A DIGITAL STRATEGY TOWARD OMNICHANNEL RETAILING

1. INTRODUCTION

This introductory chapter aims to motivate the thesis, present the context of the study and outline the statement of problem and purpose. Thereafter, it details the structure of the thesis and finally presents the research papers included in the thesis.

1.1 Emergence of the Internet and Digital Strategy in the Fashion Industry

The emergence of the Internet, mobile devices and social media is revolutionizing the retail customer experience. The changes include enabling consumers to research and shop anytime, anywhere. The connected consumer uses multiple sources of brand and product information when she is browsing and shopping fashion products.

These sources include Facebook, Instagram, Twitter and YouTube, product information and endorsements from blogger sites, price comparison and online review sites, pureplay and brick n' click websites, indoor touch displays, QR codes on print advertising, along with traditional touchpoints such as print magazines, stores and catalogues. Deloitte (2014) reports that customers are increasingly crossing channels and touchpoints in their shopping behaviors. More than 20% of customers follow brands on social media, 75% of customers browse and research online before they go into a physical store, and 56% use their mobile for shopping related searches, including when they are in a store.

In addition, customers frequently do "showrooming" - using physical stores as "showrooms" before purchasing online, often at a lower price. Forrester (2014) reports an increase in the range of customer expectations when shopping across multiple channels. For example, 71% of customers expect to view in-store inventory online, and 50% expect to buy online and pick up in-store.

To reach such connected consumers, fashion brands must reconfigure their existing business resources and IT resources, develop new business and IT resources, and decommission redundant resources in order to transform their operations for success in the new retail reality. In addition, they must do this while running business as usual. While several fashion brands are developing these resources, one fashion brand in our study of 33 leading fashion brands[1] is generally seen by the industry to have not only successfully reconfigured and developed its strategic IT resources, but also aligned them with a new corporate business strategy with a view to delivering a seamless customer experience across channels (Webcredible 2012; Westerman et al. 2014) This is the iconic British brand, Burberry, which attributes part of its strong growth of 30% during the financial crisis to its digital innovation and integration of physical and digital to offer a seamless brand experience (Burberry annual report, 2012, p13).

The website, Burberry.com, enabled the company to achieve *"more consistent brand projection across all customer touchpoints, leveraging its brand content to engage and connect consumers globally* while still *supporting retail sales as a global inventory pool"* (Burberryplc.com). Christopher Baily, CEO and Creative Director at Burberry, described the interplay of social media channels and retail channels at a fashion show

[1] See Research Paper 1 for more details, where we studied 33 fashion brands in total.

in September 2010: "*We are now just as much a media-content company as we are a design company, because it is part of the overall brand experience"* (Alexander 2010). In the Burberry 2014 Annual Report, the integration of the IT and physical platforms was highlighted as one of the brand's five strategic themes: "*Further integration of physical and digital platforms to enhance the brand experience across all touchpoints, from investments that leverage data and insight in the creation of increasingly personalized customer experiences, to more integrated, emotive storytelling across our online and offline worlds*" (Burberry annual report, 2014, p4).

Aligning business strategy and information technology (IT) strategy is an important and enduring theoretical and practical challenge in the information systems (IS) field (see, for example, Luftman and Derksen (2012) Luftman and Kempaiah (2008). While there are extensive research findings showing that alignment between business and IT strategy is positively correlated with organizational performance (Gerow et al. 2014; Preston and Karahanna 2009; Tallon 2008; Yayla and Hu 2012), there is little agreement on the dimensions of IT alignment and the mechanisms by which they create value (Queiroz et al. 2012).

This lack of agreement is also true with respect to the success of the strategy at Burberry. The fashion industry acknowledges the critical role of IT in that success. However, our literature review reveals that there is little understanding of, indeed, little knowledge about, the strategy by which that success has been achieved.

The intent of this thesis is to document and understand how to align business and IT strategies for a global fashion brand. Essentially, the challenges identified are to explain how to be as successful in developing and implementing a digital strategy for omnichannel as Burberry, and to theorize about how others could achieve this goal. To do this, we specifically take a brand owner's perspective on omnichannel strategy and leadership development with the purpose of creating a coherent brand expression across channels and markets.

