of consumers as well as potential limitations should be taken into account (Pantano and Viassone 2015). Research conducted by Schroder and Zaharian (2008) showed that consumers who buy only in stores mainly want to satisfy emotional and social needs in the shopping process. Consumers who shop only through the internet and catalogues want convenience and independence, i.e., they want to be able to buy whenever and wherever they want. The development of smart phones has significantly increased the number of consumers who shop when it is convenient for them. Multichannel consumers who obtain information online and then buy goods in stores dominate today's marketplace. They combine the convenience of getting information from websites with a lowered risk when store shopping, enriched by a social and emotional component.

Multichannel consumers have more options than single-channel consumers. Consequently, they are less loyal. Therefore multichannel marketers have to be very careful in crafting a multichannel strategy and must offer adequate solutions to their customers' needs.

Berman, Evans, and Thelen thoroughly analysed the features of retail multichannel strategies that benefit the companies that use them. As the main advantages, they emphasized the retailer's ability to choose a channel based on the advantages it brings, the optimal use of resources, and the ability to achieve higher sales and profits by targeting multichannel customers (Berman and Thelen 2004; Berman and Evans 2012).

Multichannel strategy has its limitations and is not a recipe that automatically boosts business performance. Kotler and Keller (2009) listed conflict and channel control problems as the two main limitations of the multichannel approach. Adding a new channel can cause conflict. Channels owned by the same company often compete for the same costumers, i.e., it can lead to 'sales cannibalisation'. Also, the organizational units responsible for traditional and e-commerce channels compete for the same resources (e.g., advertising budget) and so potential conflict often arises. (Poloian 2013).

The question of control often comes up in the multichannel approach. Inadequate leadership potential and inadequate methods for measuring the performance of individual channels can interfere with the multichannel approach (Arikan 2008). Furthermore, unsynchronized performance in different channels may cause more problems and harm the image of the company. For example, multichannel consumers can be dissatisfied if the product has a different price in store and online.

It should be noted that the use of a multichannel strategy is not always the best solution and it is better for some companies to operate in only one channel. Some companies' offers may not suit the internet, or maybe their target segment does not use the internet for shopping. In that case, establishing e-retail would not be rational. On the other hand, adding physical stores to pure internet retailers could also be redundant, considering the cost this endeavour entails. They should also bear in mind their inexperience in traditional retail.

Companies need to analyse the advantages and disadvantages multichannel strategies bring and decide whether they suit their business. Company size in itself should not be a determinant of the multichannel approach. A small business subject that only has one store and e-sales can use a multichannel strategy and it can function successfully. On the other hand, there are examples of world-leading retailers who only use traditional channels.

4. RESEARCH DESIGN

In the literature there are claims that e-commerce has had a significant, i.e., decisive impact on multichannel strategy implementation (Tiernan 2001; Berman and Evans 2012; Levy and Weitz 2013). However, there is no research that quantitatively confirms that e-commerce has indeed been crucial in the acceptance of the multichannel marketing concept. The issue of retailers' acceptance of a multichannel strategy is particularly interesting, especially bearing in mind their dominance in both traditional and electronic channels. This issue is part of the research topic of this paper.

Hypothesis 1: ***E-commerce is the key factor in the expansion of multichannel strategy implementation in retailing.***

Multichannel marketing strategy is more than 100 years old (Poloian 2013), but its dramatic expansion only started with the emergence of electronic marketing channels. The literature covering this topic is abundant, but, as we already noted, no quantitative evidence has been presented. The starting point of this hypothesis is retail, because it dominates the marketing channels of developed countries, and because its position is also growing stronger in developing countries. Before the application of e-commerce the largest retail companies founded their business models on physical stores, perhaps combining physical and catalogue channels, in most cases by department stores. To prove our hypothesis we analysed the situation that existed in the world market before e-commerce emerged and also the situation that exists after years of e-commerce existence in marketing channels. In the process of analysing this hypothesis we used a comparative analysis of the business operations of the world's leading retailers in 1994, (i.e., before the emergence of e-commerce) and in 2009 and 2013, from the perspective of multichannel strategy implementation. We used the list of 250 leading retailers published by Deloitte and Stores Magazine (2011) and identified whether or not the first 100 leading companies apply a multichannel strategy that includes e-commerce.

