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**INTERNATIONAL BLACK SEA UNIVERSITY  
FACULTY of BUSINESS and TECHNOLOGIES  
BUSINESS ADMINISTRATION PROGRAM**

**The Impact of Strategic Planning on Customer Purchase Intention  
in Multi-Channel Retailers  
(Case of Georgia)**

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**Extended Abstract of Doctoral Dissertation in Business Administration**

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## **Introduction:**

Retailing industry has gone through drastic changes during the past two decades with the expansion of internet around the world. Traditionally, retailers were reliant on their physical outlets for a large chunk of their sales with minor revenue streams from telemarketing and brochures. Today, online sales constitute a growing piece of retailers` revenues with some firms relying only on their online outlets to expand.

This study aims to measure the effective strategies retailers can implement in order to grow their customer base in the new environment. Multi-channel retailers have already been established in developed countries and are growing rapidly in developing countries around the world. Therefore, finding proper strategic planning and implementation can be of utmost necessity for sustainable growth.

Strategies discussed, in this research, are a combination of Porter`s generic strategies adopted for the new retailing advancements. Along with generic strategies, inter-departmental integration and franchising decisions can determine the extent of customer attraction and retention among retailers.

In this research, a deductive approach is adopted to understand those strategies and to put together a framework for testing in the Georgian market. The literature review section is divided into past studies done in the retailing sector and strategic planning for each generic strategy which is then tested in the next part.

## **Novelty and actuality of the topic:**

Initially, this study fills the gap in the past literature by exploring Georgian customers and their purchasing habits. It provides researchers and managers in retailing industry with a foundation to evaluate their goals of strategic planning and the effects of those strategies in the market. There is a lack of comprehensive research in retailing business in the Georgian market and this study attempts to discover the elements responsible for fluctuations in the market.

This research aims to formulate a model for multi-channel retailers in the new era of digital marketing and sales. The study will tie two parallel theories of attracting customers on one hand and blend it with defensive strategies to counter wholly internet retailers on the other. Therefore,

it can create a new platform for devising a business model for multi-channel retailers by applying two theories of five forces and generic growth on their channels simultaneously.

In order to discover the trends and extract more meaningful implications for manager and marketers, this study did not measure purchase intention as one variable, as it is common for past researches. Dividing purchase intention into the frequency and monetary value of purchases for high and low involvement products sector creates an opportunity to evaluate the precise impact of each strategy in different aspect of sales.

This model in turn, provides a new perspective for researchers and practitioners in the industry to evaluate their businesses from a new point of view. In past studies, the impact of each strategy on sales is measured by surveying managers in the business and gathering their responses. However, in this research, the model is designed so that the customers respond to each strategy. Since customers are the ones who decide on how successful the firm can become, this new approach can be a more precise and straightforward path of measuring strategic planning than the traditional method.

As it can be observed, this study analyses the strategies put forward in the model by testing its end results from the downstream side of the supply chain. The construct is a combination of strategic planning and purchase intention, unlike prior studies in business strategy, requires the sampling of target market rather than managers. Hence, it deviates from past studies conducted in the field of strategic planning.

## **Goals:**

This research attempts to explore the retailing industry in Georgia, and more specifically multi-channel retailing. The study is designed to investigate the strategic planning in the sector and its impact on customers. With a rapid rise of online and multi-channel retailers around the world, the establishment and growth of this sector in Georgia is inevitable.

Hence, this research can shed light on how the sector can grow and communicate with consumers in the country. Furthermore, it seeks to discover the impact of each strategy on consumer decision making process. Finding those links between strategic planning and customer responses to them can assist retailers in their operational planning. Therefore, this research aims to take the consumer responses in the country and reveals a path for efficiency within a multi-channel retailer operation.

## **Research objectives:**

- To identify the best strategies for creating a customer base for multi-channel firms.
- To examine the effect of low-cost leadership and differentiation strategies on customer purchase intention.
- To understand the customer responses to franchising and synergizing departments in a multi-channel retailer.
- To evaluate the operational changes that the retailer can implement to adapt to customer demands when taking generic strategies.