To analyze how to align business and IT strategies for a global fashion brand, we analyze a longitudinal action research case study of the Danish sport-fashion brand, Hummel, between 2010 and 2014. The study focuses on top management strategizing to examine and understand the requirements to develop a digital strategy for omnichannel retailing.

In 2010, an internal investigation of the Hummel websites around the world revealed a chaotic situation, with the 22 local Hummel websites featuring different designs, logos, brand stories and products. In every country, multiple variations on the Hummel brand were marketed side by side on websites and social media. This diluted the brand, confused the consumers and threatened the brand's long-term growth.

There was an urgent need to align and control the brand. The Hummel CEO stated: "*We need to take control of the food chain. Create a central site and make sure that we get all Hummel partners under the same umbrella*" (31 Aug, 2010). The CEO wanted to create end-consumer interaction and sales. To do this, Hummel had to align the brand across countries, partners and platforms with a digital strategy that integrated channels, social media and ecommerce. For this, having the right IT infrastructure and capabilities was critical.

The CEO endorsed a three-fold IT strategy:

1. align the IT systems with the new B2C business strategy,
2. align the IT platform relationship between the Head Office (corporate) and the countries (small business units) and
3. align the business and IT strategy one step at a time (incremental change) and develop the resources required to realize the new digital business strategy.

For Hummel, building a global IT platform with local applications was just the beginning. The company wanted to offer an aligned brand experience across all channels; because consumers did not think about channels, they responded to the total brand experience (Keller 2010). Therefore, Hummel began to develop a multichannel business strategy, along with the IT strategy, digital strategy and IT infrastructure to support it.

In 2012, after careful deliberation, Hummel took its first steps in building its Business-to-Consumer (B2C) business, piloting ecommerce on a new global website in its home markets of Denmark and Germany. In 2013, after 90 years of operating an exclusive Business-to-Business (B2B) strategy, the company rolled out full B2C ecommerce in Germany with a plan to roll it out successively in other countries. Hummel also launched its own stores and “shop in shops.” In 2014, Hummel began to integrate the stores and the ecommerce business. It changed its organizational structure to be more consumer centric, with a holistic brand presence across its online and offline channels. Collectively, this represented an omnichannel strategy, defined as being customer centric rather than channel centric (Brynjolfsson et al. 2013), offering a coherent and seamless brand and shopping experience across channels (Hansen and Sia 2015).

This transformation of Hummel had four outcomes: 1. a stronger and more coherent brand, 2. more corporate control to drive brand alignment locally, 3. an organizational restructuring to enable the digital strategy and 4. an increase in turnover of sales through digital channels from 5% of total sales in 2010 to 24.5% in 2014[2]. These four outcomes are critically dependent on the alignment between the new IT and business resources and the omnichannel brand strategy.

This thesis examines and explains these outcomes in four scientific papers. Each paper reports on the findings from an action research cycle. Collectively, the papers explain how Hummel transformed from being a single-channel sport-fashion supplier before 2010 to becoming a multichannel retailer in 2012. In 2014, it changed again, taking the initial steps to become an omnichannel retailer. Specifically, the four papers document the IS transition from a singlechannel business strategy to an omnichannel business strategy.

The first paper describes the transformation of the business context within which Hummel competes. Specifically, it describes the criteria for successful adoption of the Internet by the fashion industry from 2006 to 2012. The paper provides a framework for different strategic options of Internet presence for branding and sales purposes.

The second paper adopts a dynamic capability framework to analyze how to develop resources for this Internet presence. Illustrated by the Hummel case, the paper examines how the company reconfigured its resources for B2C ecommerce and digitalization. In the 1990s and 2000s, Hummel was a successful sports-fashion brand. The company enjoyed the benefits of alignment between its IT strategy and its business

[2] Approximately 11% from online retailers, 13.5% from B2B ecommerce and 0.20% from B2C ecommerce

strategy. The major threat to, and opportunity for, increasing this success was the emergence of Internet-based competition.

The third paper describes the critical process to accomplish an omnichannel approach. It focuses on how a company engaging in omnichannel retailing is going to compete differently than before. Each channel operates independently in a multichannel organization, whereas an omnichannel organization must integrate channel operations to provide a seamless brand and shopping experience. A consequence of this shift is that it changes the requirements for IT governance, IT competence and IT flexibility.

