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Impact of Cultural Aspects influencing an Omnichannel Retailing of the Global Beauty and Personal Care companies operating on the developed and emerging foreign markets: the case of Sephora in Italy and Russia

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Table of Contents

Introduction ... 3
1 Theoretical overview of the cultural aspects influencing the omnichannel retailing on the global beauty and personal care market ... 5
1.1 Understanding of omnichannel retailing ... 5
1.2 Definition of cultural aspects and their effect on omnichannel retailing ... 11
1.3 Omnichannel retailing and cultural impact on the global beauty and personal care industry in the developed and emerging markets ... 16
2 Analysis of the specific cultural aspects influencing an omnichannel retailing on the case of Sephora in Italy and Russia ... 19
2.1 Current trends in the global beauty and personal care industry ... 19
2.2 Overview of Sephora performance: comparison of Italy and Russia ... 22
2.3 Research methodology ... 28
3 Main conclusions of the research, limitations and further recommendations ... 32
3.1 Survey results ... 32
3.2 Main findings and managerial implications ... 35
3.3 Limitations and recommendations for further research ... 37
Conclusion ... 40
Bibliography ... 42
Appendices ... 46
Summary ... 82

Introduction

This master's thesis explores an impact of cultural factors on an omnichannel retailing. Our research paper describes which cultural dimensions considered the most significant and how they influence the realization of omnichannel strategies applied by international companies and perception of the customers from the developed and emerging markets. There are different understandings of the omnichannel approach. Some researchers see it as the way of product distributions, others perceive as the number of touchpoints with customers. In our thesis we have considered omnichannel retailing as a strategic approach developed to integrate and to unify the retail experience across different touchpoints, in order to enable customers seamless transition between physical and virtual stores. Recently it has been a competitive advantage for the companies, but nowadays omnichannel is a must to be competitive on the market. Increasing digitalization and volumes of online purchase make this question highly contemporary. There is a little research on the role of culture in channel selection by customers. The researchers highlighted there was a critical need for empirical study of how cultural dimensions contribute to the importance of touch points which lead to conversion, satisfaction, and engagement in the customer journey. We presume partly to fill this gap and respond with some managerial implications.

For the purpose of our research, we have chosen the Beauty and Personal Care market. The industry is one of the fastest growing consumer markets. Various industrial researches (PwC, The NPD group) show, the consumer's journey is changing fast. It is critical for brands to test and iterate their marketing strategies across non-traditional channels.

The object of this study is omnichannel retailing of international companies. Here we are going to examine what is omnichannel retailing and how they adopt the strategy.

The subject of current paper is an interconnection of cultural dimensions with an omnichannel retailing strategy on the global beauty and personal care market. Further we will observe which cultural dimensions influence an omnichannel retailing more than others and what their impact is for the global beauty and personal care industry in the developed and emerging markets.

Through the literature review we identify the most frequently mentioned dimensions: uncertainty avoidance and individualism/collectivism.

Nam and Kannan (2020) stated two main proposals:

P1: The effect of omnichannel retail strategy on customer experience is stronger in high uncertainty avoidance cultures than in low uncertainty avoidance cultures.

P2: The effect of omnichannel retail strategy on customer experience is stronger in collectivist cultures than in individualist cultures.

Aforementioned proposals will serve for us as the hypotheses which are going to be tested through primary data collection and further analysis.

The goal of our study is to identify how some cross-cultural differences influence the customer perception of omnichannel services.

Besides the main goal of our study, we also set the following tasks:

- to explore the most significant factors studied by previous researches
- to test the influence of culture on omnichannel customer
- to identify the managerial implications of the findings.

In the first chapter we review nowadays retailing, explain how business came to omnichannel strategy and give the definition of omnichannel retailing, its main goals and features. Then we explore Hofstede's cultural dimensions theory (1989), analyze the factors evaluated by author and check what kind of interconnections have been outlined by previous researchers. Finally, we observe an implementation of omnichannel strategies on the global beauty and personal care market and try to assess the level of development omnichannel approach on the developed and emerging markets.

The second chapter is dedicated to industry analysis, current trends and the level of evolvement of omnichannel. Then we do a case study of the Sephora company, the omnichannel leader in this sector. We conduct comparative analysis of the Sephora performance in Russia and Italy. At the end of this chapter, we do the statistical tests on the correlation between the values for the six Hofstede's dimensions and omnichannel retail index scores and develop an online questionnaire. Our survey targeted Russian and Italian beauty and personal care consumers to compare the consumer perception from different cultures

The third chapter reveals the results of the survey. We draw the conclusions of cross-cultural influence on the omnichannel experience and identify some managerial implications. Finally, we discuss main limitations of the paper and direction for further research.

In our work we have used studies of such researchers as Hofstede (1980), Verhoef et al. (2015), D. Grewal et al. (2017), Nam and Kannan (2020), and others. We have also referenced to electronic international journals such as Journal of Retailing, Journal of Consumer Marketing, Practical Marketing, etc. For the case study described in the second chapter we have addressed to the official websites of the Sephora company and LVMH Group. In addition, we referred to market analyses performed by consulting companies such as PwC, McKinsey, The NPD group, Statista and some others.

1 Theoretical overview of the cultural aspects influencing the omnichannel retailing on the global beauty and personal care market

1.1 Understanding of omnichannel retailing

In the age when technological innovations blur the distinction between online and physical stores a concept of omnichannel retailing dominates over other forms. Many authors see the concept of omnichannel retailing as a competitive advantage.

The growing popularity of omnichannel retailing in recent years has significantly transformed the retail landscape (Herhausen et al., 2015). In order to provide an ample overview of the concept, we propose to look at the term gradually. Firstly, we are going to discuss the meaning of retailing and its evolving trends to understand what has brought us to omnichannel. Then we move to the concept of "omnichannel retail". We analyze the literature and try to define the term "omnichannel", view the evolution of the concept, attribute implications and managerial contribution, and finally evaluate its advantages and limitations.

According to Oxford Dictionary of Marketing, retailing is "the sales activities involved in selling goods or services directly to final consumers for their personal, non-business use. Retailers are powerful intermediaries that purchase goods from wholesalers, or in some cases, directly from producers and sell to the end customer". In other words, the term defines commercial interactions with end customers.

D. Grewal et al. (2017) in their article "The Future of Retailing" define five key topic areas of retailing development (Figure 1).

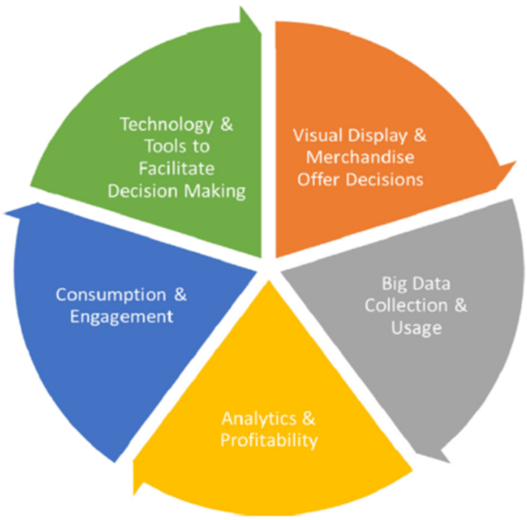

Figure 1 Visual overview of Grewal's framework

They claim retailing continues to be driven by technologies, which is beneficial for both consumers and retailers. From one side, consumers have more access to the information about the product features, locations and availability, which brings them to more rational decision-making. On the other hand, retailers can make personalized targeted offers and reach appropriate consumers at lower costs.

Also, they discuss the essence of visual display and merchandise offer decisions. They refer to several studies, which evidence the importance of:

- in-store organization of merchandise (Nordfält et al.,2014);
- various visual components, such as where an image appears on a product package and the shape of that package (Kahn, 2017), and product packages on different layers: the inner core, which is the product itself, an intermediate level that consists of the container and an outer layer, which is what is immediately evident to consumers prior to their purchase (Krishna, Cian, and Aydinoglu, 2017)
- location of the sale price for their merchandise and sales promotions, both online and in stores (Biswas et al., 2013; Suri et al., 2017)

The fundamental field of retailing is consumption and engagement. Here researchers arise the discussion about tools and techniques used to drive customer engagement through:

- values and purposes which create emotional connection with the customer and shared identity;
- improvement of customer experience by social media. Roggeveen and Grewal (2016) discussed five effects: need of people to be connected, network – as an ability to relate and broadcast data to others, constant access to information, dynamic conversation, and timeliness effects;
- usage of visual cues such as digital displays or dynamic messages;
- employee engagement, which could result in greater consumer engagement.

Finally, big data collection and its usage reached appropriate quality levels to be extremely useful in understanding consumer behaviour. Retailers can assess causality between external and internal variables, and use survey-based measures, such as purchase intentions or positive evaluations to generate greater engagement, loyalty and profits (Grewal et al., 2017).

The last key mover of future retailing mentioned in the article is analytics and profitability. The authors link these two terms referring to careful rational choice of strategies, which result in higher profitability. Besides that, they highlight the importance of improving vendor relationships, which brings us to the issues related to the multi- or omnichannel distribution operations. Arrangement of such processes has clear benefits for customers, however it is challenging for retailers and their partners (Grewal et al., 2017).

Starting after the financial crisis in 2008 “Retail Apocalypse”, so called a decade of recession of retail presence, was boosted by the meteoric rise of e-commerce, changing consumer behaviour. The downfall of retail started a decade ago, when many retailers in the USA struggling after the crisis, were acquired by private-equity firms. They took control over a wide range of brands and department stores. Often these retailers had enormous amounts of debt, which they are not able to pay off. Billions of this debt has started to come due in the past couple of years and continue doing so contributing to the avalanche of bankruptcies and closures. (Business Insider, Dec 2019) Then the situation became more complex with the boom of e-commerce driven by such companies as Amazon and Walmart. As a result, it has changed consumer behaviour. Modern consumer wants to have a choice, but without visiting a large number of stores to find a necessary item. Indeed, this is a key feature of Amazon’s success: the platform is one place where customers can do most, if not all, of their shopping (Dohmen, Forbes, January 2021) In an effort to reinforce sales volumes and return shoppers back to stores, retailers have started experimenting with new styles of retail, including pop-up shops and concept stores. (Business Insider, Dec 2019) Moreover, direct-to-consumer (DTC) brands appeared as a new type of retail. Some people prefer to use the term “digitally native” instead of “direct-to-consumer” when discussing internet-first, brand-forward, customer-service-oriented retailers (Koss, Built In, 2020). In addition to this trend started over a decade ago, it continues to evolve nowadays and is even accelerated by COVID-19 (WSI, 2020). Notwithstanding, analysts say the best department stores will recover after the shakeout, while the single-brand stores have to continue to close their doors. We also observe a controversial statistics: in 2019, more than 9,300 stores were closed, about the same number in 2020. At the same time 3,500 new stores opened their doors (Dohmen, Forbes, January 2021). Physical retail is far from dead (Artusi et al., 2020). Online-based retailers open brick-and-mortar stores, in the form of showroom or pop-up stores concept. This shows the strong evidence that physical shopping is not dying as a form, it is transitioning to something else and broaden its horizons. In this changing age only the strong and most innovative retailers can survive (Dohmen, Forbes, January 2021). The future of retail is not the choice of brick-and-mortar or e-commerce, but rather the two coexisting together to suit changing consumer behaviour (WSI, 2020). Here the concept of omnichannel retail is coming out on the scene.

The term “omnichannel” originates in the early 21st century: the word “omni” means “all” plus channel, denoting or relating to a type of retail that integrates the different methods of shopping available to consumers e.g., online, in a physical store, or by phone (Oxford Dictionary).

Aforementioned discussion brings us to the need of understanding omnichannel retailing. The main promise of the concept is to deliver a seamless customer experience (Piotrowicz and Cuthbertson 2014; Verhoef et al. 2015).

If we observe the channels progression, it is usually explained by the number and nature of touch points – a place or situation in which a business has contact with its customers (Oxford Dictionary). The evolution of channels is recognized as follows (Figure 2):

- Single channel: customer and retailers experience a single type of touch point
- Multi-channel: customers meet multiple touch points working independently. Knowledge and operations related to the particular channel stored separately in technical and functional centers.
- Cross-channel: Customers see multiple touch points as part of the same brand. Retailers have a single view of the customer but operate in functional silos
- Omni-channel: customers experience a brand, not a channel within a brand. Retailers leverage their single view of the customer in coordinated and strategic ways.

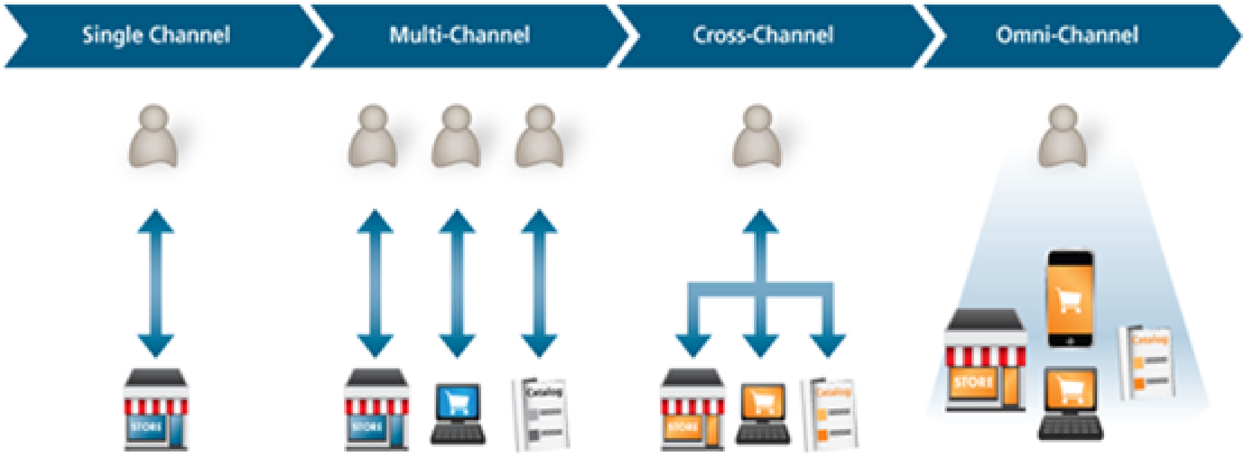

Figure 2 Progression of the retail channels. Retrieved from FunnelEnvy (https://www.funnelenvy.com/blog/what-you-need-know-omni-channel/)

As we can see omnichannel retailing extends the concept of multichannel retailing with a broader channel focus and scope, especially to include emerging digital channels. However, omnichannel retailing is defined through its management as "the synergetic management of the numerous available channels and customer touchpoints, in such a way that the customer experience across channels and the performance over channels is optimized" (Verhoef et al. 2015, p. 176). Another study defines omnichannel retailing as an e-commerce selling strategy which utilizes the use of offline, online and also digital platforms such as social media, to gain competitive advantage within an industry and gain full control of a target market (Stojkovi´c et al. 2016).

The evolution of the concept has started in 2003, when the term was firstly coined as a "thing" (Appendix 1). Afterwards, for several years the concept was not discussed in the theoretical papers, as well as did not gain wide practical application, when in 2010 retailers started to search for innovations to ensure maturing multichannel approaches. At the same time IDC Retail Insights predicts the advent of comprehensive omnichannel strategies. In 2014 omnichannel evolved, but about 94% of companies implemented this approach faced substantial barriers on the integration stage. For example, 10% of the companies which offered in-store pickup could not fulfill those orders due to inaccurate store inventory. In 2015 45% of companies set up the omnichannel as a priority in strategic plans, and first evidence that omnichannel drive ROI emerged. In 2017- 2018 Omnichannel reached a peak of its popularity: early adopters began to thrive in connecting every touch point, others started to invest more, however, the rest majority are not risky enough to adopt an innovative strategy. Regardless, many companies applying the omnichannel concept face a series of issues. The minority which in fact put omnichannel plans into action claim they gain an incredible competitive advantage. At the same time researchers prove that customer experience is the key differentiator in retail/e-commerce. Thanks to that after 2019 omnichannel reached widespread adoption as an underlying component of most retail strategies is in full swing (Emarsys, 2020). Together with the spread of strategy, first reports and rumors that "omnichannel is dead" began to come out (Dennis, 2019). Realization of omnichannel strategy and overcoming the issues arisen on the way are parts of a step-by-step process. An implementation of the strategy requires holistic approach including budgets, changes in organizational structure and primary initiatives of the leadership team. Moreover, organizations need a deep understanding of customers, what they can gain using rich and accurate data to analyze customer's online habits and their offline behaviour. This information reveals what customers like and more importantly, what they do not like, what products they buy together, what they abandon in their carts, and what they search for spending hours only to bounce at the end (Rizzo, Forbes, 2019).

The idea of omnichannel retail today is to unify the retail experience across different touchpoints and to allow shoppers to transition seamlessly between physical and virtual stores without any break in the experience (Forbes, 2020).