## **Research questions:**

This study seeks to answer a main question which then is subcategorized to detail each element in the question and arrive at a more precise answer to each one of those subcategories:

### **Does the strategic planning have an impact on customer purchase intention in multi-channel retailing industry in Georgia?**

*With the following are the sub-questions which investigate each strategy and its impact:*

- What is the effect of low-cost leadership strategy on the frequency of visits by customers for purchasing low and high involvement products?
- How effective is the use of low-cost leadership to counter the threat of online retailers?
- What is the impact of differentiation strategy on monetary value spent by customers for purchasing low and high involvement products?
- How effective is the use of differentiation strategy to counter the threat of online retailers?
- What is the impact of expansion by franchising on the frequency and monetary value of purchases by customers in low-involvement products?
- What is the impact of Synergy and integration between departments on frequency and monetary value of purchases by customers in high-involvement products?

- How effective is the use of synergy and integration between departments to counter the threat of online retailers?

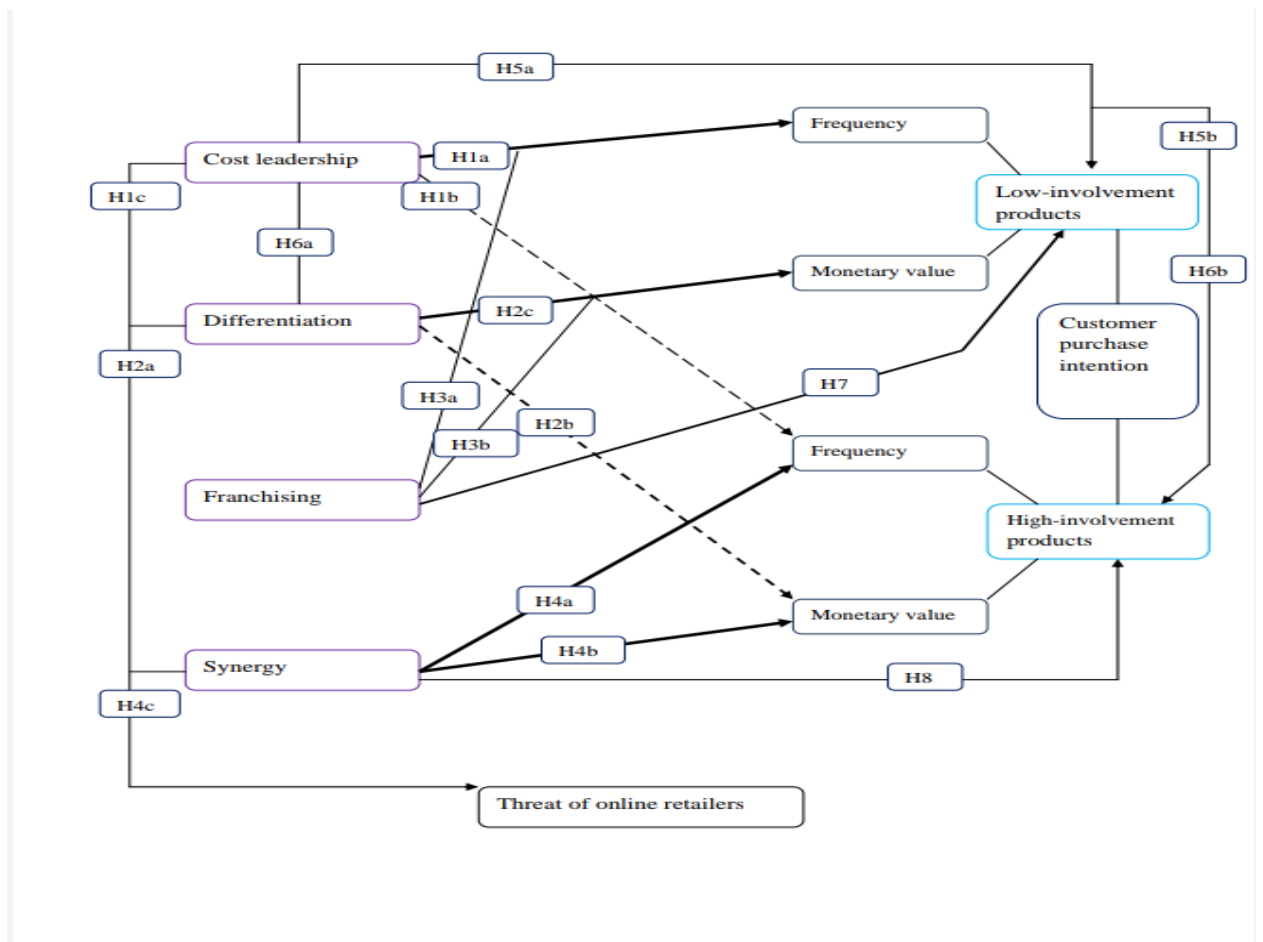
### **Formulation of hypotheses:**

Building on the objectives and research questions, the following research objectives are formulated to be tested in the Georgian market:

- **H1a:** cost leadership strategy for multi-channel retailers positively affects the frequency of purchase for customers in the low-involvement product sector.
- **H1b:** cost leadership strategy for multi-channel retailers positively affects the frequency of purchase in the high-involvement product sector.
- **H1c:** cost leadership strategy for multi-channel retailers negatively affects the threat of online retailers as substitutes.
- **H2a:** differentiation strategy for multi-channel retailers negatively affects the threat of online retailers as substitutes.
- **H2b:** differentiation strategy for multi-channel retailers positively affects the monetary value of purchases in high-involvement product sector.
- **H2c:** differentiation strategy for multi-channel retailers positively affects the monetary value of purchases in low-involvement product sector.
- **H3a:** franchising for multi-channel retailers positively affects the frequency of purchases in the low-involvement product sector.
- **H3b:** franchising for multi-channel retailers positively affects the monetary value of purchases in low-involvement product sector.
- **H4a:** synergy across different channels positively affects the frequency of purchases in the high-involvement product sector.
- **H4b:** synergy across different channels positively affects the monetary value of purchases made by customers in the high-involvement product sector.
- **H4c:** synergy across different channels negatively affects the threat of online retailers as substitutes.
- **H5a:** low cost leadership by multi-channel retailers positively impacts customer purchase intention in low-involvement product sector.

- **H5b:** low cost leadership by multi-channel retailers positively affects customer purchase intention in high-involvement product sector.
- **H6a:** differentiation strategy by multi-channel retailers positively impacts customer purchase intention in low-involvement product sector.
- **H6b:** differentiation strategy by multi-channel retailers positively impacts customer purchase intention in high-involvement product sector.
- **H7:** franchising by multi-channel retailers positively affects customer purchase intention in low-involvement product sector.
- **H8:** synergy by multi-channel retailers positively impacts customer purchase intention in high-involvement products sector.

### Research model:



### Theoretical and practical values:

This study investigates the effects of generic strategies on multi-channel retailers and testing it in the Georgian market. The phenomenon of multi-channel retailing is a relatively new trend in

Georgian market. Thus, there is a lack of sufficient studies on its measure and strategic planning in the market.

Furthermore, Georgian consumers are not fully tested in this area for evaluating their responses to these new businesses. This model takes the new approach of exploring Georgian market in this regard and sheds light on the characteristics of the market.

Another new theoretical aspect of the research is in its construct. Most models measuring the effects of generic strategies follow the sales and profit trends of the company and sample managers and marketers to yield results. This study takes a new direction by testing the end results from consumers to reveal the impact of each strategy from the downstream end of the supply chain.

Moreover, the construct of this research adds another concept by combining generic strategies and expansion methods to find its effectiveness on a defensive level. The capabilities of these strategies are tested with regards to online retailers. With online retailers' speedy growth in terms of their market share, it is essential for traditional brick-and-mortar firms as well as Omni-channel retailers to discover the effectiveness of their strategic planning on the defensive side.

On the practical level, the model contributes to operational efficiency for managers in the sector. Breaking down the purchase intention into frequency and monetary value of purchases assists managers in planning logistics and restocking in a more proficient manner.

Organizing the supply chain on the foundation of the nature of the strategy manager choose to implement is another outcome of this model. It includes the pricing strategy, organizing distribution, in-store customer services and delivery staff. It also provides a pathway for managers to simultaneously expand in the market and take a defensive approach with regards to online retailers.



## **Chapter 1. Literature review:**

Implementing an efficient operation for retailers with regards to strategic planning is of utmost significance when entering a new market. Kshretri (2007) categorizes a successful execution of this multi-channel retailing operation in developing countries into three barriers which need to be overcome. Feedback systems-economic, socio-political and cognitive barriers all deal with change to some extent and how every society will reject these changes if the mechanism to implement them is not put in place correctly.

In case of Georgia, overcoming socio-political and cognitive barriers is a relatively uncomplicated task since the government approach is closer political ties to Europe and neighboring countries in addition to higher velocity of cultural and economic integration with countries in Eastern Europe and the Middle East. This makes all countries involved aware of the other`s business environment. An example of this can be found in, one of the already established industries in Georgia, tourism due to natural environment of the country as well as its rich history where socio-political and cognitive barriers are already eliminated. Although that is not the end of the road, more purposeful policies are needed to shape other industries and even tourism in Georgia to adopt the new model.