We analysed if each of these companies is a single-channel or multichannel retailer. Companies selling goods or services through two or more channels are considered multichannel retailers (Berman 2004; Levy 2013).The analysis examined the physical, electronic, and catalogue channels, since they have been identified as the main sources of the multichannel approach (Tiernan 2001). For each of the 100 listed companies, we applied the following procedure:

a) We accessed the official company websites through the Google search engine.
b) For the companies that Deloitte (2011) states to have a traditional physical format as their main format, we inspected whether they also sell their products and services through the internet. If we dealt with a holding company's website, we accessed the websites of its business units or of the different retail brands that it owned, and then conducted the same inspection. If the website had only a promotional-informative function, i.e., if it was not possible to conduct sales through it, it was considered as a separate channel. Afterwards, we inspected if the company deals with catalogue sales.
c) For the companies that stated a non-store format as their main format, we looked for data on their non-store format (electronic or catalogue), as well as on what other channels they used.
d) If it was impossible to get the information on catalogue channels through the company website we searched for data on the listed companies in various databases such as *Hoovers* and *Factiva*, and these types of data are also available in electronic databases incorporated in KoBSON (Library Consortium for Coordinated Acquisition, Serbian gateway to e-Resources).
e) In the final phase, the results were summarized and the companies were categorized as a multichannel (MC)company or a single-channel (SC) company.

The main idea behind this research is to enable comparison of its results with Levy and Kingdom's 1995research, in which they list the different formats through which 100 leading retailers sold their goods and services to their customers in 1994. Bearingin mind that 1995 is considered the year in which e-commerce application began in modern business, these data are ideal for comparison with the data obtained in our research.

The research of the business performance of companies applying multichannel strategies is also the subject of many renowned research papers (Zing 2010; Xia and Zhang 2010). Xia and Zhang examined the business performance of traditional retailers before and after adding an online channel. However, there has been no quantitative comparison of the business performance of retailers applying multichannel strategies and those using only one type of channel. The results obtained from investigating this issue could have strategic consequences when it comes to retailers' decisions to opt for a multichannel approach.

Hypothesis 2: *Retail companies that apply a multichannel strategy achieve better financial performance compared to those with only one marketing channel.*

The advantages of implementing a multichannel strategy in retail are numerous, as many authors have found (Levy 2013; Berman 2004; Venkatesan 2007; Kotler 2009). However, most of them have also written about the disadvantages of multichannel strategy, but for the most part they agree that an adequate implementation of a multichannel strategy will lead to better business performance. Xia and Zang (2010) reached the conclusion that adding an electronic channel significantly improved the retailers' business performance. However, no comparison has been made of the business performance of multichannel and single-channel retailers. Multichannel retailers include those with catalogue channels, which Xia and Zang did not include in their analysis. They did not consider the differences in macro-economic circumstances in different time periods, which can have a great impact on companies' performance. In addition, their work is limited to companies from the USA.

To test our hypothesis we gathered data on88 companies listed in the 250 leading companies according to their turnover in 2009. We collected the data from their annual reports for the years 2007, 2008, 2009, 2010, 2011, 2012, 2013, and 2014.

To analyse the financial performance of the retailers that do or do not use multichannel strategies, it was necessary to obtain their key financial performance data. The total profitability model, or the strategic profit model as it is also called, served as the methodological basis for this analysis (Lovreta 2009).

Within this model, RONW is the main indicator of the success of trading companies. It can be simply calculated using the following formula:

$$\text{RONW} = \text{Net Income after Taxation} / \text{Owner' Equity} \quad (1)$$

However, the total profitability model includes the following three different structural elements that impact RONW:

$$RONW = \text{Profit Margin} \times \text{Total Assets Turnover Ratio} \times \text{Financial Leverage} \quad (2)$$

When we extend the formula shown above we get the following equation (Petković 1998):

$$RONW= N_{pf}/N_{pt} \times N_{pt}/UK \times UK/SK \quad (3)$$

where:
N_{pf} – Net Income after Taxation
N_{pt} – Net Turnover
UK – Total Value of Capital (equal to the Total Assets Value)
SK – Owners' Equity

We planned to use an extended total profitability model in the financial performance analysis, so it was necessary to collect the data on each of the four stated elements for each analysed company.

The starting point for the analysis was the list of 100 leading companies that were analysed from the perspective of multichannel strategy implementation. For all the companies with data available on their official websites, the necessary data were gathered from balance sheets and income statements for 2007, 2008, 2009, 2010, 2011, 2012, 2013, and 2014. This data was mainly found in annual reports or, in a smaller number of cases, in 10 K publications that American companies submit to the Security Exchange Commission (SEC).