The fourth paper presents the strategic digital initiatives illustrated by the Hummel case as the company launched its omnichannel strategy in 2013. The paper describes the development and implementation of the IT strategy required to support the business strategy, integrating sales and marketing channels across geographical markets.

The papers collectively explain how IT enabled this transformation, contributing to our understanding of digital strategy within business and IT strategic alignment in ecommerce. In particular, the thesis contributes to the emerging IS literature on multichannel and omnichannel strategies. In practice, the research supported Hummel's transformation, and it allowed us to theorize about potential guidelines for other fashion brands wishing to transform to become omnichannel retailers.

Chapter 1.2 – 7.2 omitted

7.2 Implications for Practice

As this is a practice based PhD, there are numerous significant implications for practice that we offer. Most implications are described in Paper 3 and Paper 4; however, we will explicate the contributions in this section with further insights from the Hummel case. To unfold these, we divide the following into three main areas: 1. organizational contributions, 2. IT competence contributions and 3. brand strategy contributions.

We will use statements from the top management during the evaluation period (January 2014 – December 2014) to formulate the contributions for the company as well as unpack revenue, organizational and IT competence results. As an example, when the CEO was asked about the overarching contributions to his company, he answered: "*The contributions has been vast in the sense that if you see it from a complete overall perspective it has actually given us a possibility for reaching the business targets that we set forward in our 2016 strategy plan. Without the PhD we would not have been able to reach these at all. So you can say, that's the umbrella of the achievements – that it has enabled us to reach the targets.*"

Hence, we will unfold the umbrella of contributions to practice in the following sections.

7.2.1 Organizational Contributions

Omnichannel is not just about adding ecommerce channels or integrating online and offline channels. The transition from singlechannel to multichannel and to omnichannel retailing requires fundamental changes in the organizational structure. For Hummel, in the singlechannel organization, all strategic and operational aspects of the business were focused on serving one channel and one group of customers. Therefore, it entailed no major conflict of interest. In the multichannel organization, Hummel commenced opening new channels (e.g., physical stores and ecommerce) and started to interact with the end-consumer. Each channel was operated independently and was carefully designed to avoid cannibalizing on existing channels. In contrast, the omnichannel organization needs to provide a seamless brand and shopping experience for the end-consumer. To do this, sales and marketing channels have to be aligned and integrated, and brand control has to move from the channel level to the corporate level. Deep organizational change to break the entrenched silo mindset is crucial to achieve omnichannel. At Hummel, this is a continuous journey, which is mainly achieved through four means: CEO and top management commitment, re-structuring the corporate organization, taking a strategic non-cannibalizing position and recognizing that it is a balancing act that requires persistent persuasion.

CEO and Top Management Commitment

The commitment of the CEO, CMO and Hummel's owner to the pursuit of omnichannel strategy was clearly evident in Hummel. Transforming the company for multichannel and omnichannel had consistently been one of the top priorities in Hummel's strategic plans during the last four years. The CEO's strategic hiring of the Head of Digital to initiate this project was instrumental in driving the omnichannel agenda. The clarity of his strategic focus set the tone in the organization and was critical in aligning the employees' behaviors at every level. In particular, his understanding of embracing a digital strategy at the initiation of this project in 2010 was evident when he said: "*We need to figure out what to do about this ebusiness and social media situation. We need to be in on it – not as forerunners, but we need to have the competence, the capabilities and the systems for it.*"

To the end of this project in 2014, when the strategy had been iterated and refined, he said: "*I can say that going from single to multi has not been straightforward. We have gone far beyond what we thought that we could achieve in the digital area. We have enabled a motivation and knowledge in the total organization of the importance of the digital launches that we are doing – pushing toward omnichannel.*"

Still, he acknowledged that the company had much further to go: *"In many aspects we are actually in the omnichannel position right now, but in many aspects we still have some way to go. But we know what to do and it's properly a question of expanding and just doing better what we are doing already."*

Re-structuring the Corporate Organization

The transition from multichannel to omnichannel retailing implies a fundamental shift in the way companies compete and hence also for the organizational structure. In the multichannel organization, each channel operates independently, creates value independently and hence, each channel manager is rewarded for the individual turnover of his or her channel. Contrastingly, in the omnichannel organization, the channels have to be collapsed and integrated.