In designing a concrete set of principles for Omni-channel retailing expansion, Datta (2010) takes the same approach as Kshretri and defines a moderating role that business environment and social structure of a country play in how well internet companies can establish their business in society.

Naturally, the price has an outmost influence in customers` decision-making process and their purchase and repurchases behavior. According to Erdil (2015), price image positively influences store image perceptions as well as customer purchase intentions.

Price image is not defined solely in low prices and cost leadership by retailers but by where retailer`s products stand in price-quality curve. Obviously for price sensitive customers, retailers which belong short end of that curve is the most attractive area.

Customer purchase intention in the retailing sector is affected by different factors, some of which can be controlled by the firm and some rely on the customers and their employers. As Chaiyasoonthorn (2011) found the main factors, which are under retailer`s control, influencing

purchase intention include quality of services and products, distance from customer`s homes and merchandize mix.

Naturally, lower distance from customer`s homes directly reduces travel costs for the customers, which relates to franchising hypothesis in this study, hence increases their purchase intention. On the other hand, retailers which differentiate their business model with a wide within category assortment or a comprehensive cross product assortment are able to attract more customers and simultaneously enable customers to increase their basket size in the store since they are able to find different products in one location.

How to stimulate customer purchase intention in these outlets are explained by Rose (2012) with the main focus on the online outlet. Some of the main elements explained in that study include ease of use in the online outlet which goes back to marketing and managing smooth the online operation as well as customization and connectedness.

Customization not only applies to the online outlet but to physical stores as well. Adopting to the target market culture and customizing products, services and prime locations in the market represents an opportunity in how franchising can positively affect customer purchase intentions. Additionally, retailers are able to achieve a proficient level of connectedness using a adequately designed customer relationship management program and utilizing cultural expertise of their franchisees in the international markets.

As Calvo-Porrall (2015) found out, store brands are produced with lower costs automatically due to less expensive packaging and low advertisements as well as lower overhead and production costs. In this case, retailers are able to control upstream marketing elements completely before launching a store brand products. Since they have direct contact with customers, all elements in upstream marketing are more clear and accessible to the retailer than a manufacturer. Additionally, in low involvement segment where price sensitivity can play a more significant role in purchase intention, retailers can take advantage of low costs of private label production and offer lower prices than their competitors.

The most important advantage of a multi-channel firm over online retailers, according to Zhang (2010) is the optimization of channels. Since each channel can provide its unique benefits to the firms such as immediate availability of its physical store and low travelling costs of its online store. Combining and optimizing different advantages can lead to a more efficient and attracting business model than a wholly internet retailer.

Noticeably, this optimization process depends on how the outlets of a firms work together and the level of synergy the firm can achieve in strategizing and planning. However, the most important strategic elements to elevate the synergy results are pricing, promotions and

information technology (Yrjölä, 2014). Firms can leverage one or multiple of these elements to establish new channels or gain a customer base for a specific channel that the management is trying to push.

One of the main strategies discussed in the model for expansion and as a defensive strategy against the threat of online retailers is differentiation strategy. Mugaonkar et al. (2011) suggests quality and convenience can play an important role in shifting customers from one store to another. Additionally, they discovered value-added products can contribute to the increase in the monetary value spent by customers.

With regards to a multi-channel environment and its competition with online retailers, other aspects involved in the online outlet can determine the frequency of purchases among customers. Martin et al. (2015) detailed a model for frequent and infrequent shoppers in an online outlet and how their decision-making process is shaped. Their findings revealed that elements such as trust, control, aesthetics, ease of use and convenience can affect the customers on both side of frequency spectrum.

An additional aspect that can influence both the frequency and monetary value of purchases can be found in the customers` attitudes and segmentation. Dahana et al. (2019) designed a model based on the frequency, monetary value and lifetime of customers to evaluate their attitudes and decision-making process. Their findings revealed four customer segmentation based on the variables mentioned. These segments are individualistic innovators, rational followers, self-actualized experts and integrated shoppers. Each segment has its own motivations and criteria determining their purchase intention.

The aim for retailers, and more specifically multi-channel retailers, is to target and expand in the segment that they are most suitable for. The strategy that the retailer pursues is an essential part in targeting the segment and increasing their purchase intention. Example of that can be found in innovators, where the most suitable strategy can be inter-departmental synergy. Since this segment of customers search for new trends in the market, synergy can encourage them to purchase from the retailer with the most relevant trends. Whereas, followers tend to purchase from the stores with more value-added products or get the most value for the monetary spent.