However, it was possible to obtain the necessary data from the internet for only 57 of the 100 listed companies. The financial data for the remaining 43 companies were unavailable. There were several reasons why we could not access these data. Several companies were private and were not obliged to publish their financial reports on their websites. For many companies there was a language barrier– their official websites were not in English. Some companies did translate parts of their websites into English, but not the parts with their financial reports.

To expand the sample, the authors used the list of the world's top 250 retailers once again (Deloitte and Stores Magazine 2011) and identified another 31 companies for which it was possible to obtain the necessary data from their official websites. When the data for the 31 companies were finally gathered, we analysed whether these companies apply a single-channel or multichannel strategy. We applied the same method as when the examining the first hypothesis. Thus we obtained a list of 88 companies whose financial performance could be compared. As mentioned before, all the companies were on the list of the world's leading 250 retailers.

5. DISCUSSION OF RESEARCH RESULTS

Researching the implementation of multichannel strategies in the world's leading retailers according to turnover has shown that 85% of them applied multichannel strategies in their business operations in 2013. Thusonly 15% of the world's retailers were using single-channel approaches and the multichannel strategy clearly dominated in marketing channels. Included among the single-channel companies were those using the hard discount format in food retailing. There are several reasons why companies of this type do not apply a multichannel approach. Their product offering is not very attractive for online sale: they have a high portion of food products, mainly sold under private brands. They probably estimated that it would be difficult to attract an online turnover with the relatively small numbers of articles being sold. In addition, these companies strive to achieve high cost effectiveness in their business operations and use only one or maybe two retail formats. All of their stores resemble each other, and opening electronic channels could provoke something quite opposite to their specialization strategy. Insufficient knowledge on the functioning of electronic markets and inadequate information technology know-how can also impact the refusal to adopt a multichannel strategy. In addition, delivery of goods would impact logistics costs and price competitiveness. Part of the population targeted by these companies is insufficiently computer literate and does not shop online. A similar situation occurs with the companies that use so-called dollar stores in the USA. The prominent price orientation of the target less-privileged population is the main reasons why these companies do not apply a multichannel strategy. Several companies whose seat is in countries with underdeveloped e-commerce also apply a single-channel strategy. The consumers targeted by these companies do not shop online and therefore there is no motivation for adding electronic channels and implementing a multichannel approach. However, in should be noted that with the increasing level of computer use and internet penetration, a significant number of single-channel companies are indeed considering the option of implementing internet retailing.

The results obtained in the research on implementation of a multichannel strategy by the world's leading retailers are expected: the starting assumption was that multichannel strategies dominate modern marketing channels.

The results of the research conducted by Levy showed that only 15% of the world's leading retailers were using multichannel strategies in 1994. In that year not a single one of the observed retailers had e-commerce in their portfolios,. We conducted our research in two phases: in 2009 and in 2013. The research showed that a multichannel strategy was being applied by 83% of the world's leading retailers in 2009, and this number had increased to 85% in 2013. The research also showed that all the retailers that applied a multichannel strategy had e-commerce in their channel portfolio.

The difference between the level in 1994in 2009 and 2013, respectively, shows that the multichannel strategy was far more present in the period of e-commerce expansion. Testing the statistical significance of the stated difference can be determined by testing the hypothesis on the difference between the two proportions. The testing procedure is shown below (Mann 2009).

For 2009: the sample size is $n_1 = 100$, the realized proportion in the sample is $p_1 = 0.83$, andthe unrealized proportion in the sample is $q_1 = 0.17$

For 1994: the sample size is $n_2 = 100$, the realized proportion in the sample is $p_2 = 0.15$, and the unrealized proportion in the sample is $q_2 = 0.85$

Testing will be performed for the high level of significance of $\alpha = 0.01$

Formulation of the null hypothesis and alternative hypothesis:

H_0: $p_1 - p_2 = 0$ (the proportion of sample population p_1 is not larger than the proportion of sample population p_2)

In 2009, the percentage of multichannel retailers in the total number of retailers was not greater than it was in 1994, i.e., the multichannel strategy was not applied to a larger extent in 2009 than was the case in 1994.

H_1: $p_1 - p_2 > 0$ (the proportion of sample population p_1 is larger than the proportion of sample population p_2).