In order to provide a positive omnichannel experience to shoppers, marketers need to understand differences between shoppers with reference to different factors namely: gender and cultural differences (Mosquera et al., 2018). Referring to the customer group, which prefers omnichannel shopping to other types, the researchers suggest the millennials as a segment which is open to embracing omnichannel retailing more than any other generational cohort (Ameen et al., 2021). The interaction between a customer and a retail channel exists mainly in three flows: information, product and funds (Chopra, 2018). An essence of this idea can be described through the natural process of purchase: before placing an order, a customer retrieves some information about product and prices through available channels, then retailers use information from the order to deliver the product to the customer, and finally the customer transitions the payment to the retailer. According to the flows retailer and customer exchange the information and product researchers categorize four alternatives for omnichannel retail (Figure 3).

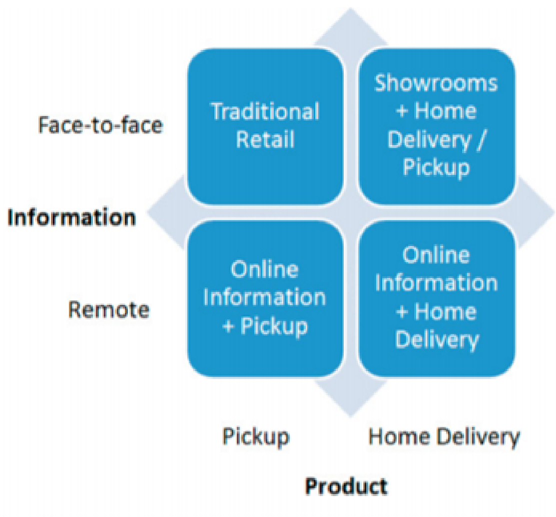

Figure 3 Alternative in omni-channel retail by Chopra. Retrieved from the article.

In terms of omnichannel pickup options can be flexible to the location. Retailers provide this possibility to customers due to the high cost of home delivery. In fact, customers have a choice where to pick up their online order either in store or in a partner's location.

Artusi with the coauthors (2020) explored the concept through the sense of customer experience (Appendix 2). They defined three main strategies driven by six dimensions, which help to shape customer experience. Retailers can adopt strategies based on particular dimensions they leverage. According to their research, Omnichannel is leveraged by cognitive and pragmatic experience. It means that shopping activities are driven by rational purposes. This involves omnichannel retailers in the competition with online-based retailers, as the last ones set up the efficiency standards and expectations of the customers. However, omnichannel here has a significant advantage providing an opportunity to touch and try on the product (Brynjolfsson et al. 2013). Researchers emphasize three stages to implement the strategy:

1. Retailer supports both online and offline channels to enable their customers a choice where to purchase and switch from one channel to another in accordance with their preferences.
2. Changes between channels are seamless, so that customer do not need to put any effort for switching between channels.
3. Customers can start the experience in any channel and switch at any point in the purchase process.

Artusi et al. (2020) extends the concept of omnichannel to omni-experience, which is based on lifestyle and relational dimensions. Such retailers go beyond the product to how the customer uses that product. This concept is out of scope of the current thesis; however, it can be explored in further research.

Besides, the concept of omnichannel is still popular and complicated to implement, some practitioners think the phenomenon is completely “dead”. Steve Dennis, strategy and innovation consultant, in his article published in Forbes (June, 2019) argues that omnichannel has never been so effective as everyone tends to perceive. Firstly, he thinks the term was always “ill-defined”. Secondly, he sees the concept has been used as a fashionable panacea for any struggling retailers. Thirdly, he notices too much popularity of an omnichannel which, in essence, is no more than a buzzword, though “a great customer experience has never been about being everywhere and being all things for all people. What matters is showing up for the right customers, where it really matters, in remarkable ways” (Dennis S, Forbes, 2019).

In fact, the majority of practitioners see the future of physical retail in strong connection with digital experience and technology. PwC consulting group defined consumer’s omnichannel journey, which peculiarity is that each step is an opportunity to bring constructive and bold digital experience and “wow moments” (PwC, 2019). For example, on the awareness stage shopper’s community can share their experience and give recommendations for purchase. Personalized recommendations appear based on information from customer profile and purchase history. Shopping cart in smartphones allows one to share a shopping list with another user and scan items or barcodes for price comparison. Existence of recommended shopping lists saves time spent for searching. On the store entrance the smartphone can recognize the moment and welcome customers by message, also showing customized promotions. Grab and go solutions also reduce time spent in store searching for the right product and waiting in queue. For those customers, who prefer physical stores they can use an in-store navigation to know exactly where the necessary product is located. Proof of purchase in-store is delivered in the customer's personal account, so in case of product return there is no need to care about losing a paper check. In addition, some other solutions have been observed by PwC. The presence of aforementioned services can become a criteria for assessing consumer journey. In the analytical part of the thesis, we are going to use them for evaluating the performance of the company chosen for case study.

To conclude, the omnichannel approach is still a dominant strategy in current and future retail, however some criticism in the literature exists. The key idea of omnichannel retail is to provide a seamless experience to the customers via a combination of several channels. Over time an understanding of omnichannel has transitioned from organizing different channels to strategic choice which requires structural reorganization of the company, change in goal and values, and creation of a strong digital ecosystem. Next chapter is dedicated to perception of cultural aspects and interconnection with the omnichannel implementation.

1.2 Definition of cultural aspects and their effect on omnichannel retailing

Culture as an inevitable part of our life has a significant impact on every aspect of people's lives. Purchase behaviour is not an exception. In this chapter we observe cultural dimensions coined by Geert Hofstede in 1980 and how they influence consumer behaviour. We give an overview of the previous researchers which concluded a series of generalizations about consumer journey and relevant behaviour to particular cultural dimensions.

In 2005 the Thinkers50 published the global ranking of the most influential management thinkers whose ideas matter now (Thinkers50, official website). Geert Hofstede was among those. The theorist is famous, first of all, for his cultural dimensions' theory published in early 1980s, where he identified specific dimensions which differ cultures of various countries from each other. Initially, the theory included only four dimensions, later it was extended to six (in cooperation with Drs Michael H. Bond and Michael Minkov). Hofstede's cultural dimensions became a basis for a large number of other researches. He showed the culture can be quantified, compared and fragmented into smaller parts to be analyzed (Manuel et al., 2014). The theory is often used to understand cultural differences, to develop strategies, tactics, and messages that resonate with the target audience (Molleda and Kochhar, 2019).

Geert Hofstede defined culture as a "collective programming of the mind which distinguishes the members of one human group from another" (Hofstede, 1980). Analyzing his database of culture statistics collected within IBM employees, Hofstede discovered obvious features of similarity and difference along the four dimensions. He could almost avoid the influence of organizational culture and assign those features to national differences, because the research was based only inside one company. Hofstede with coauthors scored each country on a scale of 0 to 100 for each dimension. These scores will be used in the analytical part of our paper. It is important to mention that numerical figures of these dimensions should be explored only in comparative analysis with other countries. They are not self-explanatory as absolute numbers. In the Table 1 below we listed Hofstede cultural dimensions with the short description defined.

Table 1 Hofstede cultural dimensions (compiled by the author)

Dimension	Essence	Meaning of measures
1. Power distance (PDI)	A degree of inequality that exists or is accepted between people with and without power.	A high PDI score indicates an inequality, hierarchical distribution of power, and that people understand "their place" in the system. A low PDI score means equal society, where power is shared and dispersed.
2. Individualism/ Collectivism (IDV)	A strength of the relationship to others or community	A high IDV score indicates weak interpersonal connection among those who are not part of a core "family". A low score says about a high feeling of belonging and common interests.
3. Masculinity / Femininity (MAS)	A distribution of roles between men and women	A high score witnesses masculine cultures. A low score refers to feminine countries
4. Uncertainty Avoidance (UAI)	An attitude to uncertainty.	A high UAI score implies to cultures, where people try to make everything predictable and controllable as possible. A low UAI score refers to more relaxed, open or inclusive countries
5. Short term / Long term orientation (in original Pragmatic vs Normative (PRA)	An orientation in time horizons.	A high PRA value stands for being very pragmatic, rational and with an orientation to the future. A low PRA country focuses on the presence, immediate rewards and quick results.
6. Indulgence / Restraint (IVR)	A dilemma between emotional and reserved behaviour	A high IVR score implies satisfaction of people's personal drives and emotions. A low IVR refers to restrained cultures by social norms, with little emphasis on leisure time.

In addition to defining dimensions Hofstede and his coauthors promoted some generalizations about countries. Here we discuss some examples for each of the dimensions. We expect it helps our reader acquire a deeper understanding of the concept and its practical application. We are going to refer to each dimension one by one.

In high PDI countries, ordinary employees usually do not initiate any action, and people like to be guided and directed to complete a task. If a manager does not control them, they may undervalue the task. Individuals are usually guided by formal authority and sanctions. Low PDI countries are more egalitarian, where flatter organizational structures are preferable. Employees on different levels of hierarchy are equal and easily delegate the task to each other.

In individualistic cultures people feel themselves distinct from others and put the interests of themselves and immediate neighborhood first. In the business world, workers are self-reliant and demonstrate initiative activity. However, according to Hofstede, cultures in the world are mainly collectivistic. Such a society values relationships and puts a sense of commonality first. Marketing campaigns are built on benefits to the community, the message is well perceived and understood, as long as the target audience feels part of the same group. At work people favour intrinsic rewards.

Masculine countries represent hierarchical, deferential and traditionally patriarchal societies. There are strong family commitments, which make it quite different for women to be in business. People work with a strong sense of competition and result orientation. In feminine countries people value work-life balance. Issues are preferably solved through negotiations, collaborations, and consensus. Feminine countries are perceived as relationship oriented.

Cultures with high uncertainty avoidance create complex bureaucracies. At work detailed planning and briefing are common. Representatives of such countries are considered formal and distant, especially with unknown persons. At the same time formality is used as a sign of respect. Also, for high UAI cultures personal and physical environment interactions are particularly important (Furrer et al., 2000) Cultures with low uncertainty avoidance accept anxiety and emotions. They tend to be governed with few rules. People are more open to changes and experiments, and easily perceive innovations.

People in long-term oriented countries mostly think about the future rather than the past or presence. They value traditions and thrift and are driven by stability and strategic way of thinking. Employees are evaluated by what they bring to the team and their ability to learn. Short-term orientation is characterized by respect for time-honored traditions and norms, and suspicious attitude to societal change. People have no passion to save for the future and focus on gaining quick results.

Countries with low IVR score are characterized by a restrained culture, where there is a tendency towards pessimism. People put little emphasis on leisure time and try to restrain themselves to a high degree. Societies with a high score in the indulgence dimension generally are willing to fulfill their impulses and desires, especially with regard to enjoying life and entertainments. They have a positive attitude and tend to be optimistic. In addition, they prioritize leisure time and spend money as they wish.

The reason why in our study we refer to cultural dimensions is because a culture influences the consumer journey in different ways (Shavitt and Barnes, 2019). Cultural factors are related to the way in which customers interact with different touch points in the consumer journey (Nam and Kannan, 2020). Researchers provide us several examples: in collectivist cultures, synergies between social touch points and brand-owned touch points are greater than in individualist cultures. Furthermore, cultural factors influence how channels synergize with each other. Multinational firms should optimize customer paths on the basis of cross-channel interactions and cross-cultural dimensions to enhance the customer experience throughout the journey. For instance, customers from low uncertainty avoidance, individualist cultures exhibit omnichannel behaviour (Nam and Kannan, 2020). Understanding customer needs and expectations at different touch points and assessing their experience throughout customer journey can be complex but worthy challenge from a business bottom-line perspective

Despite the fact global online and offline shopping experience look similar all over the world, and there are few remaining cultural differences (Shavitt and Barnes, 2019). Indeed, the customers themselves are different. Fundamentally representing different cultures means people have different values, goals and motives (Hofstede 1984). The previous studies highlighted the importance of studying cross-cultural differences which can have a significant impact on consumer behaviour (Ameen et al., 2018).

Though as we mentioned the intersection of cross-cultural aspects and omnichannel is not well-understood. In the literature there are studies, which partly covered the subject of our research. Other authors have explored how cultural and socioeconomic dimensions are related to the customer journey. According to

Nam and Kannan (2020) conceptual framework visualized by Figure 4, the customer journey is an outcome of several interrelated motivating processes, which include shopping motivation, information search, the tendency to adopt specific technology, use of omnichannel shopping, and post-purchase processes. In return, these processes are influenced by socioeconomic, cross-cultural and privacy factors.

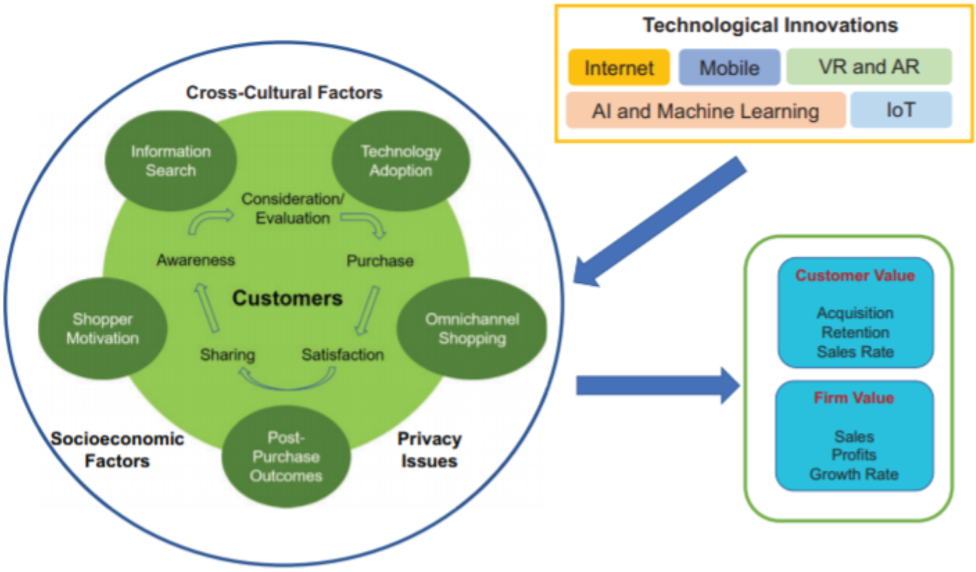

Figure 4 Conceptual framework of global digital marketing strategy by Nam and Kannan, 2020

Academics have found broad evidence that cross-cultural factors contribute to the adoption and usage of new technologies (Nam and Kannan, 2020). They consider omnichannel shopping as different channel usage patterns, while in our study we imply ample retailing strategy by this term, so all other factors related to the technology-driven touch points observed by Nam and Kannan (2020) should be also taken into account. In Appendix 3 we enclosed the summary table collected by Nam and Kannan (2020) including the findings of previous studies on cross-cultural differences in interactions with touch points. However, authors differentiate omnichannel shopping in a separate topic, for the purpose of our research we address all topics mentioned by authors related to the touchpoints. This decision was caused by the extended understanding of the omnichannel concept. According to the definition discussed in the previous subchapter we explore omnichannel as a comprehensive strategic decision taken by the retailer. To follow the key promise of omnichannel retailing – ensure seamless purchase experience – companies need to adopt and use technology driven touch points, make them interact with each other and monitor privacy concerns. The last one may be a deterrent from using omnichannel opportunities. The main interest for the retailers here is to involve as many customers as possible in the usage of provided capabilities in order to decrease the cost of investments on innovations per customer. Therefore, we think that all topics examined by the authors (Appendix 3) are relevant for realizing omnichannel retailers' strategy. Below we retrieved the most essential conclusions for future study:

- Any appearance of omnichannel retail is hardly attractive for high uncertainty avoidance cultures
- A lack of trust in high power distance is a barrier for omnichannel retailing
- Individualistic cultures are more likely to be open to omnichannel thanks to the preferences to innovations.

Referring to suggestions for further researchers Nam and Kannan (2020) made two proposals:

P1: The effect of omnichannel retail strategy on customer experience is stronger in high uncertainty avoidance cultures than in low uncertainty avoidance cultures.
P2: The effect of omnichannel retail strategy on customer experience is stronger in collectivist cultures than in individualist cultures.

Another researcher has studied how omnichannel influences customer satisfaction. As we discussed earlier, omnichannel shopping is a part of customer experience (or consumer journey), which is a key driver of retailer's success. The main purpose of any retailer is to make his customer satisfied with the products and services they provide. Based on literature review authors concluded customer satisfaction is impacted by lifestyle (Merritt and Zhao, 2020). When lifestyle, in turn, is a social and individualistic characteristic intrinsically concerned with relationship to time, spare time, leisure and cultural consumership (Charbonneau and Gauthier, 2001). Aforementioned discussion can be concluded in the following interdependence model (Figure 5):

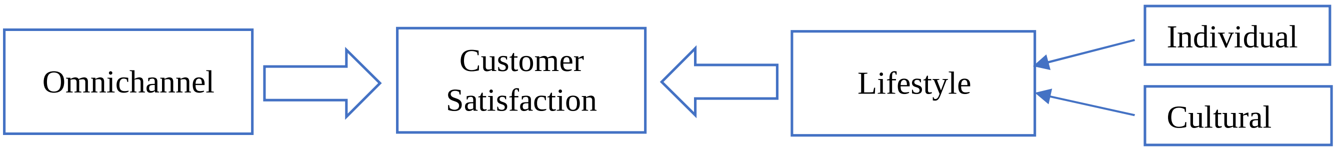

Figure 5. Interdependence model of omnichannel and culture (compiled by author)

Answering the questions "What factors determine the way in which customer satisfaction is increased through omni-channel marketing in retail?" Merritt and Zhao (2020) used semi-structured interviews and questionnaires to collect the data, based on which they came up with a set of interesting findings.