The dissertation begins with introduction which covers the background of retailing industry and its evolution in the past few decades. The study then delve into the narrower area, which forms the framework for this research. Research questions and objectives are constructed to find the links between strategic planning and customer purchase intention.

Through research questions and objectives, the hypotheses for this study are formulated. The knowledge gap is discussed in the novelty and actuality of the dissertation and how this research can fill these gaps are explained in theoretical and practical values. The second part of the research, in the literature review, the past studies are explored.

The literature review section is categorized by the nature of strategy (low cost leadership, differentiation, franchising and synergy), customer purchase intention, the frequency and monetary value of purchases and the characteristics of the Georgian market. Growth and entrance strategies are discussed in details in both upstream planning and in downstream impact on customers. Finally the Georgian customers and their characteristics are explained.

Chapter 2 which covers the methodology, contains the direction this study is taking to test the hypotheses formulated from the past literature. In this chapter, the research philosophy adapted for the dissertation is discussed which forms the direction of the methodology. The population and the sample of respondents are identified and parameters for measuring the reliability of the study are established. This chapter also includes the research model which illustrates the links between the independent and dependent variables set up in the hypotheses.

Chapter 3 serves to determine the analysis and provide empirical results from the survey conducted for this study. It details the calculations and the results of the regression analysis conducted to test the hypotheses. Following the confirmation of the hypotheses, this chapter continues with managerial implications of the results. It is divided by each strategy and details the investment requirements and organizational structure for each strategy.

Finally, chapter 4 covers the conclusion and recommendation for further research. In this chapter all aspects of each strategy and its outcomes are explained. The impact of each strategy on customer purchasing patterns is discussed briefly on marketing and managerial sides. It also summarizes the utilization of each strategy as a defensive policy against the threat of online retailers as substitutes. The research ends with recommendations for further research in the Georgian market where the knowledge gap has not been filled yet.

## **Chapter 2. Research methodology:**

To measure the impact of variables, this study, takes a deductive approach by going through past literature on multi-channel retailing, strategic planning and purchase intention among retail customers. The past literature provides a framework of strategies to measure and the manner to combine them to test in the Georgian market.

The research philosophy, in this dissertation, aligns with positivism approach since all the elements are in line with this method. The numerical nature of the quantitative method of testing, explored in this research, and nomothetic format of the survey provides means for each independent variable which then are tested against the dependent ones.

To confirm the findings of this study, with regards to epistemology of positivism, validity and reliability of constructs are tested. With regards to internal and external validities, the model is internally validated by past published studies which presented a platform for a new research construct. External validity, once again, is confirmed by aligning the sample size of this research with other papers in similar markets.

Confirming the internal reliability of this study, the survey questions are examined by Cronbach`s alpha to corroborate the variables meet the requirement of reliability. The acceptable level of Cronbach`s alpha, according to past studies, is considered .75. All the variables in the model scored a higher level of Cronbach`s alpha and therefore, are considered reliable.

Finally, external reliability is authenticated by the standard survey method and questionnaire in this sector of business, with 5 level Likert scale questions and by the method of gathering data in different dates from different locations to arrive at an accurate results regarding consumer Responses.

### **Sampling:**

The sampling for this study follows a convenience sampling technique. The questionnaire was first uploaded online and 5 respondents were asked to answer the questions to test if the questions are understandable for them in English and the Georgian translation. The next step required the researchers to ask customers in different locations, more specifically shopping malls

and near corner shops where retail customers are concentrated, to respond to the questions on the tablet provided by the authors.

Total number of responses came at 412, with 53.6% female and 46.4% male respondents. The response rate was at 80% which indicates 103 people declined to respond to the questionnaire or did not respond to the whole survey which rendered it inapplicable.

With regards to age distribution of the respondent, the highest percentage of respondents with 28.6% was in the age range of 36 to 45 years old followed by 21.1% of respondents aged 26 to 35.

### **Chapter 3. Hypothesis testing and findings:**

For testing the hypotheses, correlation and bivariate regression analysis were used to test the independent variables on the dependent ones. Each independent variable is tested separately against its corresponding dependent one since these strategies are different in nature and their results they represent can have different implications for managers.

The summary of correlations is presented for each independent variable to paint a brief picture of the relationship between the variables. The F-test and significance levels for each variable is then analyzed to confirm how fit is the independent variable in the regression with regards to its corresponding dependent one.