In 2009, the percentage of multichannel retailers in the total number of retailers was greater than it was in 1994, i.e., the multichannel strategy was applied to a larger extent in 2009 than was the case in 1994.

The selection of the distribution to be used is conducted in the following way:

$n_1 \times p_1 = 100 \times 0.83 = 83$
$n_1 \times q_1 = 100 \times 0.17 = 17$
$n_2 \times p_2 = 100 \times 0.15 = 15$
$n_2 \times q_2 = 100 \times 0.85 = 85$

Having in mind that all the observed values are larger than 5, we may conclude that both samples are large enough and that normal distribution can be used.

The null hypothesis is rejected if $z \geq 2.58$, when the level of significance is $\alpha = 0.01$

The value of the *z*-test statistics for the stated indicators is $z = 9.62$.

Since the realized value of the *z*-test statistics is $z = 9.62$, it falls into the rejection region; therefore we reject the null hypothesis and conclude that the percentage of multichannel retailers in the total number of retailers in 2009 was greater than it was in 1994, for the level of significance of $\alpha = 0.01$, i.e., the multichannel strategy was applied to a larger extent in 2009 than was the case in 1994. For 2013 the stated claim is also correct, having in mind that the number of single-channel companies decreased from 17 to 15.

The established Hypothesis 1 states: *E-commerce is the key factor in the expansion of multichannel strategy implementation in retailing.*

Based on the analysis of multichannel strategy implementation and on statistical testing of the results, we conclude that, statistically, multichannel strategy implementation in 2009 and 2013 was significantly larger that it was in 1994. In 1994, before the emergence of e-commerce, the multichannel strategy did not dominate retail and only 15% of the world's leading retailers were applying this strategy. Multichannel strategy has existed for over 100 years, ever since catalogue sales were introduced in department stores. However, it obtained its dominant position only when electronic marketing channels were included in channel portfolios. It should be especially noted that all the world's leading retailing multichannel companies use e-commerce in their operations.

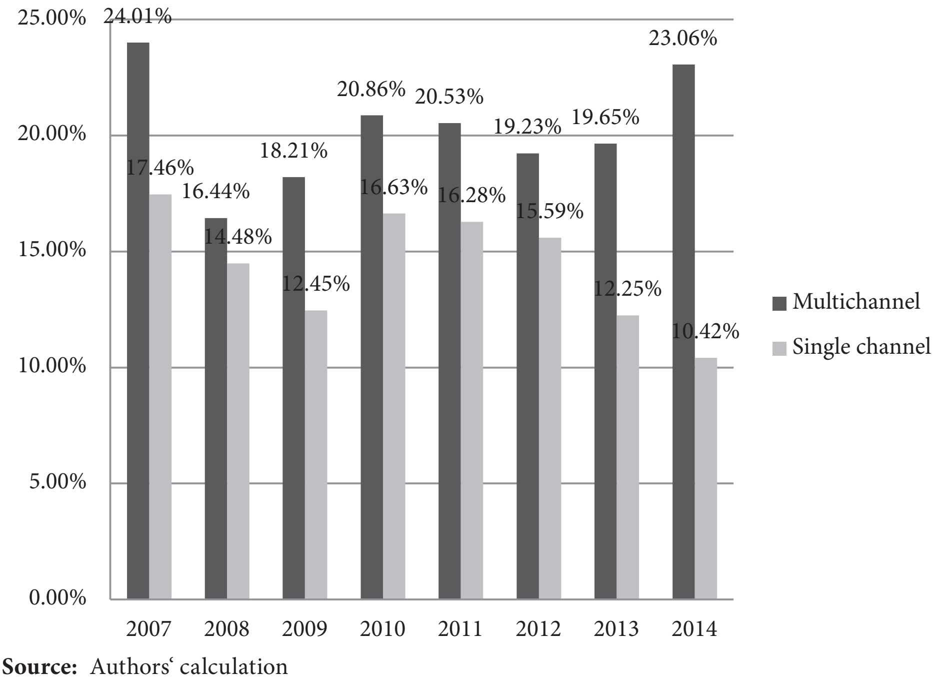
The findings in the literature, especially in the works of Bermanand Thelen (2004), Xia(2010), Levy(2009), and Venkatesen(2007), have identified e-commerce as the key factor in multichannel strategy application. The research results of multichannel strategy application in world-leading retailers are compliant with the findings in the literature. This is why, as was expected, the first hypothesis - that e-commerce is the key factor in the expansion of multichannel strategy implementation in retailing - can be accepted.