They specified the factors which currently influence consumer behaviour:

- Convenience of FMCG;
- Visualization of personal preference;
- Augmented technology for diversified user experience.

The leverage on these factors can increase the customer satisfaction from usage of omnichannel retailing. It can be a significant finding for the practical implication.

Also, it appeared that many of the interviewees struggled to find time to shop or found it inconvenient to shop in store due to parenting, education, work schedules and even disabilities. They also associated words such as "convenience", "tiredness", "busy", "save time" or lack of product were brought up in their responses. The value of convenience and time can be a sign of a low IVR country, an indulgent country, which brings us to the assumption that countries with low IVR score appreciate the omnichannel capabilities.

In this subchapter we investigated Hofstede's six cultural dimensions which define similarities and differences across cultures. We also discussed some generalizations formulated by researchers about cultures and people's behaviour according to the value of each dimension. Then we have found evidence of interdependence of cultural dimensions with omnichannel retail. Different studies (Ameen et al., 2018; Shavitt and Barnes, 2019; Nam and Kannan, 2020; Merritt and Zhao, 2020) provide various evidence that culture influences omnichannel retail mostly from the side of consumer behaviour, consumer journey and customer satisfaction. So, we can conclude that according to the literature review the dependence between omnichannel and culture exists, but it is not direct. In all reviewed theories there is always a mediator between two phenomena. As a result, we addressed several hypotheses created by other authors and came up with our own assumptions on the impact of cultural dimensions on omnichannel, which are going to be checked in the analytical part of the master thesis.

1.3 Omnichannel retailing and cultural impact on the global beauty and personal care industry in the developed and emerging markets

In this chapter we will observe the phenomena of omnichannel retail in developed and emerging markets. We identify if any differences in implementation of the approach exist and have been identified in the previous research. Also, we narrow our research to the global beauty and personal care industry and analyze how much the omnichannel retail is used by companies in that sector.

The International Monetary Fund classifies countries as developed and emerging based on different criteria including GDP, income, level of infrastructure development, maturity of capital markets, and others. This classification reflects on the overall economic growth of the country. Developed (or industrialized) countries have a mature and sophisticated economy, advanced technological infrastructure and have diverse industrial and service sectors. Emerging markets are the countries with massive economic growth mostly due to the development of industrial and technological sectors. Emerging countries tend to exhibit higher economic growth rates driven by younger populations, higher consumption levels, modernization of infrastructure, and integration with the global economy. Such countries tend to experience higher levels of political and economic instability.

In 2015 and 2017 PwC conducted market research on global omnichannel retail, where they analyzed 28 countries and nine categories. The consulting company computed an omnichannel retail index, which assess countries on a 100 scale across four factors (PwC, 2017):

- Consumer behaviour – the rate in which customers make their retail purchases via an omnichannel approach.
- Degree of digitization – the level of sales channel digitization.
- Omnichannel potential - the average compound annual growth rate of the Internet and mobile retailing.
- Technology infrastructure - the penetration of omnichannel devices and services (such as smartphones and tablets).

In Appendix 4 we divided the countries and referent omnichannel retail index scores from PwC report on emerging and developed markets. As we can see, generally, developed countries have higher scores than emerging markets. We can explain that tendency by the higher level of the economic development of the country. People in developed countries have higher income, so they can afford more and expect better service and quality of products. It is interesting to notice that in many retail categories, Europe does not have significant online business, even though customers are beginning to want it (PwC, 2017). Substantially, customers in an emerging market base their satisfaction on their “attitude” of receiving value (in which price is a practical and important component) over their perceptions of the performance of the product or service (Morgeson, 2015). In turn, Western customers from developed countries are more oriented on convenience and efficiency. (Nam and Kannan, 2020). Recent research expresses that price and promotion are no longer one of the main appeals when it comes to customer purchase decisions (Shirai, 2015). However, there is an evidence to assume that it also depends on which type of markets we mean: developed or emerging. In emerging markets, lower disposable income may force customers to place greater importance on price in most/all their consumption experiences, elevating the importance of value and diminishing that of quality (Morgeson, 2015).

Theorists provide evidence that satisfaction has a greater impact on future customer behaviour in developed markets than in emerging markets. His findings suggest that “investments in satisfaction may “pay off” less in emerging markets, where customers are more sensitive to other factors such as price and relative income instability” (Morgeson, 2015).

Though, we can see that some emerging markets, e. g. China and Russia, have omnichannel retail index scores comparable to the developed markets. It means that emerging markets can have a significant interest in omnichannel as well. For instance, for Chinese customers online shopping is an adventure and entertainment (Nam and Kannan, 2020). Therefore, they tend to explore new things and try out new opportunities for shopping.

Experts in Russia argue that retailers which do not have their own infrastructure specified on online trade have recently got more possibilities for success through strong partnership with the marketplaces, logistics operators (3PL), pickup delivery points providers, alternative logistics services (such as taxi), and general mail. Best practices of different European and US companies show that development of partnerships with one or two providers is the optimal strategic solution which allows to cut costs, save great investments, and keep the company flexible to environmental changes. (Gasparyan, Retail-Loyalty.org) In other words, an omnichannel for retailers in Russia is seen as a strong competitive advantage, which allows the companies to survive on the market. Seamless omnichannel experience is not an option anymore, it is a must for retailers who want to carry on. (PwC, 2019) The retail environment in Russia is driven by changing consumer behaviour. According to PwC research in 2019 Russia is showing one of the highest growth rates of online shopping, while physical stores remain the dominant channel. Most shoppers already combine online and offline purchases, every third is a new online customer. 26.4% of Russians began to commit first-time purchases through the mobile app during the lockdown. An unprecedented service development has been noted in the last months of 2020, for example, consumers are provided with contactless, express delivery, even at night; also an ability to order goods for another person, out of town, etc. (Melnikova et al., 2020)

It is also required to mention an impact of COVID-19, which boosted the digital presence of many retailers. However, according to the McKinsey survey (2020) rates for developing digitalization during the pandemic differ. For example, consumer packaged goods (CPG) and automotive and assembly report relatively low levels of change in their digital-product portfolios. In contrast, healthcare and pharma, financial services, and professional services report much more significant growth: executives announce a jump nearly twice as large as those reported in CPG companies (McKinsey, 2020).

In PwC ranking, in comparison to other industries, the global beauty and personal care market has almost the lowest omnichannel retail index and is positioned on 8th place out of 9 categories, conceding only to grocery (Appendix 5). As for country and category overlay, Singapore, Australia and U.K. are leaders in the beauty and personal care category. “Research and Markets”, the world's leading market research store, identifies the key reasons driving the global online beauty and personal care products market growth. They are expansion of distribution channels, adoption of omnichannel strategy and the rise in penetration of internet and smart gadgets (Research and Markets’ report, 2020).

Though there is an absence of previous studies on the Hofstede’s cultural aspects influencing beauty care and personal market, researchers have found that culture influences the selection of cosmetics. (Patil, 2012). They argue that cosmetic products are selected in the frame of personal culture and rituals performed. The choice is also influenced by the language and symbol on the package. In Patil's study the culture is divided into subculture and cross-culture. Sub-culture is seen as an extract from the culture of the state and religion to which customers belong, and some evidence for the influence of subculture has been provided. In turn, cross-cultural influence is observed as an impact of global trends on the country’s teenage audience. Author claims because of globalization global tastes and preferences shape the choice of local consumers. It happens because local customers rely on that global brands fulfill the needs through quality products and have a favour to buy most chosen brands. So, they link the possibility of good growth of cosmetics sector with the study of culture (Patil, 2012). The author also suggests conducting the same study on some specific cosmetics brands, because current research is built to study the general perspective of cosmetics consumers understanding of culture.

Summing up, from the literature review we have found out that omnichannel retail has different levels of maturity in developed and emerging markets. Through the omnichannel retail index scores analysis we have concluded that generally the omnichannel approach is more mature in developed countries, at the same time some exceptions have been identified. However, the beauty and personal care industry demonstrates comparatively low rates of omnichannel development, though various studies and analyses predict the measure will continue to grow together with overall developing tendency in omnichannel retail. Referring to cross-cultural impact, we have not encountered previous research related to cross-cultural aspects in the case of the beauty and personal care market. Even so, the interdependence between culture and the choice made by consumers of beauty and personal care products has been identified. So, in another chapter we carry our own analysis of the beauty and personal care market and the state of the omnichannel approach. We will conduct a research on what cultural dimensions have an influence on omnichannel retail in this industry and how they impact.

2 Analysis of the specific cultural aspects influencing an omnichannel retailing on the case of Sephora in Italy and Russia

2.1 Current trends in the global beauty and personal care industry

The Beauty & Personal Care market is a part of FMCG (fast moving consumer goods), which are purchased by an average consumer for everyday usage. Consumer goods for cosmetics and body care include beauty cosmetics for the face, lips, skin care products, fragrances and personal care products such as hair care, deodorants and shaving products.

The Beauty and Personal Care market is one of the fastest growing consumer markets. It is driven mainly by the Cosmetics and Skin Care segments (Statista, 2021). In particular, young consumers generate the growth. At the same time, this change is reinforced by social media, globalization, and eCommerce, which affect purchase of beauty products. The world trends are spreading and changing the daily beauty and care routine.

In order to conduct an industrial analysis, we cannot avoid mentioning the Covid-19 influence on consumer behaviour. According to the PwC consumer insights survey (2020) the percentage of people saying they will spend less in the next few months has almost doubled. The number of those who said before Covid-19 they were going to spend more dropped by more than 10%. The spend less leaders are Spain (56%), UK (43%) and Italy (42%). The spend more leaders are the Middle East (49%), China (43%) and France (39%). With the orientation on the leaders, we can assume that consumer spending in developed countries (except France) will decrease more than in emerging markets. Among the categories, consumers will spend less in most nonfood. For beauty products, the PwC survey revealed that we should expect a 35% drop in spending. For most nonfood items, consumers are planning to buy online.

In the industry different segmentation exist, for example, Amanda González, makeup industry analyst for the NPD, propose the following segmentation based on differentiation and cost efficiencies among brands:

- Broadly focused and low-cost
- Broadly focused and prestige
- Narrow and differentiated
- Narrow and low-cost

As various industrial researches show (PwC, The NPD group), the consumer's journey is changing fast. It is critical for brands to test and iterate their marketing strategies across non-traditional channels and to engage consumers with stories that are about more than just the product. We would like to address main driven trends in the beauty industry emphasized by practitioners.

First, digitalization changed the traditional path to purchase, where awareness leads to interest, which in turn leads to desire and then action (González, 2017). Now intelligent consumers search mostly online on the pre-purchase stage. They also use mobile technologies to choose the location. This choice can be influenced by the promotions, coupons and other marketing activities targeted on customers' navigation. On the post-purchase stage consumers can go to social media to give and receive feedback on their purchased products, creating an immense community element to the shopping experience. Despite all these facts physical retail still generates 80% of sales volumes, which witnesses that people still desire to try products in-store.

Secondly, people expect personalized experiences and a customized approach to beauty. Many companies implement it in their strategies. For example, Sephora merges the best of an inclusive neighborhood retail environment with best-in-class digital tools that enable expert beauty advisors to customize recommendations on an individual basis.

Thirdly, consumers become value oriented. They are searching for affordable trendy brands with the comparable quality to prestigious products. An access to a wide range of knowledge boosts this desire. Consumers understand that brands often share the manufacturing sites, so they do not want to be directed by marketing and pay more.

Fourthly, the careful attention to ingredients. Green trends and eco-cosmetics catch on. More often companies build their marketing strategies understanding this tendency by emphasizing safety and environmental responsibility and simplicity in its communication messages. Also, cruelty-free products are skyrocketing.

After all, the switch of generations influences the consumption and purchase behaviour a lot in the beauty and personal care industry. Over the last decade millennials set the trends and pace, while by different estimates Generation Z (people - born after 1995) represents around 40% of consumers. In comparison to millennials who remember life without the Internet and mobile phones, Generation Z strives more for technological solutions.

In 2020 the size of the Beauty and Personal Care market is estimated to be USD 487.4 billion, which is 3,78% less than in 2019. The last year revealed the first drop in sales in the 5 years history (Appendix 6). However, analysts predict the recovery in 2021. Their forecasts exceed the 2019 by 2% and will reach USD 518.8 billion.

The overall scheme of channel distribution can be found in Appendix 7. Data revealed from Passport Euromonitor. Analysis shows 74,4% of sales occur in physical stores retailing: grocery retailers (31,1%), non-grocery specialists (32,4%) and mixed retailers (10,9%). By grocery retailers we meant supermarkets, hypermarkets, convenience stores and discounters. Health and beauty specialist retailers continue to decline, in 2020 they generated 32,4% in comparison to the previous year sales 33,5% of the overall sales volume in the industry. However, non-store retailing demonstrates continuous growth. In 2019 this type of channel held 20,9%, while in 2020 it grew to 24,8%. Among the non-store retailing the biggest share is acquired by e-commerce: 11.4% in 2019, and 16,2% in 2020.

In terms of volume in 2020 the global beauty industry is showing a decline of 1,3%, which is mostly caused by Covid-19 pandemic (Passport Euromonitor, 2021). There are positive prospects for continuous growth and sustainable consumption of skin care and dermo-cosmetics, though the industry is still struggling against operational issues (such as supply chain and logistics difficulties) and unpredictable changing consumer behaviour due to crisis. In 2021 analysts anticipate a global recovery of the industry and a persistent digital acceleration (Barbalova, Passport Euromonitor, 2021). While overall physical retail suffered due to widespread specialty store closures, e-commerce expanded by over 35% globally and the share of online sales of colour cosmetics exceeded 30% in 2020.

In Appendix 8 we can see that company shares of beauty and personal care products are quite distributed. According to Passport Euromonitor data during several years L'Oréal Groupe, Procter & Gamble Co and Unilever Group keep leading positions, however they have less than 10% share evaluated by retail value RSP (retail selling price - sales at end price to consumer, including retailer and wholesaler mark-ups and sales tax (except in the US and Canada) and excise taxes). In 2020 44,5% of sales represented by small brands, which means the market is very fragmented. Consumers have a wide choice of brands and are ready to purchase either from giant companies or from small private firms. However, TNCs are the core of modern beauty and personal care industry.

The developed countries remain the main centers of the corporate power of the beauty and personal care industry, in particular North America, Western Europe and Japan, as the majority of head offices and main production facilities are located there (Gladenkova, 2019). From the end of 20th century beauty and personal care companies revealed the willingness to enter unsaturated markets (Weber et al. 2002). As a result, they actively started to place their manufacturing sites in developing countries. The chosen strategy allowed the companies to overcome governmental barriers and expand the geography of sales. By that time, the industry experienced the slowdown in the growth rate of demand for beauty and personal care products in developed countries (Gladenkova, 2019). As an output of the process, the beauty and personal care products from 1990 to 2015 in developing countries increased a lot. For example, in Asia the volumes raised 20 times, especially China (114 times) and India (40 times); in Latin America the consumption increased 11 times (Appendix 9). Nowadays emerging markets have a significant contribution to the sales of the beauty and personal care industry. Due to the market size the volumes of these countries are growing fast, simultaneously with the value of these markets. In total, the growth rates of emerging markets exceed the developed countries more than twice. The regional structure of the beauty and personal care market is changing significantly. Key emerging markets occupy the leading positions in global ranking. We analyzed the beauty and personal care market sizes evaluated by Passport Euromonitor in 2020 and distinguished top 15 countries (Figure 6) As we can see from the bar chart below 7 out of 15 countries are representatives of emerging markets. Against the stagnation of developed markets, some of the developing countries have acquired their strong positions for quite a long time. For instance, China has held the second position since 2010; and Brazil has held fourth place by taking over UK, Germany and France since 2008. Also, it is expected that by 2025, Brazil will take third place in the global ranking (Gladenkova, 2019).