As Hummel could no longer work in silos, the company had to re-organize to be more integrative and work cross-functionally to handle the increased complexity, allowing for a seamless brand and shopping experience. Re-organizing for the digital transformation required utilization of resources and processes for Hummel that were embedded across the entire organization. These resources were created as a fusion between business and IT, which could link the new corporate business strategy of going digital to the existing resources in the company. Specifically, the Digital department showed the way of integrative work by first integrating IT and business in Hummel, second by integrating various departmental processes and third by integrating with external partners. Hence, the Digital department was leading and supporting the transformation of the organization toward omnichannel.

The CEO said: *"It is simply a transformation of the entire organization. The PhD has actually contributed to leading the transformation. It is not only a technical thing. It is certainly a transformational and organizational thing."*

The Digital department was the transformational department that helped teach Hummel to develop new IT, business, as well as hybrid resources to align with the digital business strategy. The Digital department was a transitional department. The disciplines and roles were built as the strategy evolved, and as the strategy evolved and the resources and processes got more embedded and incorporated in the core areas of the company, the Digital department also had to evolve. As the department was transitional, the roles it encompassed could potentially be fused into the core areas/departments; e.g., digital marketing could be fused into marketing, ecommerce front-end could be fused into sales, ecommerce and omnichannel infrastructure back-end development could be fused into IT, product data into a new data management function, etc.

Most importantly, Hummel learned to think 'digital first'. As a result, the company was merging the Digital, Marketing and Creative departments into a new Marketing and Omnichannel department with the Head of Digital as leader. Hence, the omnichannel transformation did not end with the Digital department; rather, it commenced there. Next, the Digital department's learnings and capabilities were to be further integrated and instilled into the wider organization – incorporating the next push for the omnichannel transformation.

However**,** the transformation from multichannel to omnichannel can also result in a downside for some of the existing employees. The transition from value being created in the individual channels through increased sales to value being created at the corporate level through global brand management and collaboration across channels has implications for channel managers. Some may feel that they have lost their independence and been stripped of their power. Their expertise has not changed, but it may not comprise the same critical role in value creation in the new omnichannel business model as it did in the previous model. Further considerations are the country CEOs. They might not be able to control and manage the brand as was previously possible; instead, they would be following corporate guidelines and helping to align the brand for long-term value.

For the global brand and IT managers, as well as other employees in the omnichannel center, however, there would be many opportunities. Players in these roles are mostly new highly technically trained recruits with university degrees, unlike many of the existing staff with singlechannel or multichannel capabilities.

A Strategic Non-cannibalization Position

For Hummel, it was initially not possible to integrate channels, as the company was constrained by its legacy structures. This meant that strong channel conflicts would occur if channels were integrated abruptly. Instead, the initial B2C ecommerce strategic direction was developed with attention given to how it would be positioned, relative to the existing B2B business. The ecommerce sales strategy was carefully designed to avoid cannibalization of the existing wholesale accounts by positioning the B2C website as a support tool, and not as a sales tool (e.g., not offering product categories that were widely distributed in the B2B channels, not offering discounts and not providing free shipping).

However, this strategic position does not lead to omnichannel retailing, as it does not deliver a seamless brand and shopping experience for the end-consumer. We know that customers judge a brand by their collective and holistic experience of all interactions with the brand. They do not think about channels or internal constraints with which a company might battle. They just want to shop the brand conveniently wherever and whenever it suits them. The top management and the CEO started to recognize this, even though there was still a long way to making it reality. The CEO commented: *"Where we before said, that we just needed the systems to work, I think that, as soon as we have the logistical setup, we need to offer something so that people can say, it actually pays off going there to have a look."*

Nevertheless, channel conflict is largely inevitable in omnichannel – and especially in a B2B company that introduces a B2C business. In Hummel, there was resistance to changing the entrenched B2B mindset, to introducing new B2C processes, to the extra workload and to the potential cannibalization of existing B2B sales.

The previously dominant physical store channel would naturally be competing with online, mobile and future new channels. However, there are various solutions that can resolve the conflict at an operational level, such as: offering exclusive products to large B2B customers, creating partnerships and shared earnings with B2B partners, integrating ecommerce in physical stores, and taking other initiatives exemplified by the Hummel case. In an omnichannel strategy, channel conflict threatens collaboration across channels, which is a critical component of the strategy. We must thus embrace it, explore solutions and define how to collaborate across channels and partners. To enable this, the IT systems must provide the transparency to identify the source of the conflict and the flexibility to support a collaborative solution, without increasing dynamic misalignment.