From the companies' perspective, acceptance of the analysed hypothesis implies that, in most cases, the presence of the internet and adoption of electronic marketing channels is the standard way to implement a multichannel marketing strategy. The macro-implication of the stated conclusion is that in economies where the level of electronic commerce development is low, a multichannel marketing strategy is implemented rarely or to a smaller extent. Bearing in mind the numerous advantages that the strategy has to offer, the level of effectiveness and efficiency of all the marketing channels in such a country may be questioned.

The strategic profit or total profitability model is the methodological framework through which financial data obtained in the research were processed. The results of the analysis for multichannel and single-channel companies will next be presented for each of the elements of the total profitability model.

The obtained results show that multichannel companies achieve significantly higher return on net worth (RONW) compared to single-channel companies. The multichannel companies had 6.55 more percentage points or 37.5% higher RONW in 2007 than the single-channel companies. In 2014 this percentage increased to 121.3%:thus, on average, the multichannel companies achieved a RONW of 23.06% while the single-channel companies achieved a ROE of 10.24%. In all the observed years, the profitability of the multichannel companies was from 23.0% to 121.3% higher than the profitability of the single-channel companies.

Figure 1. RONW of the world's leading retail companies

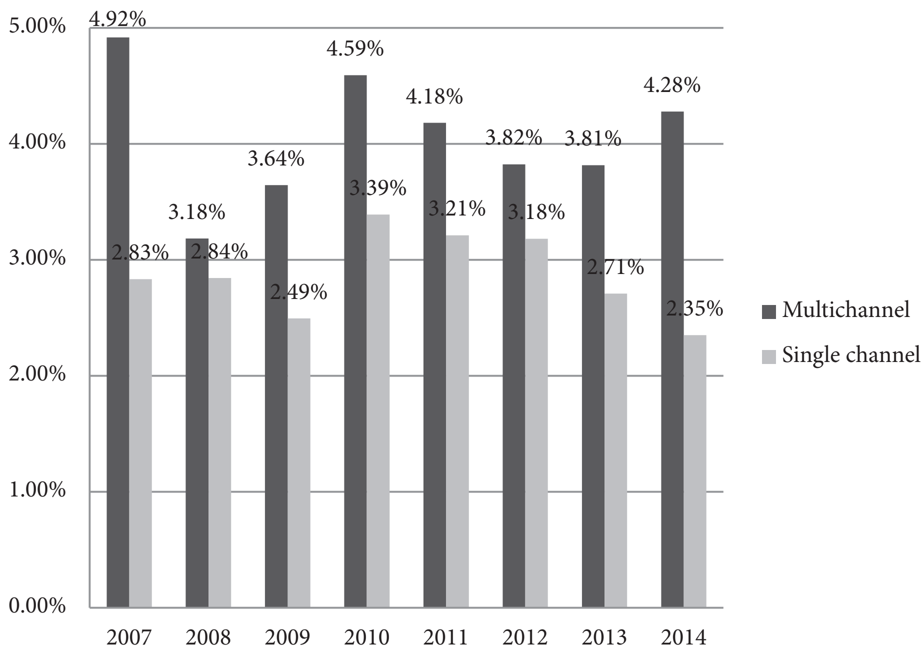


Source: Authors' calculation

The multichannel retailers' ability to make profit in the observed years is obvious: the multichannel business model has proved to be the more successful by far. This research on the world's leading retailers has quantified the advantages of multichannel marketing. However, it is necessary to perform a thorough analysis of the total profitability model in order to determine which particular elements contributed the most to the multichannel companies' dominance.

Net profit margin is the main generator of high RONW for multichannel companies. A higher net profit margin could mean that multichannel retailers calculate higher prices for their products. If this is the case, it could mean that using the advantages of the multichannel system neutralizes the higher prices. However, if a contemporary approach of net profit margin management is used in the analysis, then the total quantity of products sold, cost of goods sold, and operating costs of the retail company should also be taken into consideration as well as the price per product unit (Lovreta 2009). The retail formats that the company primarily uses and the industry in which it operates can also have a significant impact on the net profit margin. For example, generally speaking there is a huge difference between the net profit margins of fashion retail and food retail.