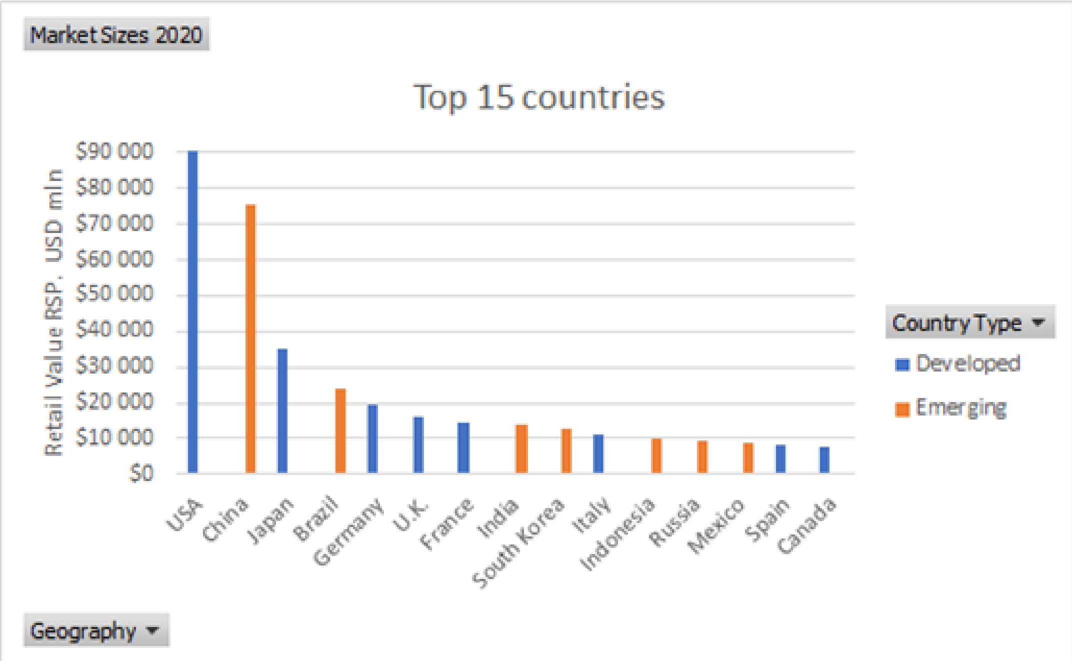

Figure 6 The Beauty and Personal care Market sizes. Top 15 countries (compiled by author)

Moreover, it is worthy to mention that with the growth of the middle class in developing countries, there is a switch in consumer preferences. An increasing demand for premium products is observed in developed countries, while in emerging countries, on the contrary, mostly mass products are consumed. Thus, the markets of developing countries are gaining a qualitatively new role in the modern world beauty and personal care market and especially in the activities of TNCs (Gladenkova, 2019).

2.2 Overview of Sephora performance: comparison of Italy and Russia

Sephora, a French brand owned by the luxury conglomerate LVMH. The group is mostly present on the luxury product market. As a result, all their brands have a peculiar positioning attributable to exclusive luxury brands. Mass retail chains in LVMH are called Selective Retailing Houses. The company has a mindset that each customer is unique, so the group's Selective Retailing labels offer every single one the shopping experience. All the houses share a single objective - transform shopping into a unique experience. Customers are the key drivers for their daily activities. They specially focus on product specialist selection, upgrading of stores and services, constant innovation, digitalization and personalization of relationships. An elite retail chain represented by the world's most innovative beauty company Sephora. The house provides a superior selection of quality products and always keeps pace with the latest trends.

Sephora is one of the main players on the beauty and personal care market: with its powerful beauty presence, it operates in 35 countries all over the world with over 2700 stores. It was founded by Dominique Mandonnaud in 1970. He opened his first perfumery store called “Shop 8”. Later he ran the first retail chain of self-service perfumery stores in France via a series of acquisitions. Sephora store in Paris was one of the acquired locations and was taken as a name for the whole company. The Mandonnaud’s concept of self-service was innovative in the perfumery and make-up industry and for the next fifty years it became a standard to offer testers along the aisles. Before Sephora people should ask the in-store staff for a try or buy it without trials. This innovation unlocks a great potential for small convenient stores. By the 1990s Sephora grew to over 50 retail stores. In 1995 the company opened its iconic store on the Champs-Elysées in Paris. It is a legendary 1500 m² flagship store, so called “temple of beauty”, devoted to exclusivity and diverse choice offering 250 brands and 78,000 products. It provides a vast selection of on-trend products and innovative concepts, such as "beauty bars" to its customers. After opening the flagship store in the Champs Élysées, in 1997 the brand was bought by LVMH.

Sephora has managed to position itself as the leading beauty expert in cosmetics and perfumes, in fact as its previous tagline stated, the brand has reached the "Beauty Authority" positioning. Sephora executes ATAWAD strategy: “At Any Time, Any Where on Any Device”. It determines that its customers are able to shop without constraints. ATAWAD strategy is designed to ensure that clients enjoy surprise and delight across each touch point of the brand. The brand’s e-commerce strategy offers their clients the most innovative and most powerful tools to explore the world of beauty.

Sephora is mainly a corporate retail chain; in some emerging markets, however, it has adopted the franchising ownership model. The retailer’s sales take place in three main channels: in physical stores, on the website’s e-commerce and on the mobile app. These touchpoints are perfectly integrated with one another in a smooth, seamless and customer-centric way which makes Sephora an omnichannel retailer.

The company operates both in planned and unplanned locations, being able to attract a very high number of consumers thanks to its strategic positioning of stores within big, crowded malls which generally target medium-high income clients or in high-traffic or touristic streets, such as Times Square in NY, Avenue des Champs-Élysées in Paris or Via del Corso in Rome. Physical stores are very interactive with giant screens and in-store mobile apps that continually develop stronger connections and emotional bonds with customers.

Sephora can be defined as a specialty store since it covers a narrow variety of products and a deep assortment, but with a low amount of complementary merchandise categories. The company has a wide-ranging product portfolio which comprises leading beauty brands with an average higher price as well as its exclusive private label merchandise that can only be found in their physical or online stores at slightly lower prices. With this wide offer in terms of brands, Sephora creates an informative and convenient place where to showcase the different options available and find the best option for every need. Moreover, they sell exclusive merchandise thanks to the strong positive relationships with some of the most hype brands in the industry (e.g., “Fenty Beauty” can only be found physically at Sephora). This allows the retailer to have unique agreements with the most popular cosmetics vendors. The brand relies and invests on technological innovations in order to support its premium service quality, product development and to maintain its competitive advantage. Sephora, in fact, provides superior customer service, both in-store and online. Salespeople professionally assist consumers and suggest products, in fact Sephora’s employees-to-be are required to attend Sephora University, a unique program where beauty science, Sephora products, and management conduct is taught. Salespeople encourage sampling and are always available to assist customers, who are substantially free to experiment on their own with testers.

Sephora mainly targets women who value high-quality skincare, beauty, and fragrance products and who are open to a medium to high price range. In order to appeal to a larger portion of the market, the brand commercializes products that are more suitable in terms of price and characteristics for a younger target, from teens to young adults. The retailer's strategy, in fact, is cleverly designed to break down the target market into smaller niches, so that each consumer can find the best possible offering.

The company employs several different methods through which it collects a variety of data in order to better tailor its offering to the target market. For example, by tracking its website and loyalty cards, Sephora can record every brand and SKU that a customer patronizes. The retailer then uses this information to target specific campaigns and promotions to certain consumers, increasing the effectiveness of its strategy.

Sephora has a globally sustainable competitive advantage, due to its good relationship with vendors and the mental association which consumers may make with the French name of the brand, recalling the European culture for fashion and beauty. Despite its name, the retailer has a global cultural approach rather than an adaptability, in fact the brand uses the same approach in different countries operating efficiently through a global management structure and culture.

Sephora has a widespread supply chain, thanks to which the company is able to ensure customer satisfaction by having the right product, at the right location, at the right time. The retailer owns five warehouses in the U.S., making nearly everywhere in the country a two-day shipping zone. The brand successfully manages its inventory: it usually operates its inventory based on the budget. During the pandemic instead, Sephora changed its approach to supply chain management, aligning its inventory with sales forecasts which led to a more forward-looking mindset and avoided possible stock-outs.

Sephora is one of the largest beauty retailers in Europe. Italian market became one of the first targets in the expansion into Europe. Starting from 1998 the company acquired several companies: Kharys in 1998, the 46 Laguna stores in 1999, and 19 Boidi perfume stores in 2000. By 2005, Sephora operated more than 100 stores in Italy, including its Milan flagship location.

In emerging economies, Sephora has a weak positioning, because of its not-affordable average prices. However, Sephora's got an extraordinary experience in penetrating Russian market. Before the 2000s the company was distributing its products through local multi brand retailers such as L'Etoile owned by the "Alcor & Co" company, which has a partnership with LVMH on selective retailing of its products. In 2003 LVMH conglomerate decided to enter Russian market. They set up a franchise agreement with Alcor & Co, which should evolve the retail chain under the Sephora brand. The news about Sephora entering the Russian market made local players concerned. The retailer successfully operating in 14 countries could reshape Russian market and significantly change the distribution of power. From the very beginning Sephora has had great potential on the Russian market. Though at that point the average cheque was $30, which was rather small in comparison to other countries, but from the economical point of view due to the population size, the market was promising in terms of sales volumes. For example, in neighbouring Poland, where the average bill was $65, 40 Sephora stores were successfully operating, however the population in Poland was 4 times less than in Russia.

Usually, Sephora was entering foreign markets on its own or acquiring local operators. In the case of Russia, the alliance with Alkor & Co was not successful. First of all, the partner was more interested in developing their own retail chain L'Etoile, for which Sephora could become a strong competitor. However, Alkor & Co management did not see the retail chains as competitors, because they positioned Sephora for a younger audience with cheaper brands. This positioning contradicted the main global strategy of selective retailing implemented worldwide. Moreover, the locations of stores were chosen poorly, no stores were open in the center of Moscow. Finally, in comparison to competitors there was a lack of communication and advertising about opening new retailer. As a result, soon Alkor & Co stopped developing the network under the franchise scheme, and Sephora exited from the market. The reasons for this alliance stay unclear. Later in 2016 LVMH acquired 100% of shares of local retailer “Ile De Beaute” and became the only owner of the company. In September 2018, the first Sephora store was reopened in Moscow shopping mall. Starting from October 2020 all “Ile De Beaute” stores are changing their name to Sephora. So, before the end of 2020 over 60 stores were renamed, while renovation and redesign are planned to be done during 2021-2022.

Sephora positions themselves as the best-in-class omnichannel retailer. They pioneered mobile usage in beauty, creating innovative content in the app or social media to share Sephora expertise with clients wherever they are and whenever they want. The company became the first beauty retailer, which enabled Instagram’s checkout. As a leader in digital innovation, Sephora continues to provide the best-in-class e-commerce experiences. In both analyzed countries, Sephora has local nationally focused websites: sephora.it in Italy and sephora.ru in Russia, which take care of direct online sales. In order to compare eCommerce performance of Italian and Russian markets in Appendix 10 we included data from EcommerceDB, the Statista database, focused on the ecommerce performance of online stores from different sectors. Sephora stores are classified in the “Food & Personal Care” category, particularly in the “Personal Care” area.

Sephora.it was launched in 2012, and it is operated by LVMH Italia S.p.A. Its eCommerce net sales are generated almost entirely in Italy. Globally Sephora.it ranked 1,304. In 2020 Sephora.it net sales reached USD 88.2 mln, in comparison to relatively small sephora.ru net sales evaluated by USD 6.9 mln. In global ranking sephora.ru was placed at 8,028. On the local market Italian online store proves its leading position and is ranked 4th with the market share up to 5%, while Russian online store even on the local market is ranked 38th. As we can see Sephora ecommerce is much more developed in Italy than in Russia. There are several reasons for it. First of all, the company entered Italian market a long time ago and managed to establish longstanding customer relationships. However, due to the failure in Russia they lost their advantage and now they are still on the beginning steps of market penetration. Secondly, the range of services available on Italian and Russian markets are quite different. Below we will conduct a comparative analysis of provided services in terms of realization of omnichannel strategy.

Both websites are highly interactive and informative. They are easy to navigate thanks to the captivating and professional landing page and a clear vertical menu. The main colors used for the online stores are the same as for the physical one that gives the websites a luxurious appearance. The services provided to enrich the customer experience are different. For example, Sephora.it has “Virtual Artist” which allows customers to create their favourite look by trying various make-up options in AR in order to pre-visualize the products before actual purchase. Consumers are also able to book a free of charge video call with Sephora’s beauty experts in order to receive consultancy and suggestions tailored to their specific needs. However, these services are not available in Russian market.

Both Sephora online stores have a “Click & Collect” option, that customers can purchase online and then pick up the order in a physical store, avoiding queues. Though in Italy the order can be picked up within 2 hours, while in Russia minimum timing is required to prepare the order 3 hours. Also, on the website, visitors are encouraged to download Sephora's mobile app which is able to enhance consumers loyalty. The company is also very active on social media. The Italian Instagram official account reaches 1.1 mln followers, while Russian account has 304 thousand. There is the possibility to directly purchase products displayed in posted contents thanks to Instagram's new shopping feature.

On both markets Sephora implemented points loyalty programs, but the variety of special offers are different in these countries. In Russia consumers benefit from collecting points, which they can exchange for products or discounts (starting from 250 points). They can earn bonus points for the following activities:

- everyday purchases,
- double points for buying in their birthday,
- download a mobile app,
- in store check-in,
- tie Ile De Beaute card.

The Sephora loyalty program in Italy has more variety. The company integrated a tiered loyalty program in which clients are divided in three levels of loyalty (White, Black and Golden fidelity cards); the most loyal ones receive better rewards, stimulating engagement and repeat purchases. Moreover, the brand has an active brand community which aids to strengthen loyalty and involvement. Customers can collect points for purchase in equivalent 1 euro spent is equal to 1 bonus point. In addition, to the general bonus system they can have exclusive offers based on the tier such as:

- birthday presents,
- free shipping,
- free total look make-up,
- exclusive previews of new collections, etc.

Sephora has invested a lot in its brand image and positioning, and this effort is carefully reflected in the stores. We visited different physical stores across two countries: Russia and Italy. The store layout is essentially the same across countries: backed by light music the store is decorated in their signature stylish colors (black, white and red with some touches of other nuances) and illuminated with good natural lighting, essential for testing make-up products. The merchandise is organized on aisles by brands but there is a clear distinction in categories, thanks to signage and graphics, between make-up, body care and fragrances areas, each of those (except for make-up) are further divided in women's and men's areas. All customers can autonomously try on makeup (with some precautions due to Covid-19) with the option of asking for assistance from expert staff. The store provides consumers with disposable applicators, sanitizers and antibacterial wipes. The layout of Sephora stores is very customer friendly, offering easy access to products. However, with regard to other aspects and in particular customer service, we noticed significant differences between countries, suggesting that the brand is not completely consistent across different geographical areas.

In Italy we made two tranches of visits. One visit was made in Via Dell'Indipendenza, the most popular main street for shopping in Bologna city center. The store was full of customers and due to Covid-19 dispositions about the store's maximum capacity, there was a long queue of people patiently waiting to enter in front of the shop. The second visit was done in a popular shopping mall Euroma2 in Rome. In both tranches a high level of customer service was provided, as shopping assistants offered their help multiple times and checked if something was needed. In some cases, the service was even too much, as we were constantly observed and followed by salespeople. In every store we visited, there was an employee in charge to check that everyone entering had a facemask, to measure the body temperature of customers and to remind them to use hand sanitizer.

The overall appearance of the stores, especially when customers were in it, looked a bit chaotic due to the narrow corridors left between aisles, the corners with merchandise in promotion, and the bright color of the merchandise. The ambience next to the checkout was even more confused due to the multiple shelves where merchandise for impulse buys (chapsticks, mini palettes etc.) was distributed.

In Russia we conducted a visit to the Sephora store in Atrium, one of the most popular shopping malls in the center of Moscow. The location of the Sephora store inside the planned location is quite distinct. Other beauty retailers are situated where traffic is higher - while the Sephora store is separated from the competitors and located in the corner with the lowest traffic. On the other side, in the same corner, there are several jewelry retailers, so we can assume that Sephora has chosen the location due to luxury neighbors. In the middle of the store there was an express make-up area, with the eye-catching bright red table and the mirrors on it. Remarkably each mirror has its own lightning system, so the customer can change color and brightness to see the make-up in different conditions. The promo message persuading customers to try-on claimed: "Always free express make-up". However, shopping assistants did not tell us more details of this offer. During our visit we noticed that almost all the shelves with other brands were out-of-stock of some products and had empty spaces, except for Sephora's owned brands. Referring to customer service, unfortunately, it was not as delightful as we expected. Though we were the only customers in primetime on Friday, the personnel were careless. The checkout area was empty, and the salespeople looked bored being in the store.

Summing up our visits to online and offline stores, we can see that customer experience varies in different countries. These findings raise a series of questions. Why does the company implement limited service in emerging markets and put different efforts into providing excellent service in different countries? What if the customers simply do not need the services due to the cultural specifics, so there is no need for companies to invest more in particular markets. In order to understand how customers feel about the omnichannel services they can experience we decided to run the survey, which will be described in the next chapter.

2.3 Research methodology

Our study of the Sephora case showed that the beauty and personal care companies in terms of omnichannel experience offer different services in emergent and developed countries. Sephora, an omnichannel leader of the sector, is not an exception. The literature review analysis conducted in the first chapter showed that other researchers found how cultural dimensions influence the omnichannel needs and preferences of different countries. These findings were not dedicated to the particular industry, so we decided to check how the most frequently mentioned dimensions influence the consumer of the beauty and personal care products.