Finally, the level of R-square is observed to indicate the level of impact of each independent variable on the dependent one. The analysis revealed the high values of R-square for each independent variable which translate into the effectiveness of strategic planning on customer purchase intention.

### **Findings:**

The result of testing and analyzing the model confirmed the hypotheses formulated for the study. The first set of hypotheses suggests the impact of low cost leadership strategy on the frequency of purchases in low-involvement products and the frequency of purchases in high-involvement products. On the defensive side, it proposes the low cost leadership strategy as a measure to counter the threat of online retailers as substitutes.

Thus, for retailers pursuing low cost leadership, frequency of visits by customers can increase. The result determines the importance of managing the supply chain more effectively in this area.

With the rise in the number of visits for price sensitive customers, it is crucial for retailers to keep a constant level of merchandize mix. Since price sensitive consumers tend to purchase smaller basket in each visit, the balance of stocks offered in an offline outlet may tip due to the fact that the purchasing patterns will not be evenly spread as is the case for large basket customers. Hence, managers should emphasize the operational efficiency of the delivery staff and floor workers to keep the merchandize mix constant.

The second set of hypotheses suggests differentiation strategy impacts the monetary value of purchases in high-involvement as well as low-involvement products. Moreover, differentiation strategy can be utilized in countering the threat of online retailers as substitutes. To achieve differentiation strategy, managers are required to focus on the quality of products, making the upstream side of the supply chain a crucial factor in the retailer`s operation.

Correspondingly, resource allocation on the downstream can play an important role in differentiation strategy. For high-involvement products, specialty stores can distinguish the retailer`s operation and brand equity from discount stores and streamline the supply chain process proficiently. Meanwhile, differentiation through cross and within- category assortment can embolden managers to diversify their offerings in their online and offline outlets. In order to achieve differentiation through merchandize mix, setting up strategically located big-box stores assist retailers to attract the segment of customers with large basket sizes and high monetary value of purchases. Logically, managers may need to keep the distribution and delivery section of the supply chain separate for big-box outlets as opposed to specialty outlets to ensure the efficiency and speedy response by the distribution center to each outlet. Differentiation strategy can be utilized as a defensive measure to counteract the substitution threat of online retailers. In this case, managers may need to ensure the existence of big-box stores and establishing the corporate identity of the retailer as one with broad merchandize mix.

The next set of hypotheses implies the impact of franchising, as a way of market entrance and expansion, on the frequency of monetary value of purchases in low-involvement products. To implement franchising with the goal of increasing the purchase intention in low-involvement products, reducing travel costs while keeping the operational expenses low is an essential element.

Managers can seek area development or master franchising, in this regard, to locate their offline outlets close to customers` home and workplaces. Limited merchandize mix can reduce the operational expenses and streamline the delivery and distribution. Accurate sales forecasts can

assist managers in setting up the most efficient operation. Franchisors` managers should closely supervise the efficiency and sales of each outlet developed by the franchisee to prevent free-riding among outlets and to eliminate the inept ones.

The last set of hypotheses suggests inter-departmental synergy, in a multi-channel environment, positively impacts the frequency and monetary value of purchases in high-involvement products. The level of synergy can render new pick up and return policies, enabling customers to pick up or return their online orders in physical outlet. It increases the purchase intention due to convenience of purchasing process and reducing post-purchase-dissonance.

For inter-departmental synergy, managers are required to invest a larger initial capital relative to other directions discussed in this research. Since the flow of goods between outlets is of utmost importance, a comprehensive information technology system to track all the orders and alert the fulfillment center and the outlet chosen by the customer is crucial.

Moreover, customer service, in this area, becomes an essential part of the operation since any discrepancies with the nature of product ordered or the outlet chosen for pick up and returns can reduce both the frequency of visit and the monetary value spent on each visit by customers. Hence, operational expenses will rise due to the fact that the company is required to hire staff and train them for customer relationship management in each outlet and a supervisory team to oversee the flow of products among different outlets.

In conclusion, this study collected the models presented in the past researches on purchase intention and strategic planning to design a model to test in the Georgian market. A quantitative approach was adopted with a random sampling to test the model in the market. Analysis revealed the hypotheses formulated for the research are valid and confirmed the relationship between variables. Finally the findings were explained and marketing and managerial implications of each set of hypotheses were discussed to provide a framework for multi-channel retailers entering or expanding in the Georgian market.