Figure 2. Net profit marginsof the world's leading retail companies

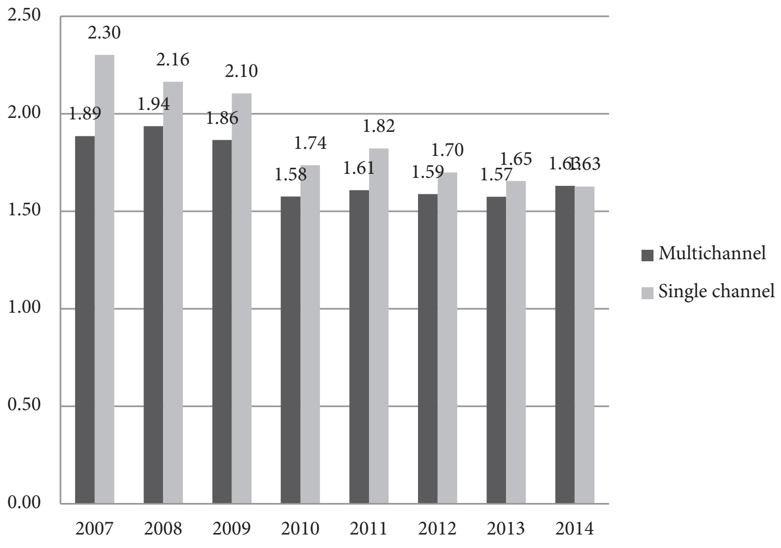


Source: Authors' calculation

Figure 2 shows that the average net profit margin of the multichannel companies decreased from 4.92% in 2007 to 3.18% in 2008, only to regain part of its value and reach 3.64% in 2009. In the period from 2010 to 2014 the net profit margin fluctuated between 3.81% and 4.59%. These percentages are significantly higher than those of the single-channel companies. The average net profit margin of the single-channel companies dropped from 2.83% in 2007 to 2.49% in 2009, reached somewhat over 3% in the period from 2010 to 2013, and then decreased again in 2013 and also 2014, when it reached the level of 2.35%.

The single-channel retailers did better than the multichannel retailers in terms of assets turnover ratio. In the first three observed years the turnover of the single-channel retailers was10%ormore faster than that of the multichannel retailers. The reason for the faster turnover could be specialization and the focus on just one channel. The type of retail also plays a significant part in the assets turnover ratio. Discount stores have a significantly faster turnover than, for example, a jewellery store. Inventories are the most important current assets in commerce, and effective inventory management significantly impacts the overall effectiveness of the entire system. The multichannel strategy makes the inventory management process more complex, and this couldalso be one of the reasons for the lowerassets turnover ratio. However, it should be noted that this difference decreased in the period from 2010 to 2014.

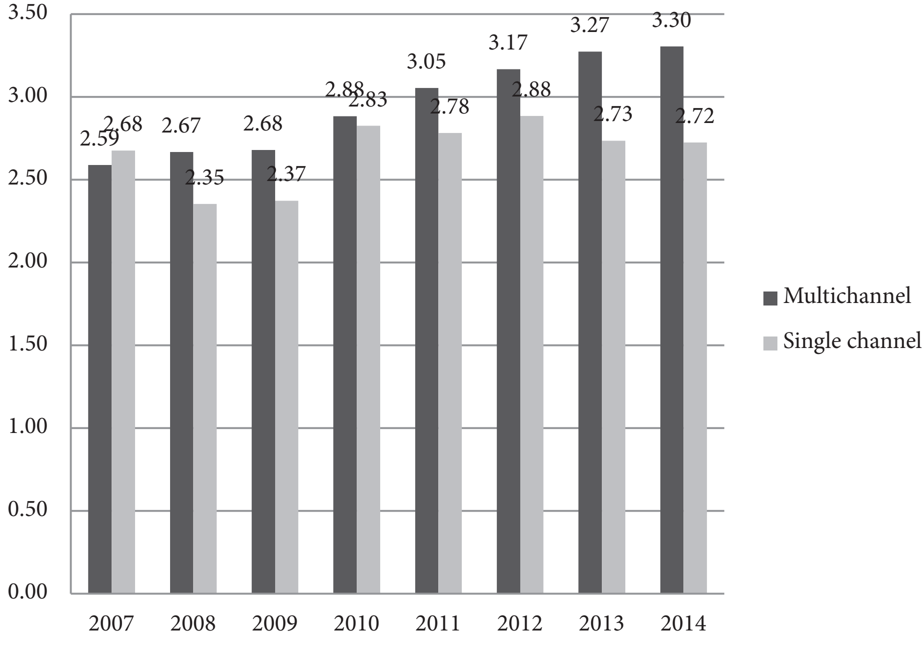
Figure 3. Total assets turnover ratio of the world's leading retail companies