In order to choose the most relevant dimensions to the omnichannel experience we completed statistical analysis and checked the correlation between the values for the six Hofstede's dimensions and omnichannel retail index scores. For our test we created a database which consists of 27 countries evaluated by PwC (Appendix 4) and relative cultural dimensions on a scale of 0 to 100 (retrieved from Hofstede Insights.com)

The results of correlation analysis are presented below. We found out the average correlation (0,5-0,7) of power distance index and individualism, the weak correlation (0,2-0,5) of uncertainty avoidance and indulgence, and too weak correlation (<0,2) of masculinity and long-term orientation.

Table 2 Correlation Analysis of Hofstede's cultural dimensions and Omnichannel Retail Index by PwC (compiled by author)

	PDI	*IDV*	*MAS*	*UAI*	*LTO*	*IVR*	*Retail Index*
PDI	1						
IDV	-0,74845	1					
MAS	0,01052	0,19642	1				
UAI	0,14882	0,08801	0,20546	1			
LTO	0,13884	-0,15322	0,28339	0,17045	1		
IVR	-0,54940	0,45156	-0,34819	-0,26333	-0,48472	1	
Retail Index	-0,50001	0,54005	0,06156	-0,32011	0,16068	0,29006	1

We also performed a generalized multiple regression tests to determine the correlation aptitude amid independent and dependent variables. The R-square (R2) is the coefficient of multiple determinations. It measures the attrition in the total variation of the dependent variable due to the independent variable(s). In other words, it shows the level of strength of affecting the criterion with a selected set of predictors, i.e. $R^2 = 0.6$ means that the proposed dataset has 60% of influence on our outcome.

We have conducted tests for the factors showed an average correlation. As a result, PDI and IDV explain only 19% of the results. Our results are not significant in terms of correlation, we cannot rely on the conclusions drawn by statistical test. So, we referred to the literature review in the first chapter, and took the dimensions demonstrated by other authors.

Nam and Kannan (2020) stated two main proposals:

P1: The effect of omnichannel retail strategy on customer experience is stronger in high uncertainty avoidance cultures than in low uncertainty avoidance cultures.

P2: The effect of omnichannel retail strategy on customer experience is stronger in collectivist cultures than in individualist cultures.

In their study researchers did not test these hypotheses and left them for further research. Thus, we are going to cover this gap and the literature and provide the evidence either confirm or reject the suggested hypotheses. Furthermore, one of the factors, individualism (collectivism), matches our result of statistical analysis. So, we believe these two dimensions should be tested.

Our research considers two countries: Italy, representing developed markets, and Russia, an emerging market. On the figure 7 there are values for six Hofstede dimensions for Italy and Russia.

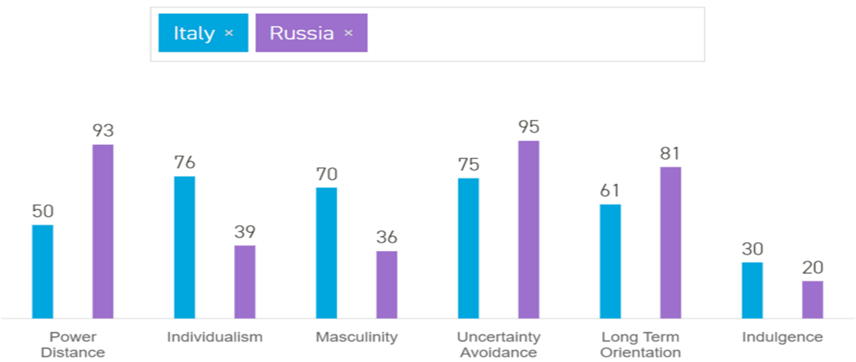

Figure 7 Hofstede cultural dimensions Russia and Italy (retrieved from Hofstede Insights.com)

Thereby, both countries have a high level of uncertainty avoidance. Italy has a score of 75 on Uncertainty Avoidance which means that in general Italians are not comfortable in ambiguous situations. Being flexible to changing environment can be stressful for them. Scoring 95, Russians feel very much threatened by ambiguous situations. People prefer to get context and background information before making the decision. Formality prevails in the interactions with poorly known people. Russians tend to be distant and cold, however such behaviour can also mean a sign of respect.

In the frame of individualism, the countries are quite different. This dimension shows the degree of interdependence among the society members. In other words, it addresses the issue whether people's self-image is defined in terms of “I” or “We” (Hofstede Insights.com). At a score of 76 Italy is considered an individualistic country. Italians are highly focused on themselves and their close family members. Their own personal ideas and objectives in life are very motivating and the route to happiness is through personal fulfillment. In comparison, Russia has a much lower score of 39 on the Individualism dimension. The collectivistic approach is seen in language and relationships with other people. They need to be personal, authentic and trustful.

For the primary data collection method, we chose a survey to cover a larger number of respondents. Our survey is mainly targeted on Italian and Russian consumers, though we also received the answers from representatives of other nationalities, which were not taken into account for results of our analysis.

We built an online questionnaire to have the possibility to reach the respondents from distant locations. Different survey web-platforms were considered, such as Google forms and Surveymonkey.com, but we decided to use Qualtrics. This is a professional platform for conducting the research and running several projects simultaneously provides an ability to translate survey on different languages, and then get the results in common dataset. Also, it tracks the conversion rate between distribution of survey link and finished responses (100% fulfillment). The platform enabled to create the logic for questions displayed. For example, people answered that. they did not know the brand, would not see the questions dedicated to the frequency of purchase and so on. However, the survey was anonymous, Qualtrics is able to track IP addresses and location, which allowed us to avoid the duplication of respondents and see the clearer picture of the distribution of our respondents.

To reach the respondents we used various tools. Primarily, the WOM method was used. We shared the survey with acquaintances and asked them to distribute it further. Also, we published it on Research Gate, Reddit, several Facebook communities, and personal LinkedIn account. In order to make the survey is more convenient for our respondents, it was translated and available for our participants on English, Russian and Italian languages. Before answering questions, users were welcomed to choose the preferable language.

In order to get unbiased opinions, we did not inform our respondents about the goal of the research, an assessment of omnichannel experience as soon as the term can be misunderstood by the ordinary users. However, they were told the authors were interested to explore customer journey when they choose beauty and personal care products on each step of interaction with the retailers. The explanation of retailer was provided as well.

Our questions are based on the literature review. Our final goal was to collect primary data to accept or reject hypotheses of Nam and Kannan (2020). In order to assess the impact of cultural dimensions on omnichannel experience we took the ideas from other researchers and constructed situational questions describing cross-cultural dimensions. The survey consists of 23 questions divided into three blocks dedicated to individualistic/collectivistic patterns, then uncertainty avoidance, and finally demographic questions. In Appendix 11 we gave a summary table with the hypotheses stated by other researchers, situational questions used in the survey and type of impact we examine. Most questions assumed the answers on Likert scale type in the range of 5 possible outcomes.

The first five questions reveal the influence of individualism or collectivism. Since Italy and Russia have opposite scores on this dimension, we expect to obtain contradictory answers in this block of questions. Russian consumers should show depth of the social relationship with a retailer and friendship orientation with virtual agents. Whereas from Italian customers we foresee the search for innovativeness and convenience.

Next six questions are focused on uncertainty avoidance dimension, on which Russia and Italy evaluated with the high scores. So, we expect to see similar opinions from both countries. Customers anticipated to be proactive on the pre-purchase step showing the interest to additional information about product and loyalty to the chosen retailer avoiding uncertain, ambiguous situations. As the higher perceived switching costs make it more difficult for customers to switch channels (Accenture, 2015), the attitude to failure of retailer in providing seamless experience should be rather negative.

For demographic information it was decided to ask about the age, education, nationality, sex and monthly income. We did not want to limit our survey by a particular cosmetic brand, as we were interested in the results for the whole sector. Though as we previously addressed the case of Sephora, and the analysis of that company performance in different countries brought us to the series of questions we determined in the questionnaire, we asked our respondents about the brand awareness and frequency of purchase in case they buy this brand.

Overall, from our survey we received 110 finalized responses out of 145 distributed. Though 64 of the are Russians, 38 are Italians, and response are from other nationalities, which are not considered in the analytical part. We did not restrict our survey on the certain age of consumers, nevertheless during the distribution we considered the fact that the most common users of the omnichannel are millennials, and the most evolving category is generation Z. These two consumer groups represent most of our respondents: 32% are at the age of 18-24 and 57% are at the age from 25 to 34 years old. Considering the specifics of the industry, we got Bernoulli Distribution for gender data: 70% of respondents are female, 29% are male, and 1% of respondents prefer not to unveil the gender. 77% of our respondents have a paid job with the average monthly income $1.000-$2.000. Also 79% of participants have a higher education: 52% bachelor’s degree, and 27% master’s degree.

The results and conclusions of our survey will be disclosed in the next chapter dedicated to findings of our research. There also will be conducted comparative analysis of empirical research and literature review from the first chapter. Moreover, we are going to discuss possible managerial implications, as well as highlight the limitations and give the recommendations for further research.

3 Main conclusions of the research, limitations and further recommendations

3.1 Survey results

In order to analyze results of the survey we broke down the answers based on the nationality of respondents. Therefore, we got three groups of answers: Italian, Russian and other nationalities. As we used open distribution tools where the nationality of the respondent is beyond our control (like Reddit and ResearchGate) to avoid possible discrimination of people from other countries, we included option other to give them opportunity to participate. Though we are interested in comparative analysis of two countries: Russia and Italy.

In Appendix 12 we enclosed the results of the survey organized in charts and showing the comparison of the collected data. As we said for the first five questions, we expected to collect contradictory answers because they were supposed to reveal individualistic/collectivistic differences. In fact, we have not found a great difference between Italian and Russian perceptions.

For the first question, both nationalities showed the readiness to try out new channels. The uncertainty avoidance dimension has a minimum influence here because they are invited to explore online purchase from the known retailer. 58% of Italian respondents are most likely to use new service: 13% will definitely do it, 45% probably will. Russian customers showed stronger readiness to switch to a new channel, 68% of respondents agreed to try it out: 23% will definitely do it, and 45% probably will. Though there are no “definitely will not” answers from Italians, in comparison to 3% of Russian respondents definitely rejected to use new channel. The tricky part of that question was that we intentionally gave people a motivation to accept the offer via providing free delivery for registration on the webstore. We believe it was the main influential factor on their decision. The evidence for our assumption can be found in the question 11 where we asked to choose what would motivate them to download a mobile app. Besides the listed alternatives respondents were offered to type their own choice. The most frequently mentioned option was various types of pricing offers such as coupons, discounts, bonuses, free delivery, etc. It demonstrates consumers price sensitivity and brings us to the conclusion innovativeness and new channels adoption can be driven by pricing promotional activities. The higher percent of Italians (16%) in comparison to Russians (8%) chosen “might or might not” option means the price factor works worse on Italians than on Russians. Probably Italian consumers are searching for something else to be motivated to expand the usage of channels.

In the second question we checked if the individualistic cultures are more focused on convenience factor and whether customers are ready to leave if the service becomes less convenient. However, Italian customers representing individualistic culture showed rather high level of loyalty. 21% of respondents will definitely continue to buy from the same retailer even if the location is not convenient for them anymore and they need to change the way they buy products. And 37% most likely will continue the relationships with the same retailer. So overall, we can observe around 58% of positive Italian responses, in comparison to also quite high rate of 47% Russian positive responses. Though if the tested suggestion would be true, Russian consumers should show higher level of loyalty than Italians. To sum up, we reject an assumption that individualistic cultures tend to leave the retailer if the channel they buy from became inconvenient.

In questions 3 and 4 we checked the relationship of consumers from different cultures with virtual agents. As an example, we took most frequently used software, chatbot. Both countries showed not very high level of preference to use it. Russian 34% over 42% of Italian positive answers. However, our goal was to understand how the attitude to relationships with virtual agents varies. And again, Russia as a collectivistic country supposed to be more relationship oriented than individualistic Italy. In fact, we found 20% of Russian respondents really like more humanistic approach in the work of chatbot, 17% somewhat like it, and 13% are not sure with the answer. In turn Italian results are 13% - really like, 26% somewhat like it, and 34% are indifferent. This shows that implementation of chatbot focused on building friendship relationships with customers can improve the interest of people from both collectivistic and individualistic countries, because the percentage of respondents who likes the change exceeds the number of people who is ready to use chatbot now.

In the last 5th question dedicated to individualistic/collectivistic dimension we checked if the depth of social relationship influences the consumer loyalty in collectivistic culture. The results showed we must reject the hypothesis. Italy showed (21% of positive answers) even higher precent of loyalty based on social relationships than Russia (less than10% of positive answers).

The next block considers uncertainty avoidance dimension. The first three questions in this block were created to retrieve a customer engagement to search for the information about the product before the purchase. And if they tend to do it, how they prefer to gather the information. Also, to collect unbiased opinions our question was formulated in such way that before making the decision whether to buy the product or not they were given the recommendation from the person who they were supposed to trust. By that we assumed to somehow limit an influence of uncertainty avoidance which usually occurs when purchasing new product. Our survey results can confirm that high uncertainty avoidance stimulates people to explore more about the product. 74% of Russian respondents agreed they would need additional information about recommended product, as well as 79% of Italians. The only difference between countries that Russians showed higher level of confidence than Italians: 41% of Russian respondents stated they would definitely need additional information, while from Italy almost twice less, 21%. Anyway, both countries demonstrated a high level of consumer interest to the product on the pre-purchase stage. Meanwhile, 97% of the overall sample prefer online channels for acquiring additional information to offline. The rest 3% went to offline option chosen by some Italian respondents. For Italy and Russia, we ranked channels used to acquire additional information about the product. Based on results we can confirm an assumption made by Engelen, Lackhoff, and Schmidt (2013) that uncertainty avoidant cultures frequently check reviews and guidance. “Other users review” is the most frequently chosen option by the respondents of both countries. However, national preferences differ from each other (see Table 3).

Table 3 Ranking of channels used for additional information search (compiled by author, based on the survey results)

	Russia	Italy
1.	Other users review	Other users review
2.	User guide and product composition	Shop assistants
3.	Social media	Social media/ Friends' opinions
4.	Friends' opinions	User guide and product composition
5.	Shop assistants	

For example, we can see that help of shop assistants is the second most popular choice, while user guide and product composition is ranked on the last place. Russian data is vice a versus. That means, that Italian customers in comparison to Russians are more trustful to the retailer they have chosen. For them, the personnel assistance should be excellent, because uncertainty avoidant cultures are very sensitive to uncertain, ambiguous situations, the quality of information for them is critical. So, the bad in-store experience provided by the retailer's staff can impact the attitude of the customer a lot. For Russians, this peculiarity is not so essential, as they tend to rely on their own knowledge and do not trust shop assistants a lot. It is proved by the fact that only 20% of respondents stick to that option.

The next three questions relate to the number of channels which uncertainty avoidant customers are ready to use for purchasing goods. Our participants were offered to choose the channels they are ready to buy from. Multiple choice was allowed. The most popular channel was a physical store. It was chosen by almost 80% of Russian respondents, and by 74% of Italian respondents. Actually, these numbers correspond to the overall industry rate discussed in the previous chapter and showing that around 75% of sales occur in physical stores. We also noticed that Russian customers tend to seek for variety of channels more than Italians. We counted that 63% of Italian respondents chose only one option from the list, while among Russians one option was chosen by 33%, the rest picked out from two to five listed channels. Though Italians showed higher willingness to download a mobile app of the retailer they use: 71% of positive answers compared to 61% of Russians. Considering statistics of the previous question we can assume Italians tend to download the app not for purchasing reasons, but for some other purposes. As for the motivation to download the app, the search for convenience is the most popular intrinsic motivational factor. The second choice of respondents was an access to additional information about products. These reasons also can explain the high rate for Italian consumers to download the app.

The last two questions were about seamless experience of an omnichannel customer. In the question we imitated the situation where consumers tried to use newly implemented services in mobile app but faced with software bugs. By their answers we tried to understand feelings and attitude of the customers and how it influences their perception on the retailer. Surprisingly, we discovered that 56% of Russian respondents would like to try out new service after the failure compared to 42% of Italians. It shows high rate of interest to the new technologies and seamless experience from Russian consumers, while Italian side is doubting whether such services are needed, as 24% of Italian respondents might or might not use it again. The same number of Italians said they probably would not try it again. From emotional point of view Italians, on the contrary are less negative about unsuccessful experience and more tolerant to the errors than Russians. The participants were also pleased to share the reasons of their answers, they brought us to the interesting findings that loyal customers have a high level of understanding, which allows the majority to give the second chance to the app, however the bug should be resolved as soon as possible. If it does not satisfy customer again, the retailer can lose the customer in mobile app channel, but it will hardly influence the in-store channel.