Persistent Persuasion

The transition is a major strategic change without a proven model to copy. It is not about adding more channels, but about handling a lot more complexity to make a seamless world a successful business. If Hummel gets it wrong, the company may have real problems. The complexity includes: building a new corporate IT platform to integrate the channels; implementing a new organizational structure and writing all the new job descriptions; recruiting new IT, global brand management and marketing resources; and retraining and letting go of existing resources. These are all on a critical transition path with limited opportunities to mitigate the risks involved.

Moving toward an omnichannel strategy is a revolution for Hummel, but it will have to continue to take slow steps in the implementation. It was the sheer efforts of persistent communication and persuasion that got the company to this point in the transformation. The Digital department actively promoted omnichannel stories through various means, e.g., celebrating quick wins (e.g., Facebook growth, Hummel Football Game app downloads reaching certain thresholds), helping to excite (e.g., through the highly visible onscreen flashing of "Hummel's real people in action"), and regularly reporting benefits (e.g., process savings, referrals from the Store Finder, etc.) to senior management through the Board of Directors reports. For example, given his concern with possible cannibalization, the CSO was initially very hesitant to embrace the new digital channel, but after much "education" and demonstration of the related benefits, he noted: *"I have probably been a bit old school in relation to what I called 'compete' with our existing business. I have maybe moved towards calling it supporting and helping our existing business. And I have* *gained a better understanding of how many consumers use the Internet for information and inspiration. There are actually a lot of consumers that end up buying the goods in the shops because they had a great brand experience online."*

Understanding this complementary interplay between the online and offline channels was crucial to "mastering the omnichannel game," but changing people's silo mindsets in their respective channels has been and remains a formidable challenge. It was a slow journey and a careful balancing act where cannibalization and channel conflict constantly were taken into consideration. But through the various initiatives introduced, Hummel clearly set in motion the transformation journey. The CEO noted: "*We have enabled motivation and knowledge in the entire organization of the importance of the digital launches that we are doing, pushing towards omnichannel….we now have an organization that is motivated to do it. And in many ways are prepared to do it."*

7.2.2 Digital Strategy Contributions

As noted earlier, digital strategy is an organizational strategy formulated and executed by leveraging digital resources to create value. In Hummel's case, developing and implementing a digital strategy had requirements for the company's IT capabilities. Hummel had to develop new IT capabilities to support a seamless shopping experience. Customers do not think about the channels through which they interact with Hummel; rather, they view browsing, shopping and interacting as a holistic and collective direct experience with the brand. This requires not only new IT capabilities to integrate customer social media technologies and the brand's own channel technologies, but it also requires new business capabilities that, when aligned with the new IT capabilities, creates new sustainable strategic competencies. Below, we illustrate how this PhD project contributed to achieving business and IT alignment and how it impacted the IT infrastructure at Hummel.

Business and IT Alignment

Prior to this project, Hummel enjoyed a classic business and IT strategic alignment. Now, four years and six months later, this project is contributing another dimension - a digital strategy alignment, that is a fusion between IT and business strategy. The digital strategy was initially developed by the digital department, but is now an integral part of every strategy in the company. The digital agenda has become more embedded across the organization, i.e., all employees at Hummel have been influenced by the digital transformation and digital initiatives, and capabilities have been assimilated into the core business and IT functions of the company, and have made digital initiatives part of the ordinary jobs. The CEO commented on the digital transformation saying: "*Digital is shaping the company going forward. If I should put one word to it, it is transformation. It is simply a transformation of the entire organization. Not only thinking and working with, but actually knowing what this whole digital thing is and how can we work it into every single part of the strategy - that we have now. None of that would work without a digital strategy at the same time. So it is a transformation. That is working with something that we were not even close to working with four years ago."*

It is changes in customer technology capabilities that drive both the required new business capabilities and the new IT capabilities at Hummel. Thus, in order to be competitive, Hummel must match its customers' pace of change and always be present on customers' devices and social media platforms. The CMO explained how Hummel now had gained IT capabilities so that the company was able to react to market conditions and customer needs: "*We knew that we needed to strengthen our capabilities, we just didn't know how –or how much of an impact it would have back then. Now we have knowledge and we have structure because we have the tools that have been developed via your knowledge, work, research and* *possession of skills. So our ability to react to market conditions, customer needs and own branding conditions has increased dramatically."*