### **Conclusion/ recommendation:**

Briefly, this research was set out to investigate the retailing industry and the factors involved in management and marketing aspect of the business. The impact of generic strategies (low cost leadership and differentiation) in addition to market entrance and expansion strategies (franchising and synergizing different department), were analyzed on customer purchase intention.



The study adapted a quantitative, deductive approach by exploring past researches conducted in this field. It resulted in breaking down purchasing patterns of customers into two categories of the frequency of purchases and monetary value spent on each visit. These impacts of strategies on customer purchasing behavior were tested in the Georgian market using random sampling method. Analysis confirmed the hypotheses that were theorized in the study and implications of them are derived on managerial level.

These managerial implications in terms of low cost leadership cover different aspects of the business. Since a high number of customers indicated that they could be categorized as price-sensitive with more than 55% pointing out they shop multiple time a week, it can be concluded that retailers need to invest in logistics to provide the customers with consistent merchandise mix to avoid losing their base. The investment in logistics can increase the fixed cost for transportation of goods and inventory as well as a sufficient number of store staff for shelving and customer service.

Another implication of price sensitivity among customers in Georgia for retailers is the products offered in the stores. In this case, retailers rely on private labels to satisfy the demand for price-sensitive segment globally. Private labels require a large investment at the start; however, it can reduce the marginal costs significantly for each product sold along the way.

Upper-level management, in this area, is the deciding factor since they are mainly responsible for crucial decisions such as vertical integration. Unsurprisingly, producing and selling private label products demands vertical integration in a complete format or at the very least a close ties with the suppliers, which can vary from long term alliances to close joint ventures.

The management structure for implementing a low cost leadership strategy in the market can vary depending on the number of outlets and the level of merchandize mix. Generally, models such as divisional structure can assist managers in streamlining their process. Dividing the departments based on the nature of outlet and the position of the department within the supply chain can enable the managers to spot inefficiencies and waste quicker and improve the departments with high operational expenses.

When it comes to differentiation in the retail environment, the first element clearly is defined in the quality of the products the company offers. Obviously, improving the quality of the product can raise the cost and consequently, its price. In this study, more than 97% of respondents indicated they either agree or fully agree with the proposition which stated that the quality of the products offered is an important factor in choosing the outlet.

In the case of an international retailer with close ties to suppliers, the firm can also cut the costs of manufacturing high-quality products by early and late postponements. If the supplier is operating for the whole region, in this case, caucuses, the managers can contribute to the early and late postponement on differentiation points by close communication with the manufacturer to keep the production numbers in line with demands and avoid any wastes in the process.

Another competitive advantage for differentiation in the retail industry is cross and within category assortments. In this research, more than 96% of respondents specified the range of products offered by the store is important or very important factor for them in their decision-making process with 99% expressing they purchase low-involvement products offline.

Considering groceries are perishable, implementing an advance and highly effective logistics for delivering goods to physical stores, is of utmost importance. The supply chain efficiency becomes even more crucial if the retailer attempts to widen it cross and within category assortments.

In the case of differentiation, managerial structure needs special attention due to the image that the retailer attempts to convey. For retailers seeking differentiation strategy through broadening their cross or within category products assortments, a network structure can be useful. Considering widening cross and within-category assortments require managers to expand vertically in many categories and/or ensure the flow of goods from many different suppliers, a network structure enables the middle managers to communicate effectively with other managers horizontally and with the suppliers.

Network structure provides a level of flexibility, for middle managers, which can be utilized in their relationship building with their suppliers and the distribution centers. Meanwhile, retailers seeking differentiation strategy through quality of their products can employ hierarchical structure if their product assortments are particularly focused and targeted.

Product sectors such as automobiles or heavy machinery, home accessories or even in many cases electronics are heavily upstream dominated. Customers in these sectors are more concerned about the brand equity of the manufacturer rather than the retailer. The retailer's main requirements for a successful operation cover customer and after-sale services. In this environment, a hierarchical structure weighted toward upstream can benefit the firm to control the supply chain process to ensure the quality of the products and establish a standardized customer relationship management and after-sale services.

Another area, which requires proper planning and implementation on the side of managers to succeed, is franchising. In this case, 60% of customers indicated that they agree or fully agree

with the statement that they are more willing to purchase from international physical retailers than local ones.

Unsurprisingly, one of the reasons behind this phenomenon is the fact that the resources of local retailers cannot be compared to their international rivals. Therefore, allocating enough budgets for creating goodwill and intangible brand values is a difficult task for local companies when competing with international retailers.