To conclude, 52% of our participants are the Sephora customers. So, we consider results of this analyses can be applicable to the Sephora case and might be used for developing recommendations how to improve Sephora performance. 77% of respondents claimed they know brand Sephora, so there is a room for improvement and turn the brand awareness to new clients.

3.2 Main findings and managerial implications

Summing up our survey analysis we want to address the proposals stated by Nam and Kannan (2020). We can partly accept the first proposal claiming that the effect of omnichannel retail strategy on customer experience is stronger in high uncertainty avoidance cultures than in low uncertainty avoidance cultures. We say partly because in our sample there were two uncertainty avoidant countries, which in fact demonstrated a strong effect of omnichannel retailing. However, we believe it should be also tested on the low uncertainty avoidant cultures to assure the results are different. From our research, we can claim an influence of uncertainty avoidance dimension exists because Russian participants with higher scores of UAI perceived omnichannel traits with higher engagement and "appetite" than Italian. Though both countries demonstrated a strong effect of omnichannel experience.

Also, we can accept the second hypothesis of Nam and Kannan (2020) saying that the effect of omnichannel retail strategy on customer experience is stronger in collectivist cultures than in individualist cultures. Overall, we noticed Russian consumers search for seamless experience and seek for variety of channels. Our situational questions retrieved that with adding new features to their experience customers were reactive, and their preferences were changing. For example, possible upgrade of chatbot immediately raised the percentage of people who liked it.

As soon as we decided on the most influencing cultural dimensions. We made an attempt to assess what kind of impact they have. For this purpose, we called for the literature review and illustrated the logic in Appendix 11. And here concluding our research we have created a Table 4 which summarizes which of the assumptions and ideas offered by other authors were successfully tested and which of them failed, and what additional impacts have been identified. The Table 4 draws the conclusion of our research part dedicated to impact of cultural dimensions on omnichannel retailing. We suppose it can be used by practitioners for consulting purposes when they implement an omnichannel strategy on the host markets.

Table 4 UAI and IDV Impact summary table (compiled by author)

Areas of impact	Test results
How much customers are likely to switch channels and seek variety	Collectivistic cultures are more likely to switch channels, but if it is emerging market, consumers need additional motivation, such as pricing offers (due to price sensitivity)
The effect of individualism on importance of convenience	Interconnection between individualism and focus on convenience has **not** been detected
Influence of collectivism/individualism on the relationship orientation with retailer **online**	Regardless of the IDV cultural dimension both countries revealed an intention to build friendship relationship with virtual agents
Interdependence of collectivism/ individualism and depth of the social relationship with a retailer	Depth of social relationship does not depend on IDV dimension
Influence of uncertainty avoidance on the pre purchase stage	Uncertainty avoidant customers tend to explore additional information about the product, even if it was recommended by trustful source. For the information search tool, they prefer online methods.
Influence of uncertainty avoidance on the number of channels used	Our primary data analysis did not show a strong correlation between UAI dimension and number of channels used. Both uncertainty avoidant cultures showed different results.
Influence of uncertainty avoidance on the perceived switching costs. How challenging for customers to switch channels	Loyal customers demonstrate quite high level of readiness to integrate experience across channels. The attitude to mistakes in launching new services is less negative than we expected.

In addition, we would like to mention that depending on the economical categorization of the market: emerging or developed, some impacts can be boosted or on the contrary the effect can be decreased. In particular, we highlighted that the fear of uncertainty avoidant cultures can be lower in emerging markets. First of all, due to the intrinsic motivation to find new convenient services driven by curiosity and lack of the most fashionable technologies on the market. For retailers it means they most likely face the higher level of understanding and tolerance to mistakes on the first steps of launching process. But they should be more accurate with the implementation of new features in the developed markets, they would not be given more than the second chance.

Secondly, we paid our attention that customers from developed countries expect they would be treated specifically and rely on customized approach in everything: provided shopping assistance, solving issues, ordinary communication etc. They highly value the work of shop assistants and perceive in-store personnel as one of the main sources of information. It is worthy to consider when companies develop personal trainings plans and general HR strategy. At the same time, on the emerging markets companies can save money and invest less in the personnel, as their consumers demonstrate lower level of trust. Returning to our cross-cultural results, it means that the impact of collectivism/individualism on the relationship orientation online will be boosted on the developed markets and decreased on the emerging ones.

The case study performed on the Sephora company in chapter 2.2 shows that companies operating in beauty and personal care industry undervalue the prospects of emerging markets. Our empirical study showed that in general customers from emerging markets have more interest in omnichannel experience than developed markets. We think it happens because emerging markets are unsaturated yet. The companies unjustifiably ignore them. Users from developed markets are pickier to the services, rather than customers from emerging markets. So, Sephora have a chance to enhance fast mover advantage on this field. For example, in case of Russia company is still penetrating the market. With an implementation of all omnichannel services existing in the developed countries, they can make a sensation, especially among the young audience. When we compared in-store visits in Italy and Rome we paid attention to the strong difference in personnel behavior. Now after primary data analysis we can conclude there is not a strong need to improve and invest in personnel in Russia. And the Sephora is doing fine on that field. Anyway, we would like to introduce "Virtual Artist", an AR technology allowing customers to try on the make-up online. We think the service has many perspectives to evolve on this market. Survey showed that Russian customers to avoid ambiguous situations tend to trust themselves more than others. Therefore, to acquire additional information they often are satisfied with user guide and product composition. This appetite to the self-serving can be satisfied with the virtual try on services and for sure will increase an engagement. In Italy company should pay careful attention to customization and the services considering relationship orientation such as video calls with Sephora's beauty experts, in-store assistants, and even consumer loyalty program should work excellent because Italian customers exacting about these features. Also, for successful realization of omnichannel strategy it is crucial to consider cultural dimensions we mentioned before.

Frankly speaking, when we analyzed case of Sephora, from the first view, it looked that company had a huge room for improvement on the Russian market. But after cross-cultural analysis we can conclude that most of the things perceived essential drawbacks by authors, in fact are not so crucial, because the market is not ready to accept some features. So, fixing them now would be for the company the waste of money. Though in order to support omnichannel leading positioning and faster penetrate Russian market, we highly recommend introducing AR technologies as soon as possible.

3.3 Limitations and recommendations for further research

The literature review in the first chapter gave us an understanding there is a little research on the role of culture in customer's channel selection. The researchers highlighted there was a critical need for empirical testing how cultural dimensions play a role in the importance of touch points that contribute to conversion, satisfaction, and engagement in the customer journey. (Nam and Kannan, 2020). In our study we tried to cover this gap. The lack of previous research gave us a wide choice of direction how to evolve our study. We decided to base our scrutiny on Hofstede's dimensions theory (1980s), but there are other different classifications such as Riesman, Hall or Brislin. They also can be used to examine how cross-cultural factors influence customers' choice of the channels and what channels are synergetic with each other.

As for cultural dimensions, in our research we tested two factors: uncertainty avoidance and individualism/collectivism. They were chosen because these factors were most frequently discussed in the literature. However, during our examination of primary data we noticed some peculiarities cannot be explained by these dimensions, which brings us to conclusion there are some other influential factors. They can be related to cultural differences or may be linked with some other approaches. Anyway, we noticed there are several features linked with relationship orientation. For instance, when we asked about negative experience from the usage of new technologies, in the reason section we received some comments that the attitude of the customer would depend on the behaviour of personnel. In particular, how the information about technical issues would be communicated to users and what the personnel would do in such circumstances. These comments are linked with relationship orientation. This factor is not represented in Hofstede's dimension theory, so we believe if someone continues the exploration of the topic there should be observed classifications from other authors considering different parameters. We recommend continuing with Riesman's classification (1953), because it relates to consumer behaviour through five aspects of behaviour: information, values, consumption patterns, purchase behavior, and openness to new ideas, products, and services. It should be helpful to check the categorization: inner-directed, other-directed and tradition-directed, we suppose they influence the channel selection process. And in the frame of studying omnichannel approach, the openness to new ideas aspect should be crucial.

The survey itself also had some limitations, which we recognized when we were monitoring the answers. Asking about customer preferences about offline or online search for channels, we should also allow multiple choice. From the respondents' comments we understood there were some people who in general use both, and it was difficult for them to choose the preferable one. From the other side, if we allow a multiple-choice option, it will be more difficult for us to identify the most popular way to search the information. So, it was quite difficult choice for respondents, while for research purpose this limitation served as the best straight forward way to assess the preferences.

Overall, our survey was opened by 145 people, however, 110 of them finalized the questionnaire. Only the sample with fully completed survey was taken for the analysis. So, we believe for further research the sample size could be enlarged. Also, the countries with low uncertainty avoidance should be examined in order to have an opportunity to fully accept or reject the first hypothesis, which as for now we managed to accept only partly. Moreover, we found out that Southern part of Italy varies on the individualistic dimension from the Northern part. In the Southern Italy less individualistic bahaviour can be observed. People coming from Southern Italy to the North say that they feel cold not only for the different climate but for the less "warm" approach in relationships (Hofstede Insights.com). We have not considered that peculiarity in our survey. So, this pattern can be addressed in further research to foresee how the consumer perception is changing in various areas within the country. We also suppose there should be the same kind of differences in Russia.

For further research we also would like to give a recommendation that the topic can be examined from the customer satisfaction point of view. In the first part of the thesis, we have drawn a model (Figure 5) describing the interrelation of omnichannel experience with culture through customer satisfaction. The main idea of this model that customer satisfaction is driven by omnichannel experience, while features of satisfaction are defined by lifestyle, which in turn depends on intrinsic factors and cultural patterns. This approach significantly differs from the one we used for our analysis, but it is not less interesting to explore. With the focus on customer satisfaction researchers can make a lot of valuable conclusions for marketers, which helps to develop detailed local omnichannel strategies.

To conclude we made the first step to cover the gap in existing research of cross-cultural influence on the choice of touchpoints and customer attitude to different experience in each channel. The question is not easy and requires enhanced analysis from different points of view.

Conclusion

In this paper we have examined how cultural differences influence the omnichannel retailing. This topic is highly relevant nowadays. Omnichannel approach is applied in most industries. Many authors see the concept of omnichannel retailing as a competitive advantage. However, the practice shows that the future of retail is not the choice between brick-and-mortar or e-commerce, but rather the two coexisting together forms aimed to suit changing consumer behaviour (WSI, 2020). For this reason, omnichannel strategies denoting or relating to a type of retail that integrates the different methods of shopping available to consumers e.g., online, in a physical store, or by phone (Oxford Dictionary). As a result, implementation of this concept becomes mandatory for retailers. Customers are getting used to the seamless experience, which is promised by omnichannel retailers.

Our main concern was that global companies interact with customers from different cultures. They are driven by various values and motivations, so people must have different perception of the services. Also, emerging and developed countries differ from each other in terms of omnichannel index calculated by PwC. Our goal was to identify which cultural factors influence the customer perception of omnichannel and what their impact is.

For our research we have chosen G. Hofstede dimensions theory (1989), probably the most popular classification which enables to quantify and compare cultures and fragment them into smaller parts to be analyzed. We consulted with Hofstede Insights.com with regard to country comparison on the values for the six cultural dimensions. It helped us to distinguish the cultures of analyzed countries. In order to define the direction of our research we have reviewed several academic studies. As a basis we have taken the model of Nam and Kannan (2020). According to the authors' vision omnichannel shopping is a part of consumer journey, which is influenced by socioeconomic, cross-cultural and privacy factors. We also used findings from previous studies on cross-cultural differences in interactions with touch points (Appendix 3) to develop some assumptions about possible impact. These studies do not cover particular industry, so to assess the development of omnichannel retailing in the beauty and personal care we have decided to collect primary data to check the hypotheses and possible impact.

Through analysis of "The 2017 Global Omnichannel Retail Index" by PwC we have found that generally the omnichannel approach is more mature in developed countries. At the same time, some exceptions have been identified, such as China and Russia, which scores are comparatively high to the developed countries. The beauty and personal care industry demonstrates low rates of omnichannel development, positioned on 8th place out of 9 categories (Appendix 5). Though various studies and analyses predict the measure will continue to grow together with overall developing tendency in omnichannel retail.

In the second chapter we have conducted an analysis of the beauty and personal care industry. We have emphasized several driven trends in the beauty industry:

- Digitalization

- Customized experience
- Value oriented customers
- Green trends and eco-cosmetics
- Switch of generations: from millennials to generation Z

We have also observed the impact of Covid-19. In 2020 the size market has been estimated USD 487.4 billion, which is 3,78% less than in 2019. The last year revealed the first drop in sales in the 5 years history (Appendix 6). In terms of volume in 2020 the global beauty industry is showing a decline of 1,3%. However, the pandemic has changed consumer behaviour and have boosted the online purchases. E-commerce expanded by over 35% globally and the share of online sales of colour cosmetics exceeded 30% in 2020.

As the case study we have examined practice of a French brand owned by the luxury conglomerate LVMH, Sephora. The company has been chosen as the omnichannel leader on the beauty and personal care market. We have analyzed performance of Sephora in Italy and Russia and compared how omnichannel approach is implemented in two different countries. We have concluded that the set of available services varies for Italian and Russian customers.

In order to understand why the company puts different efforts on the markets we have assumed that the reasons should be in the customer perception. To assess how customers feel about omnichannel appearance. We have developed an online survey targeted on Italian and Russian customers. As a result, we have managed partly accept the H1, saying that the effect of omnichannel retail strategy on customer experience is strong in high uncertainty avoidance cultures, however in our sample the was no low uncertainty avoidance culture, it needs to be tested in that markets. But we have accepted H2: The effect of omnichannel retail strategy on customer experience is stronger in collectivist cultures than in individualist cultures.

Our questionnaire includes the situational question, formulated in such way to be able to evaluate the impact of cultural dimensions (Appendix 11). In the final chapter we have discussed main results of our study. Table 4 reveals the results of tested impacts. We also have summed up that emerging markets have more interest in omnichannel experience. So, for the Sephora we have managed to give some recommendations. In Russia in order to satisfy bias towards the self-serving we have recommended to implement virtual try on. In Italy, the company should make focus on customized approach and personnel trainings. At the end we have concluded with the limitations of this master's thesis and have given some recommendations for further research.

Hence, we believe that the goal of the paper is achieved, and tasks stated in the introduction are accomplished. We assume all the conclusions can be useful for practitioners to facilitate improvement of omnichannel retailing strategies.

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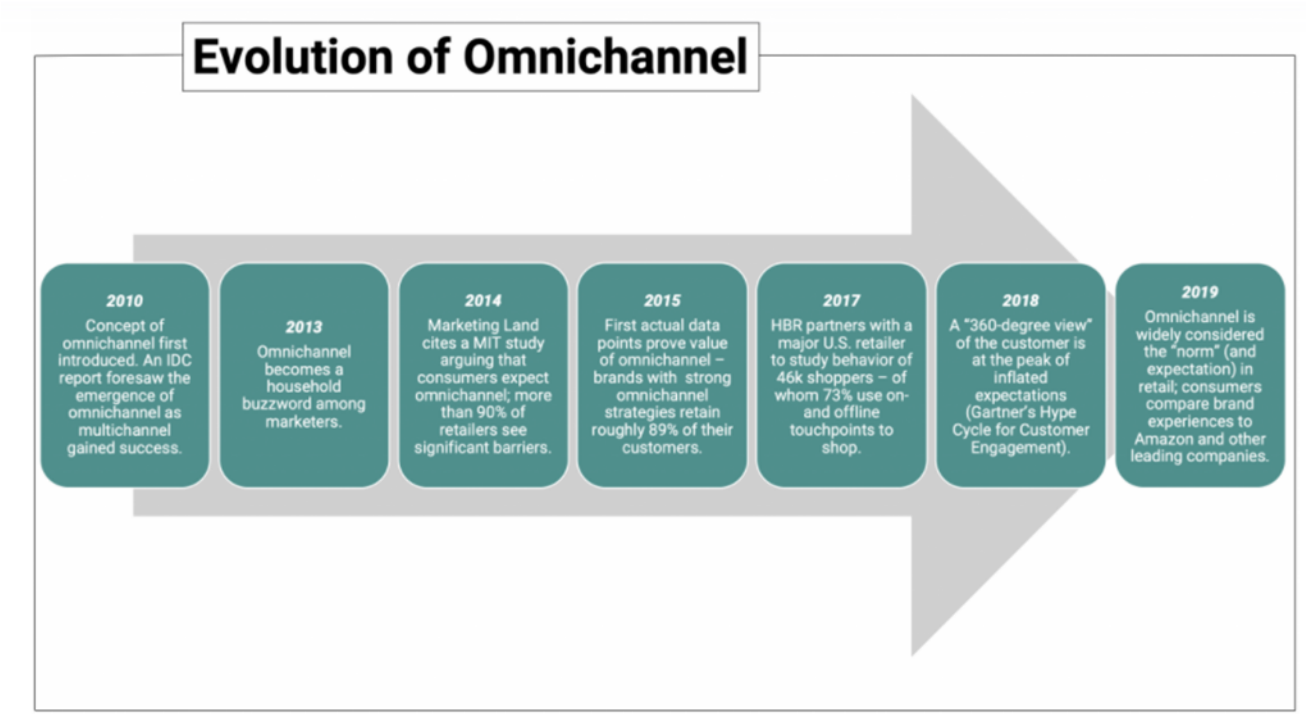
Appendices