IT Infrastructure Impact

Another implication was the impact on Hummel's IT infrastructure. To support the digital strategy for omnichannel retailing, Hummel's IT system had to be enhanced. Beyond the tighter integration required between Hummel's websites and the back-end ERP systems for its B2B and B2C ecommerce, there were also issues related to the IT infrastructure, as it needed to support a new set of "rich" product data. Examples of such data included the uploaded packshots, images and photos, campaign and catwalk videos, 3-D animation, size guides, and even qualitative texts such as sales descriptions, customer ratings and comments. These were often the resources used for digital marketing and were generated by designers, marketing personnel or consumers themselves.

A new Product Image Management (PIM) system was therefore built to be a data hub that could import product data not only from the ERP system (e.g., style name, style number, color, size, price and stock level) but also from various other social platforms such as YouTube and Instagram. At the same time, the system could also export data to other platforms; for example, through QR codes (data for a mobile product information site to which the specific QR code linked), to the Brand Button (data for the product-specific iframe on retailers' websites), to the virtual wall in stores, and to the B2C ecommerce system (e.g., the rich product data, which the ERP system did not contain, e.g. videos, size guides and ratings).

In addition, feeds and updates to and from the various channels had to be integrated into the IT infrastructure. Instagram pictures, for example, were imported into the website once every hour, the local Facebook page was embedded into the local website front-page, and the names of the players who completed all the fields in the Football Game app were imported into the dedicated page on the website. Similarly, data from Facebook was imported into the Football Game app, and player data from the Football Game app was exported to the newsletter database, which was also connected to the Hummel websites – thus making it possible to collect newsletter sign-ups from many platforms and still store them in one central place.

However, the technical capabilities required (e.g., social media integration, rich product data management or digital-in-store innovations) were not readily available in-house. Hence, Hummel's decision was to acquire such capabilities from external ecommerce vendors. Hummel chose to stick to a main vendor who also managed Hummel's projects with other vendors when necessary. The decision to rely on external ecommerce vendors proved to be highly effective. First, it was very scalable. It enabled the rapid ramp-up of Hummel's digital capabilities during the early years, but as the development stabilized, such deployment efforts were gradually scaled down. The arrangement also offered flexibility as Hummel learned that it was not possible to source all digital capabilities to support its omnichannel pursuit from a single ecommerce vendor. Other vendors had to be engaged to fill in gaps in expertise (e.g., hologram, mobile apps or newsletters) as Hummel tried to keep up with the evolving customer needs and the technological advancements.

Hummel's emerging IT and data infrastructure and the various interfaces were managed by the Digital department in collaboration with the IT department, the B2B partners and the Vendors. While the integration between Hummel's ecommerce websites and backend ERP was largely managed in collaboration with the IT department, the Digital department took ownership of the digital channels and the new set of "rich" product data (i.e., PIM system, content management system and related social media integration), with the help of the IT vendors. Being data owners meant that the Digital department had to ensure integrity of such information, as they were exported to be shared with other digital channels.

The project's impact on Hummel's IT infrastructure coupled with technical advances in Hummel's B2B customers' own IT infrastructure meant that the company would soon have to upgrade its core infrastructure, including the ERP system as well as a new B2B facing PIM (product information management) system. The CEO explained that one of the top priorities would be to ensure further development of the IT and digital infrastructure for omnichannel initiatives: "*Having built an option to work omnichannel, we have also in a technical sense built an IT structure now, which enables us to do not only B2C and B2B and online handling, but the whole product data handling, which is of eminent importance. So I think, that it is only fair to say that we are putting a lot of emphasis on the IT structure of the business. And coming from a system of Navision, where we prior to this project had no connection what so ever with the digital world, it is now quite closely connected. And going forward, one of the top priorities we have is to make this whole digital and IT structure work together."*

7.2.3 Brand Strategy Contributions

As an omnichannel strategy centralizes governance structure, channel management and decision rights, and customers become customers of Hummel at a corporate level, there is the need for a strong consistent global brand image across countries: thinking globally and acting locally. This has implications for the development of a brand strategy in omnichannel retailing. Below, we explicate how the project contributed to centralizing and aligning the brand, elaborating on how this also transformed and supported the existing B2B business at Hummel.