Source: Authors' calculation

The financial leverage varied over the years. For the most part it was higher in the multichannel companies, whose leverage slightly increased during 2008 and 2009. In the times of economic crisis, the single-channel companies turned to more conservative financial strategies and went for decreased leverage. One reason for this approach could be the non-existence of more channels in their portfolios and the decreased option of risk dispersion, as well as not being able to access the electronic channel's advantages. During the crisis, electronic channels proved to be the most resilient and internet sales either stagnated or recorded an increase in turnover, while traditional trade recorded a decrease in sales. This is one of the reasons why the multichannel retailers were not forced to decrease financial leverage. In the period from 2010 to 2014 the leverage increased significantly in the multichannel companies.

Figure 4. Financial leverage of the world's leading retail companies



Source: Authors' calculation

The analysis of all these elements, and especially the multichannel companies' significantly higher level of RONW, indicates that they achieve better financial performance compared to single-channel companies. This is one more piece of evidence that the advantages of multichannel marketing surpass its disadvantages.

Based on the previous discussion, we can conclude that Hypothesis 2 is accepted: Retail companies with a multichannel strategy achieve better financial performance compared to those with only one marketing channel. This conclusion is yet another reason for companies in Serbia to start thinking more seriously about implementing the multichannel business approach.

CONCLUSION AND FUTURE RESEARCH

In this paper, e-commerce is identified as the key factor in expanding multichannel retailing. We have also examined the influence of multichannel practice on retailers' financial performance.

Business practice has confirmed that the multichannel approach generally gives better results than the single-channel approach. This statement primarily relates to a combination of electronic and traditional channels. Moreover it is evident that, in general, the main advantages of the multichannel approach are the result of the complementarities of electronic and other types of channel, especially physical channels. Thus, combining channels leads to synergistic effects that, in general, far outweigh the possible disadvantages of a multichannel approach. Therefore, a multichannel strategy improves business performance. Thorough research, which included the financial data analysis of 88 leading retail companies over 8 years, showed that the RONW of the multichannel companies was significantly higher.

Serbian companies should consider the above-mentioned facts, and start implementing multichannel strategies to a much greater extent. Most Serbian enterprises should add electronic channels to their business portfolios in order to become multichannel companies. However, electronic channels have to complement existing channels. Company competitiveness will surely increase if they find the right way to incorporate e-commerce and realise the synergetic effects of multichannel strategy application.

There are several directions for further e-commerce and multichannel marketing research. It would be very interesting to quantify the extent to which e-commerce and multichannel strategies are implemented in small and medium-sized companies. Also, the implementation of multichannel strategies in specific retail sectors (e.g., food retailing, fashion retailing) would be an interesting direction for future research in both the domestic and the global context.

In addition, special attention should be given to inadequately examined multichannel strategy implementation in the B2B marketing channel segment. Most researchers focus on multichannel strategy implementation in retailing. The main reasons for this are the increasing significance of retail in marketing channels and the much larger availability of retail-related data. However, the question of multichannel strategy in the B2B environment is very interesting and there is practically no quantitative research on this subject.

Research into multichannel customers in the B2B segment would be a logical continuation of the previous direction of research. Many authors have studied final consumers and their behaviour in a multichannel environment. However, there are practically no papers that focus on business customers in a multichannel context.

Research on shopper marketing in a multichannel environment would also be an interesting direction to investigate. Shopper marketing is a very active topic in modern marketing theory, and it would be very interesting to look at it from a multichannel perspective.

Creating organizational structures for multichannel systems would also be an interesting direction to research. There are papers that mention multichannel business organizations, but this topic has not been thoroughly investigated.

Quantification of the factors that impact the acceptance of e-commerce by all primary participants in marketing channels, with an emphasis on retail, is especially interesting for researchers in Serbia.

The importance of e-commerce in marketing channels will increase in future, primarily through a multichannel approach. The true significance of implementing a multichannel marketing strategy lies in the fact that modern consumers are actually multichannel consumers. Targeting a multichannel consumer is more effective if the market participants are directly or indirectly present in most channels in which the consumer shops.

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