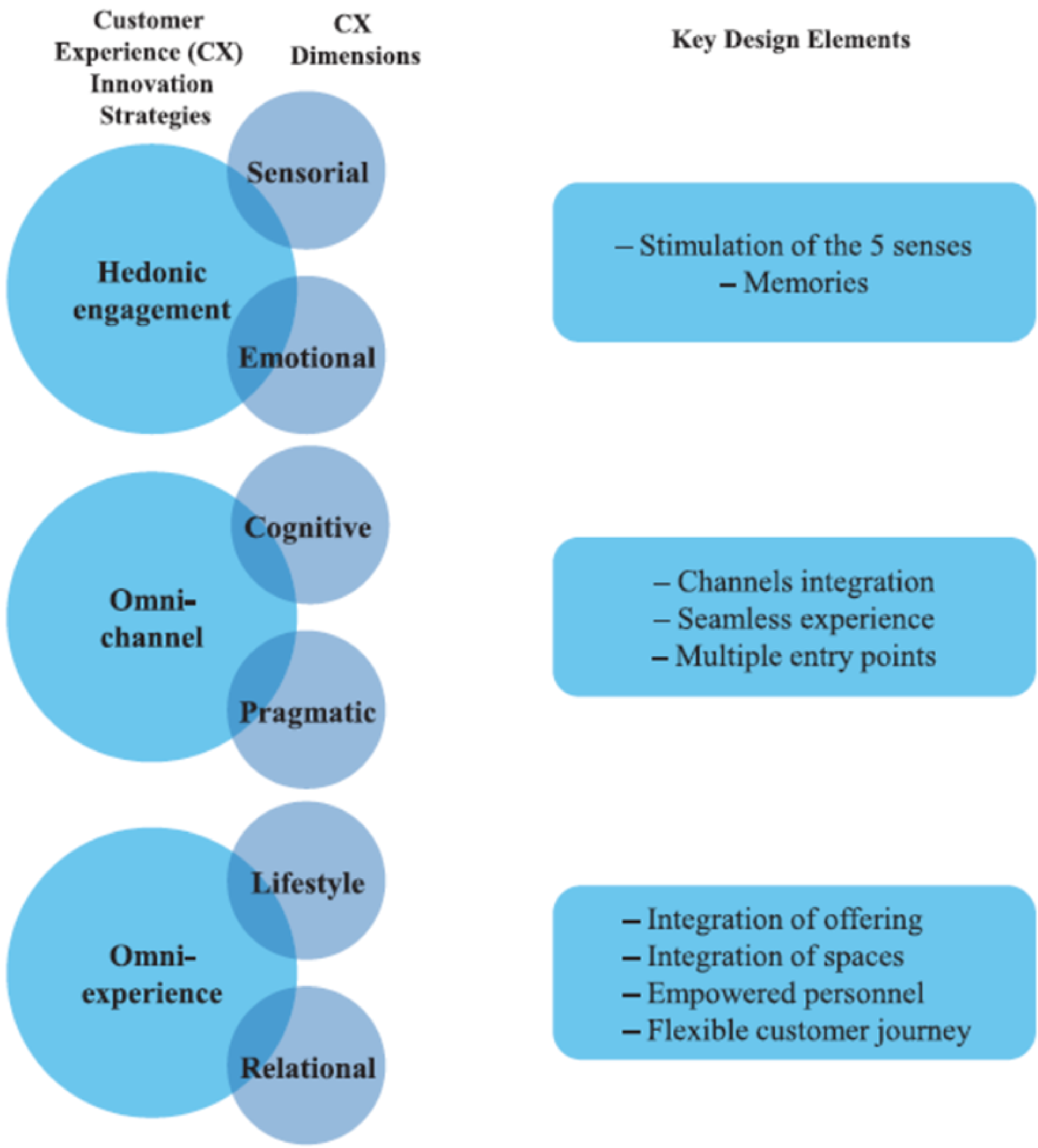
Appendix 1

Evolution of Omnichannel by Michael Becker, Digital Content Manager in Emarsys. Retrieved from https://emarsys.com/learn/blog/retailers-implementing-omnichannel-strategies/



Appendix 2

Customer experience dimensions and related innovation strategies by Artusi et al., 2020.



Appendix 3

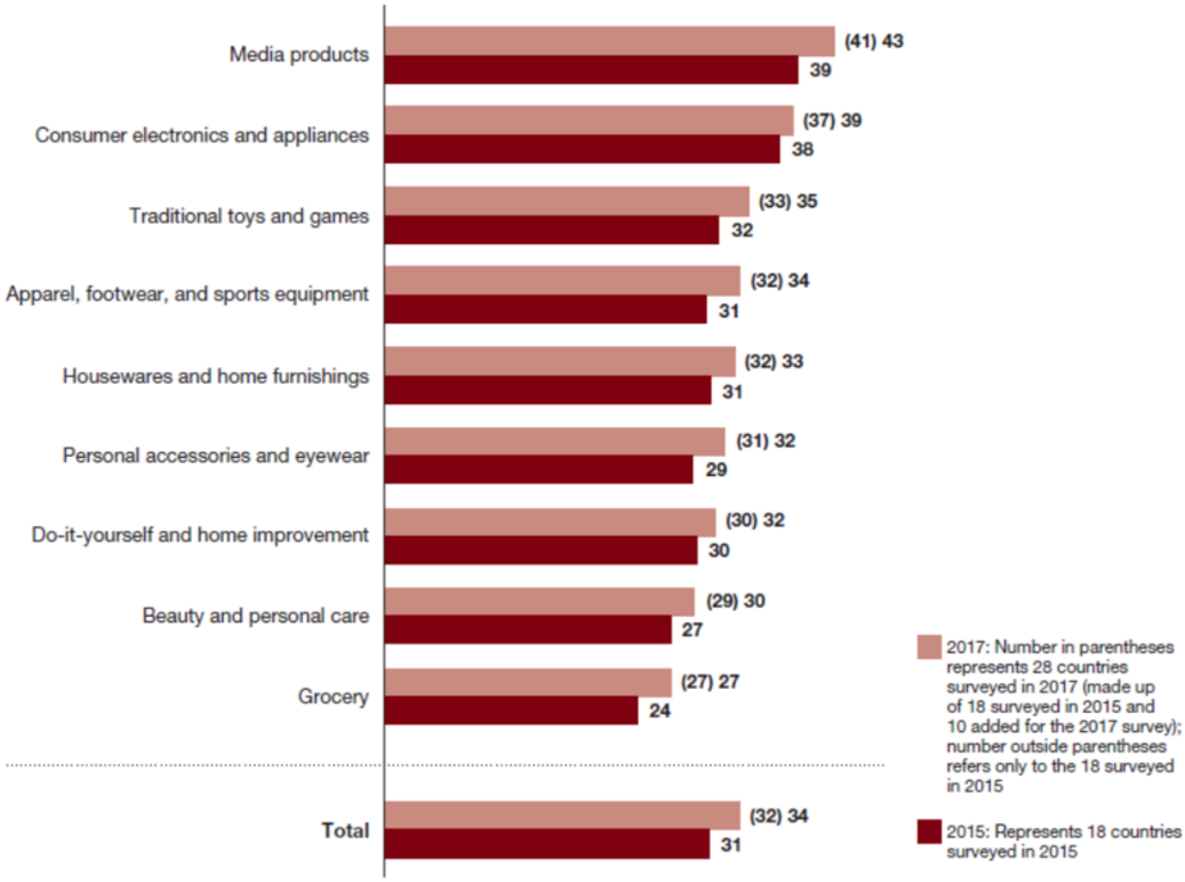
Summary by Nam and Kannan (2020): Selected Prior Research on Cross-Cultural Differences in Interactions with Touch Points

Topic	Study	Key Findings
Adoption and usage of technology-driven touch points	Ashraf et al. (2017)	The adoption process of mobile commerce varies by different countries (the countries studied include Australia, India, the United States, and Pakistan).
	Muk and Chung (2015)	Cultural differences exist in the acceptance of SMS advertising between American consumers and Korean consumers.
	Singh (2006)	Customers in high uncertainty avoidance cultures tend to be less innovative and are less likely to adopt new channels.
	Steenkamp, Hofstede, and Wedel (1999)	Individuals in high uncertainty avoidance cultures are less likely to adopt new ideas or new products.
	Straub (1994)	Cultural differences exist in the adoption and usage of email and fax between American consumers and Japanese consumers.
	Yeniyurt and Townsend (2003)	Individuals in high uncertainty avoidance cultures are less likely to adopt new ideas or new products and tend to be less innovative.
Interaction with technology-driven touch points	Degens et al. (2014)	It is important to consider sociocultural dimensions when designing the cognitive process of virtual agents.
	Hilken et al. (2017)	The effect of AR on perceived value is higher for verbalizers than for visualizers.
	Mascarenhas, Degens, and Paiva (2016)	People in collectivist cultures find a collectivist agent more appropriate and trustworthy, but there is no difference in the evaluations of individualist virtual agents across cultures.
Omnichannel shopping	Kumar and Pansari (2016)	Customers in high uncertainty avoidance cultures tend to explore a smaller number of channels and are less likely to shop from many different channels than customers in low uncertainty avoidance cultures.
	Lu et al. (2018)	Customers in high uncertainty avoidance cultures are less likely to adopt online channels than telephone channels, as telephone channels reduce uncertainty and build trust better than online channels.
	Pick and Eisend (2016)	Customers in different cultures respond differently to perceived switching costs. The positive effect of perceived switching costs on WOM and loyalty is weaker in individualist and high power distance cultures.
Privacy concerns	Milberg et al. (1995)	Customers in individualist, high uncertainty avoidance, high power distance cultures are more concerned about potential privacy invasion than customers in collectivist, low uncertainty avoidance, low power distance cultures.
	Milberg, Smith, and Burke (2000)	Cross-cultural differences regarding privacy concerns are related to different levels of government regulations, which in turn have an impact on perceptions of such regulations and corporate privacy management.
	Smith, Milberg, and Burke (1996)	Customers in high power distance cultures show higher privacy concerns than customers in low power distance cultures because they do not trust firms.

Appendix 4
PwC index of omnichannel development progress by country distributed by developed and emerging markets.
(Compound by author, Source: PwC:The 2017 Global Omnichannel Retail Index)

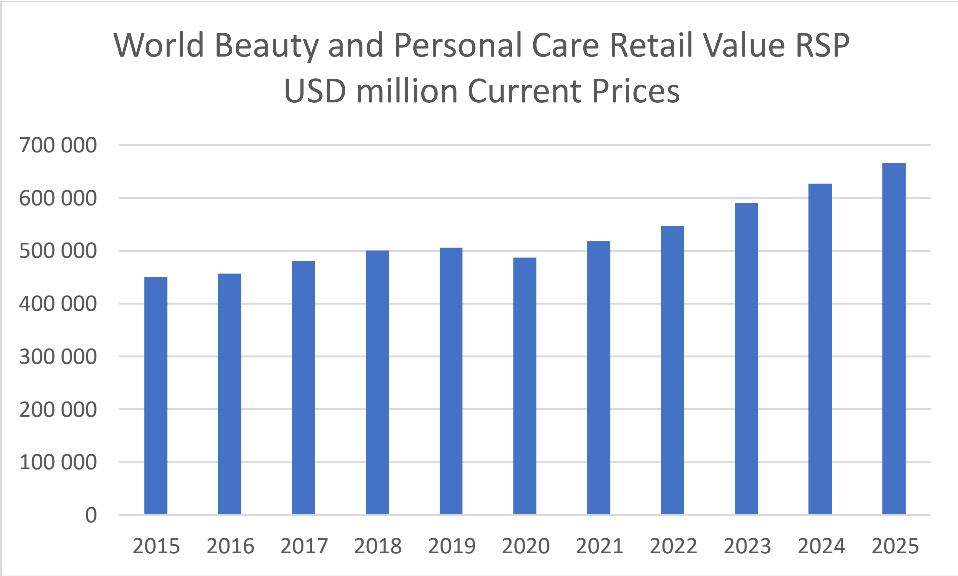
Developed countries	Omnichannel Retail Index	Emerging countries	Omnichannel Retail Index
U.S	43	China	38
U.K.	41	Russia	33
Australia	39	Hungary	30
Canada	38	Chile	30
Danmark	37	Turkey	29
Singapore	37	Poland	28
Sweden	35	Malaysia	28
Japan	35	South Africa	27
Belgium	34	Brazil	26
Hong Kong	34	Indonesia	25
France	34	Thailand	24
Switzerland	33	Philippines	24
Italy	32		
Spain	32		
Germany	32		

Appendix 5
PwC omnichannel retail index by product category.



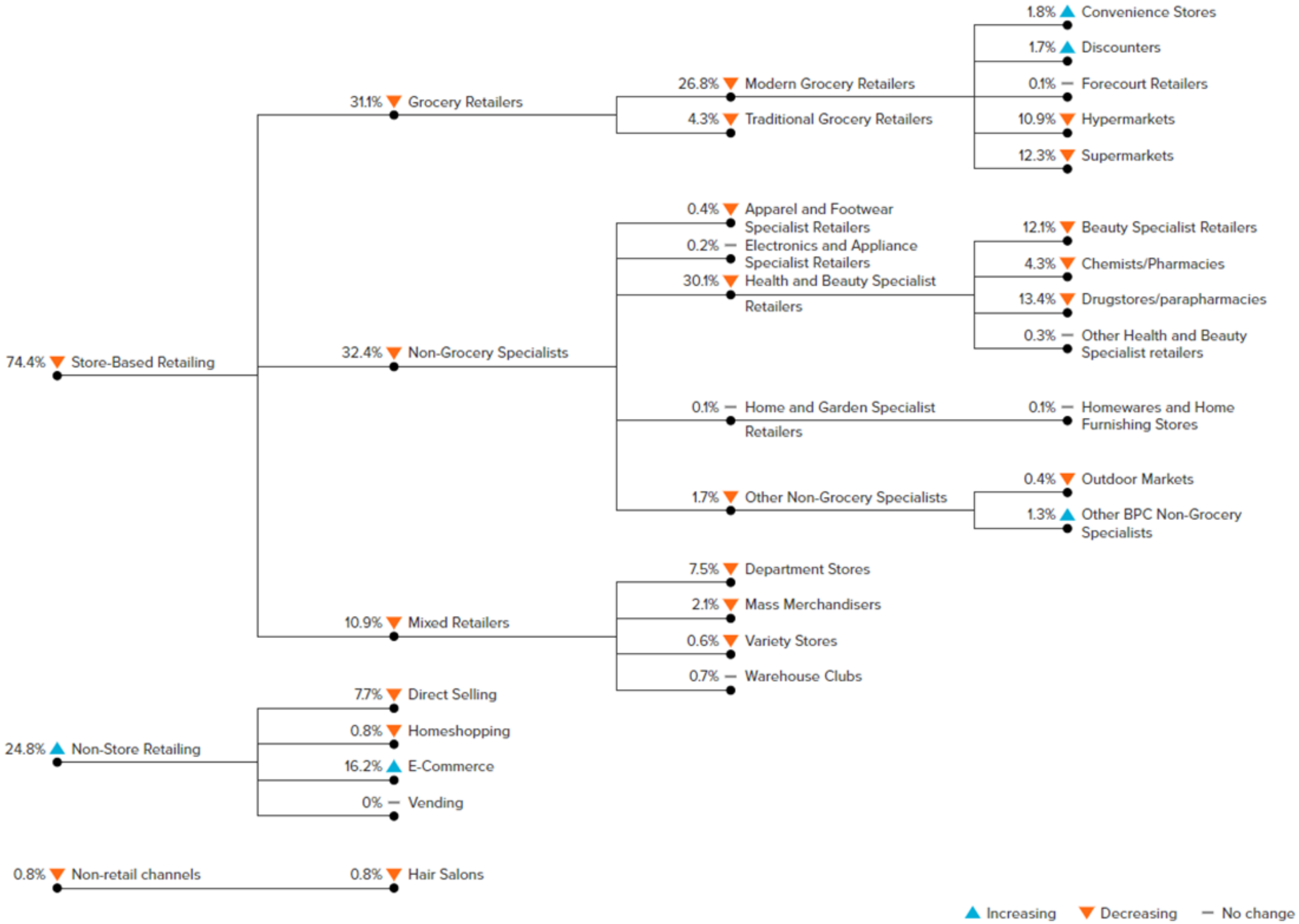
Appendix 6

Passport Euromonitor data on World Beauty and Personal Care Retail Value RSP. Historical data 2015-2020 and Forecast 2021-2025