One of those measures is managing the fixed costs of the operations since franchising physical outlets can be costly in that area. Some of the most common techniques include renting the store space instead of purchasing the land, hiring seasonal staff and rotations between stores and as it was mentioned before reaching different neighborhoods by convenience stores while opening big box stores in strategic locations.

More than 90% of respondents either agreed or fully agreed with the statement that online retailers in the country are not delivering their orders quickly. It is a direct message to managers of those companies for improving their logistics and supply chain. Since the percentage of customers indicating this logistics issue is so high, managers in local outlets cannot ignore their supply chain issues, especially if they have to compete with international retailers.

Franchising through area development or master franchising can be beneficial for multi-channel retailers in the Georgian market. To ensure a speedy flow of information within the franchisee and between the franchisee and the franchisor, a matrix managerial structure can be useful for the implementation of the market penetration.

Constructing a matrix managerial structure for the retailer can assist the flow of information from lower level manager to both middle and upper level managers in the franchisee and the franchisor. This flow of information can prevent the free riding of one outlet or channel and accelerate the trial and error process of discovering the inefficiencies in the outlets. The matrix structure is also a useful model for conversion franchising method. It provides the necessary flow of information for incremental expansion in both franchisee and the franchisor.

The last area explored in this study is how different departments in a multi-channel retailer are synergized. As it was discussed before, the deeper the level of synergy, the more efficient the operation can become. Since one of the main issues for Georgian customers surveyed in this study is long delivery times, synergy can both reduce that period and keep the operational costs low. Therefore, it is one of the most important factors for managers to consider when setting up their operations in the country.

Even though for a multi-channel retailer synergy can cut logistics costs, it can add to the initial investment required to start the operation. For close cooperation between outlets to facilitate pick

up and return policies and fast delivery times in online outlet as well as keeping a constant merchandize mix in the physical stores, retailers need an initial investment on a comprehensive and interconnected information technology system and a team to oversee the transactions between channels.

Moreover, that initial capital required for implementing a comprehensive synergy strategy does not end with information technology system. To implement the strategy in physical stores, staff training is needed to update the employees on the new strategy and how it will affect their daily tasks. Utilizing the training program, managers can prepare their floor workers to navigate and separate the daily orders for the physical stores to keep the product assortment from the flow of online orders which are supposed to be picked up by customers in the store.

As for organizational structure, inter-departmental synergy can be most effective with a flat structure. Since there is a need for a inter-departmental customer relationship management team and a supervisory department to ensure the flow of products between channels and adjusting the inter-channel pick up and returns for different customers this flat structure assist those teams to engage with middle managers in different channels to endure the flow of order processing and deliveries run speedily and effectively.

The need for a comprehensive customer relationship management department to engage with customers across different channels highlights the role of flat structure in an inter-departmental synergy strategy. The main goals of this strategy is to accelerate the speed of deliveries in the online outlet and to enable customers to pick up or return the products they purchased online to the closest offline outlets and eliminate the waiting time associated with online pickups or returns.

The main aim of the synergy is to increase the frequency and monetary value of purchases in high-involvement products. Hence, customer relationship management plays a central role in the operation and communication with customers. As proposed above, a customer relationship management team which can spread horizontally across different departments is required. In a centralized, hierarchical system this customer relationship management team may lose its authority due to the fact that managers in the outlet can over rank the central team which is supposed to oversee their operation. Therefore, the best structure, to keep the frequency and monetary value of high-end customers high, is a flat structure.

In summary, every strategy can assist the retailer increasing a specific aspect of customer purchasing pattern in low and high-involvement product. Depending on the nature of the business and the strategy that managers are seeking to implement, they can aim for an increase in the frequency or monetary value of purchases in one of the sectors mentioned. Utilizing those

goals enables managers to estimate the allocation of resources and required investments in their business and managerial structure that can work best towards the final goal.

### **Publications related to the dissertation:**

- Khoshtaria. T, Matin, A. (2019) Qualitative investigation into consumer motivations and attitudes towards research shopping in the Georgian market, *Administracja i Zarządzanie*. 48 (121), pp 41-51
- Matin. A. (2020) The effect of inter-departmental synergy on consumer purchasing pattern in an Omni-channel retailing environment in the Georgian market, *Globalization and Business Journal*. 9, pp 113-119
- Khoshtaria. T, Datuashvili, D, Matin. A. (2020) The impact of brand equity dimensions on university reputation: an empirical study of Georgian higher education, *Journal of Marketing for Higher Education*. DOI: 10.1080/08841241.2020.1725955