Consistent Global Brand

As described in Chapter 4, Hummel was facing the threat of brand dilution in 2010, as the Internet made the scattered and localized branding transparent to the consumers. There were numerous different versions of brand expressions, profiles, products, prices and even logos displayed around the world. Hence, one of the major practical contributions of this PhD was to align the brand across countries through digital media (e.g., social media) and IT platforms (e.g., global platform with localized websites). It would be an ongoing journey to continuously aim for alignment (One Brand One Voice – OBOV), but Hummel now had the platforms, tools, structures and processes for the journey.

The CEO expressed Hummel's transition from a diluted brand to an aligned brand, saying: "*We have aligned our own communication and we have aligned regional, and we are on our way of reaching an international alignment. We have the platforms aligned now, meaning that countries have the same platform. Which we were not even close to having before. I think we had 22 or 24 different platforms [websites] a few years ago, which we have now changed into one. So that is one achievement of the digital department."*

The CMO reflected similarly on the journey of achieving brand alignment across countries: "*If we go back, remembering where we began, as a wholesale company and a brand that was completely diluted internationally at least. Not linked in any way, except heritage. We did not have a go to market plan or presence that was OBOV – one brand one voice at all. We have been on a journey from a very singlechannel focused company, driven by wholesale regionally, to multichannel, selling direct and enabling wholesale customers to buy differently – and more – and then to omnichannel now. We still have a way to go, but it is what we are investing in and operating within, so I would say, yes we are in the omnichannel era right now."*

The CSO explained how the alignment and coherency created through digital branding also affected the branding in the physical B2B stores: *"We have first and foremost the possibility to communicate with one voice because of platforms, structure, processes and tools. Now we are getting closer to the McDonald effect. In the international Go-to-Market group we can now speak one language because we are united on a platform and in a network digitally. That we can use for a sales strategy in the physical stores. I have realized that you can't start this in a store and then go digital. Because digital is first in the value chain."*

Managing the Brand Alignment
However, in order to move toward omnichannel retailing, it was not enough to align channels internationally and create a coherent brand across channels. Omnichannel retailing also required a strong brand with a clear brand position. Weak and undefined brands would not hold up in the transparent and interactive omnichannel world. Therefore, brand management was essential in an omnichannel strategy.

One of the contributions of this project was structuring the brand interaction. Hummel had to place great emphasis not only on which brand message it should send out in the various channels but also on customizing the messages, images and purpose of interaction for each individual channel (e.g., the Social Media Matrix in Paper 4). Staying very close to the Hummel customers and fans enabled Hummel to grow the community from 13,000 members in 2010 to 1.5 million members at the end of 2014. The size of the community mattered, as we found that there was great value in the data, analytics and insights the company received from the community's interaction with the brand. For example, when Hummel launched "Karma" as the main brand promise in 2012, analytics showed that less than 1% of the website visitors clicked on the Karma related pages. Similarly, we found strikingly few likes on Karma posts on social media. These insights prompted the company to refine the brand strategy.

Hence, because of the emergence of interactive digital media and big data, Hummel started to co-create the brand together with fans and consumers. This underlines that a company must be open minded and flexible when developing a digital strategy for omnichannel, as it requires deep changes to develop a consumer centric approach. It is an iterative process between aligning IT and business resources with strategy: not only clarifying and aligning the brand but also reorganizing and aligning the organization for this new way of competing.

Transformation of the Traditional B2B Business
The development in brand management, due to the new B2C digital resources, proved to transform and enhance the existing B2B business as well. The 'Brand Button' and 'Brand Zip' were built to support the B2B retailers, and the 'storefinder' on the B2C website created traffic to the B2B stores; the digital knowhow that the company had developed then helped boost the B2B online retail sales. The iPads with ecommerce shops for 25 individual B2B boutiques not only enhanced the sales, but also connected the online and offline world, offering the physical stores an 'endless digital aisle.' All in all, the digital initiatives helped glue together the online and offline world to give customers a seamless brand experience. Hence, one of the contributions of this PhD was the transformation and growth of the traditional B2B business. The CEO commented on this fact, saying: "*Regarding business, we now have the professional tools and the capability to deal with online retailers in a successful manner, which we didn't have before. It is in fact today close to 12% of our total worldwide sales. It was below 1% before.*"

The CMO highlighted that the project also contributed to the growth of the B2B business, saying: "*Yes! [Because of digital, the entire business has grown]. It has quadrupled, if not more, in that period. The biggest growth has been with our wholesale customers, but their growth has been a lot due to the fact that* *we had this project going. Otherwise we could not consult them or serve them the products and wrap it up with product data, with the whole consulting on how to bring to market, etc. So digital is an instrumental discipline in order to enable this growth.*"

Similarly, the CSO commented on the new digital capabilities that helped augment the B2B business: *"Sure, we generate sales online ourselves, but there are also a lot of sales generated because of the branding via digital platforms. Had we not invested in digital knowhow, experience and skilled employees then our value chain would not be complete. We would have had a large gap – and no matter what we did in terms of products and marketing campaign it would not have an impact if it was not executed online."*

He further commented on the complementarity of the new B2C digital capabilities that supported the existing B2B business: *"You have facilitated, coordinated and developed a setup, which has made Sales – me and my people – stronger. Direct and indirect. This thing about walking hand in hand it's only really good if you are making each other more attractive. But in this case it is actually Digital which has made Sales more attractive."*

7.2.4 What Can Other Companies Learn from the Hummel Case?

Other companies looking to develop and implement a digital strategy for omnichannel could derive learnings from the Hummel case. First, it is essential to have the continued support of the CEO – both in terms of understanding the impact of digital strategy on IT, business, brand and organization, but also in terms of understanding and promoting the digital strategy into all other strategies in the organization. Second, it is necessary to invest in creating an entirely new department (in Hummel's case a digital department) to integrate and coordinate the new IT and business resources with the existing IT and business resources to align with the digital strategy. It is not possible to develop and deploy a new digital strategy solely through existing resources. In other words, there has to be a willingness to invest in the opportunity and create a new dedicated transfunctional team to leverage the existing workforce in a cross departmental manner; it also requires being responsible for accessing, integrating and managing the project's external resources. Third, when this is done purposefully, the new business will enhance and support the existing business, exemplified by how the new digital strategy proved to support and enhance Hummel's existing B2B business.

For other companies aspiring to omnichannel retailing, the mentioned brand and business implications illustrate a way to align their brand through similar tightly knitted digital initiatives. Taking control of the brand online is a must in the digital age, as weaving the brand communication across channels and markets is at the heart of omnichannel. Companies must ensure that their customers are met with an aligned and seamless brand expression, regardless of the channel with which they interact. For Hummel, this meant gathering local websites on a global platform, aligning across social media by governance mechanism and communicating globally through an aligned campaign and communication plan. It meant refining and clarifying the brand strategy whenever consumers reacted to, and interacted with, the brand messages. It also meant integrating the new B2C business with the existing B2B business by seamless digital omnichannel shopping: taking social and communication initiatives. All this, together with other digital initiatives, was always developed with a consumer centric approach. Other companies could gain from introducing similar initiatives, while recognizing that transformation is not a quick fix but an ongoing process that will change and adapt simultaneously while iterating the omnichannel strategy, brand strategy, as well as the organizational resource development.

Developing a digital strategy for omnichannel and achieving alignment is an ongoing challenge for all companies. Recall Burberry from the introduction, the company that had shown the way toward omnichannel retailing for many aspiring companies. Recently, there have been studies indicating that Burberry is currently not aligned. The studies show that the brand, which previously ranked as the leading digital genius in 2011, 2012 and 2013, is now lacking behind brands such as Coach (which had a better integrated search and store inventory check on the website) and Gucci (which had a 'best' in class mobile platform). While Burberry is still the leading company in integrating the channels and creating a seamless brand and shopping experience for consumers, the reason that the company is lagging behind now is that it is restrained by an aging website infrastructure and an unsuccessful upgrade to its mobile site, resulting in a limited product information view (L2 2014). Thus, while Burberry has the omnichannel organization in place and has a crystal clear brand, it is currently lacking in its IT developments.

Hence, developing a digital strategy for omnichannel retailing is an iterative process between aligning IT and business resources with strategy, clarifying and aligning the brand and reorganizing for the three drivers of profit: governance, competence and flexibility.

Chapter 8.0 – 8.4 omitted