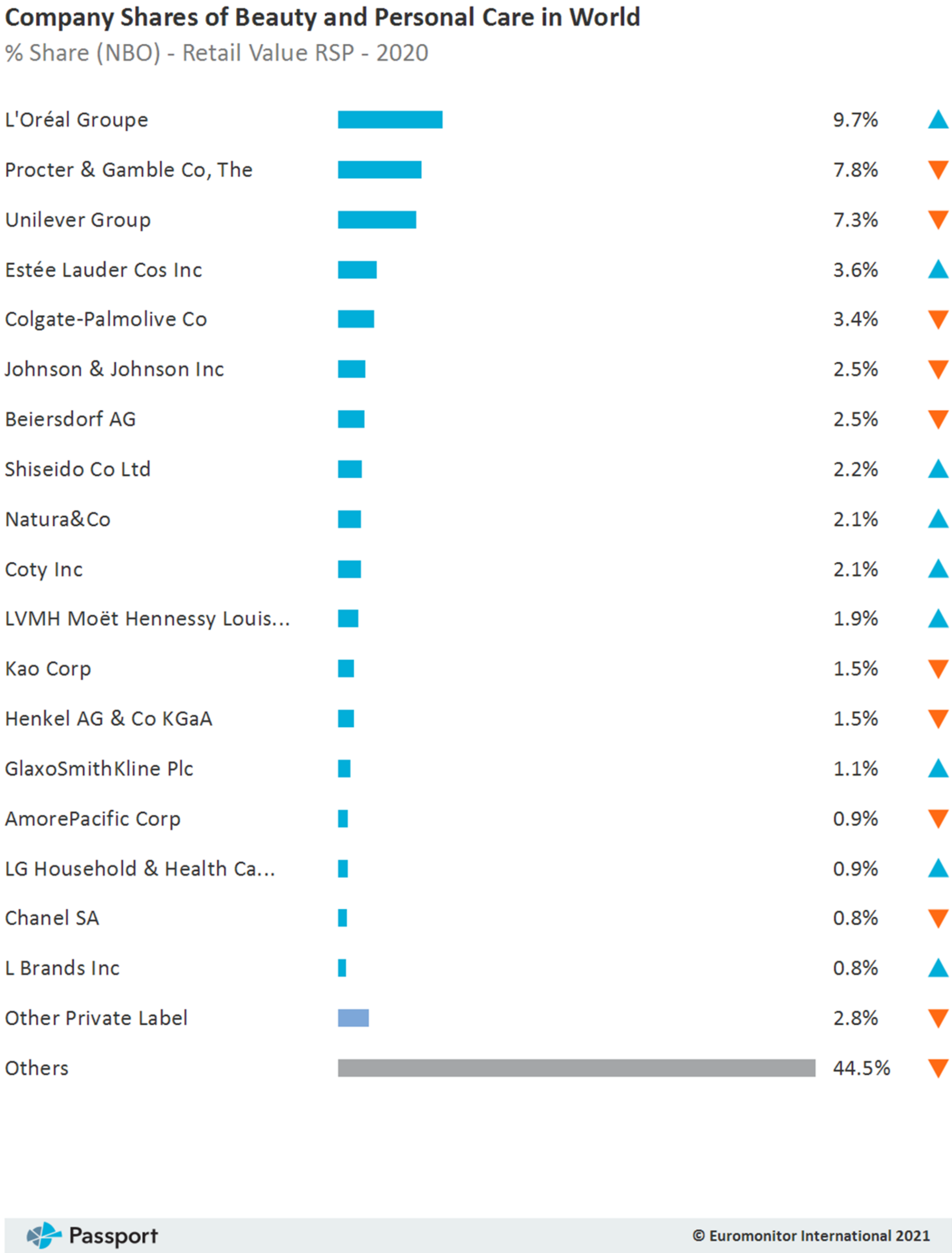


Appendix 7

Channel Distribution for Beauty and Personal Care in World
Retail Value RSP 2019, Passport Euromonitor data.



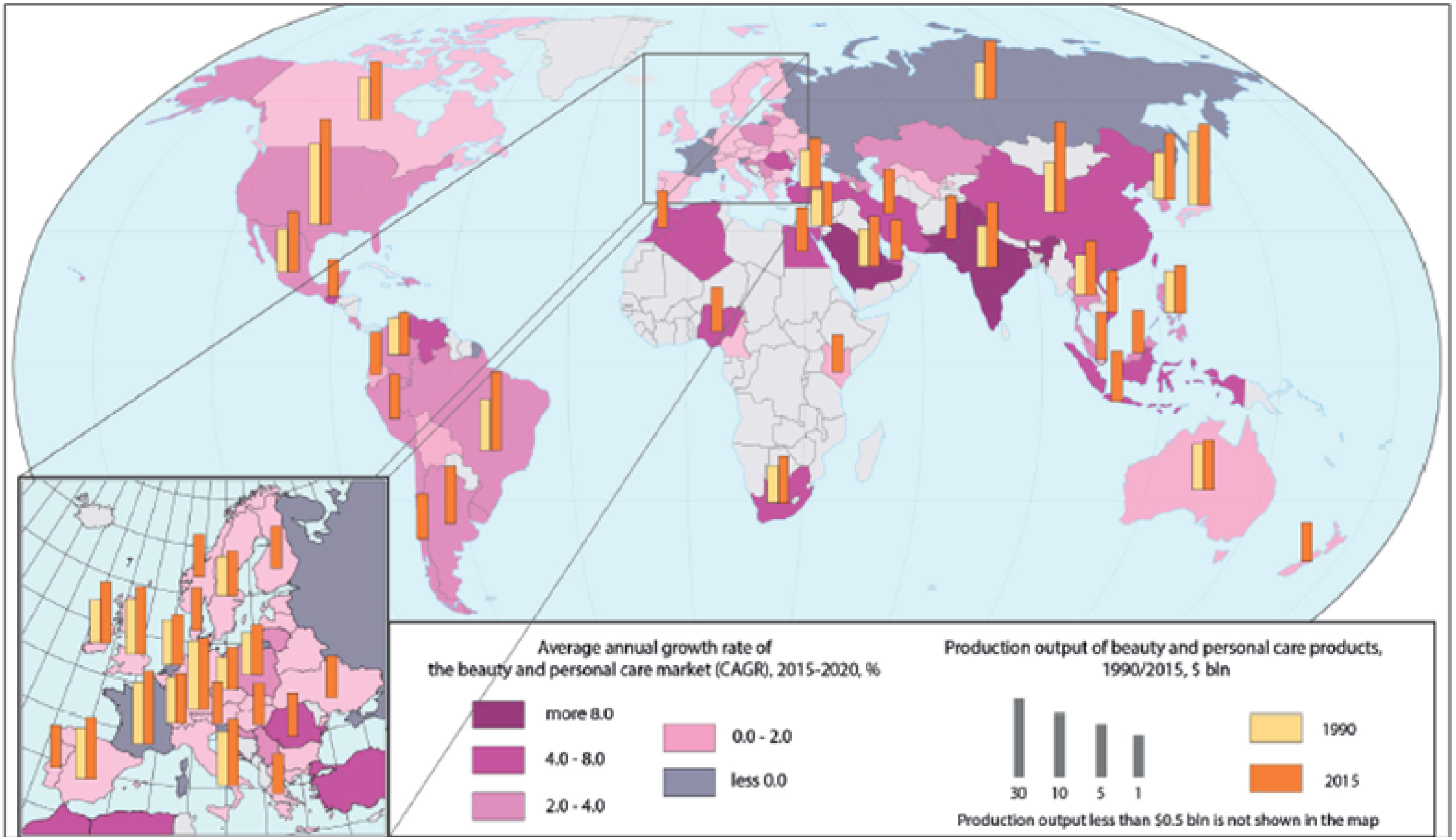
Appendix 8


Company Shares of Beauty and Personal Care in World
% Share (NBO) - Retail Value RSP - 2020
L'Oréal Groupe 9.7%
Procter & Gamble Co, The 7.8%
Unilever Group 7.3%
Estée Lauder Cos Inc 3.6%
Colgate-Palmolive Co 3.4%
Johnson & Johnson Inc 2.5%
Beiersdorf AG 2.5%
Shiseido Co Ltd 2.2%
Natura&Co 2.1%
Coty Inc 2.1%
LVMH Moët Hennessy Louis... 1.9%
Kao Corp 1.5%
Henkel AG & Co KGaA 1.5%
GlaxoSmithKline Plc 1.1%
AmorePacific Corp 0.9%
LG Household & Health Ca... 0.9%
Chanel SA 0.8%
L Brands Inc 0.8%
Other Private Label 2.8%
Others 44.5%
Passport
© Euromonitor International 2021

Appendix 9

World beauty and personal care products output 1990/2015 ($ bln) and the global beauty market growth forecast 2015-2020 (%).

Retrieved from Gladenkova, T. (2019) “Beauty And Personal Care Transnationalization: Main Changes In Its Spatial Structure.”



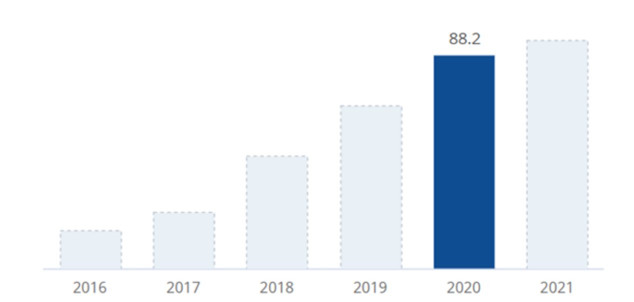
Appendix 10

Comparison of eCommerce performance of Sephora in Italy and Russia
(retrieved from Statista Database)

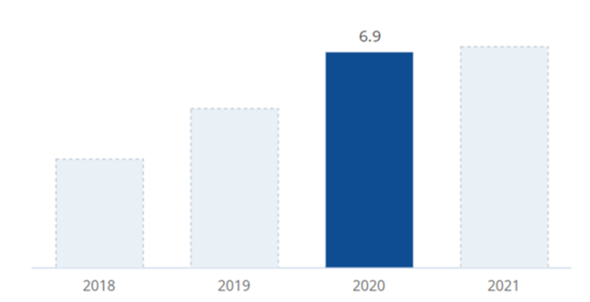
Italy	Russia

E-commerce Net Sales in mln $

Italy



Russia



National online stores ranking

Italy

#	Online-Store	Main Country	Total revenue Growth '19/'20
1	esselungaacasa.it Esselunga S.p.A.	Italy	> US$500m 96.0%
2	amazon.it Amazon EU S.à r.l.	Italy	> US$2,500m 42.4%
3	unieuro.it Unieuro S.p.A.	Italy	> US$500m 96.0%
4	sephora.it LVMH Italia S.p.A.	Italy	> US$75m 22.6%
5	carrefour.it Carrefour Italia S.p.A.	Italy	> US$75m 51.7%
6	efarma.com	Italy	> US$50m 18.6%
7	notino.it Notino Italia S.r.l.	Italy	> US$50m 69.5%

Russia

#	Online-Store	Main Country	First part Total revenue Growth '19/'20
1	apteka.ru Katren Scientific & Production JSC	Russia	> US$300m 43.8%
2	wildberries.ru Wildberries, OOO	Russia	> US$2,500m 79.9%
3	mvideo.ru MVM, OOO	Russia	> US$2,500m 97.1%
4	piluli.ru ParusInvest, OOO	Russia	> US$150m -9.6%
5	faberlic.com Faberlik Open as	Russia	> US$100m 11.1%
38	sephora.ru Ile de Bote A.O.	Russia	> US$1m 25.6%
39	myprotein.ru The Hut.com, Ltd.	Russia	> US$1m 26.0%

Appendix 11

Survey construction logic.

Individualism/Collectivism			
Idea from the literature	Authors	Question	What we check
Customers in individualist cultures tend to be more innovative than customers in collectivist cultures, as individualists tend not to follow others and to initiate new behaviors independently from others. Consequently, in collectivist cultures, customers are less likely to switch channels during the journey. Customers in collectivist cultures are also less likely to seek variety and less likely to adopt new channels.	Erdem, Swait, and Valenzuela 2006; Singh 2006; Yeniyurt and Townsend 2003	You have always visited the same beauty and personal care physical store. During the last visit you saw the advertisement that they have just implemented online purchase. At the checkout the cashier gave you a coupon for the free delivery, but you have to register on the website. What are the chances you will try the new service?	How much customers are likely to switch channels and seek variety
In individualist cultures, customers start a relationship when a retailer provides a convenient service, but they are ready to leave the retailer's channel if it becomes less convenient.	Pick and Eisend, 2016	Imagine you always buy personal care products in the same branded retail store. You have been a long-standing customer. You trust this brand and exactly know which products fit you. You often ordered online and picked up the products in the nearby store. However, during the pandemic your location has been closed, and it is not convenient to use other locations. Will you continue to buy products from the same retailer?	The effect of individualism on importance convenience
Customers in collectivist cultures may try to build a friendship with a virtual agent, whereas customers in individualist cultures may treat an agent as an assistant for completing a task.	Nam and Kannan, 2020	1.The online store you usually use implemented a chatbot (software that simulates human-like conversations with users via text messages on chat.). What are the chances you will use it? 2. Your favorite online beauty and personal care shop has a chatbot. The retailer decided to upgrade it and made it more humane. Now in addition to providing assistance it also makes some jokes and involve you in the conversation. Will you like such changes?	Influence of collectivism/individualism on the relationship orientation with retailer online
In collectivist cultures, however, depth of the social relationship with a retailer enhances perceived lock-in costs, WOM, and customer loyalty	Pick and Eisend, 2016	You have been shopping in the same beauty and personal care retail store for years. You have your favorite employee who always provides professional assistance and knows what you want. This person has recently decided to change the place of work. What are the chances you also change the retailer?	Interdependence of collectivism/ individualism and depth of the social relationship with a retail

Appendix 11 (continuation)

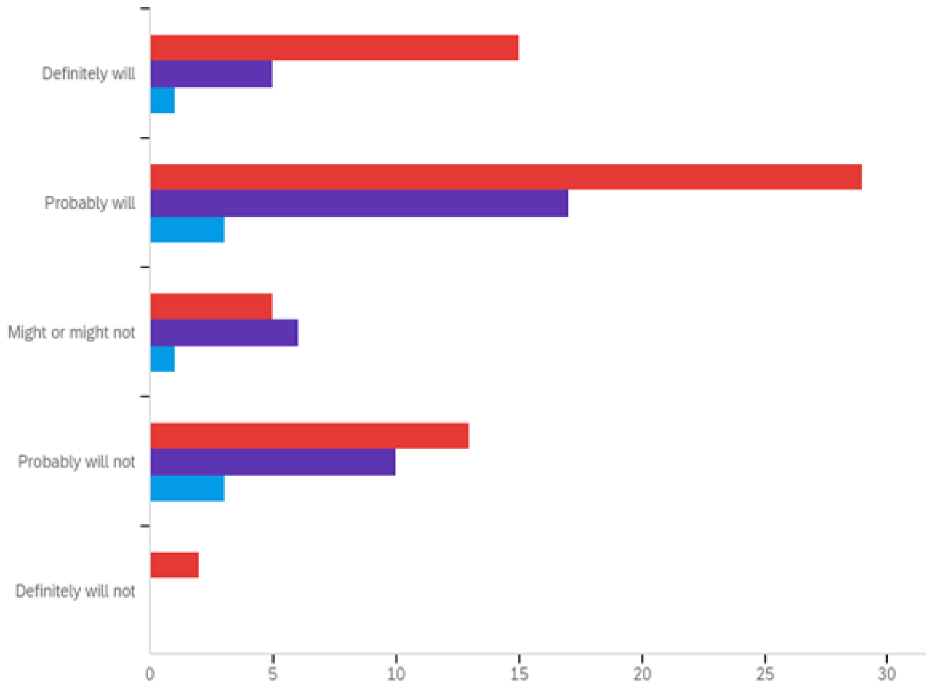
Uncertainty Avoidance			
Idea from the literature	Authors	Question	Expected Output
Consumers from countries where uncertainty avoidance is high tend to be more engaged in product searches before they buy, frequently checking reviews and guidance both online and offline. In high uncertainty avoidance cultures in which customers are very sensitive to uncertain, ambiguous situations, the quality of information is critical.	Engelen, Lackhoff, and Schmidt, 2013	1.Imagine your barber recommended you a hair styler. You decided to try it out. Will you need any additional information about the product? 2.How will you search for the additional information about the product? 3. Which channels would you use to acquire additional information about the product?	Influence of uncertainty avoidance on the pre purchase stage
Customers in high uncertainty avoidance cultures tend to explore a smaller number of channels and are less likely to shop from many different channels than customers in low uncertainty avoidance cultures.	Kumar and Pansari, 2016	1.Which channels are you ready to use for purchasing beauty and personal care products? 2.You have found out your retailer has a mobile app. What are the chances you will download it? 3. What will motivate you to download a mobile app of the retail chain you use?	Influence of uncertainty avoidance on the number of channels used
In high uncertainty avoidance cultures, it is even more important to integrate experiences and services across different channels and provide a seamless experience, as the higher perceived switching costs in such cultures make it more challenging for customers to switch channels	Accenture, 2015	1. Sometimes you use a mobile App to check for beauty and personal care products of your favorite brand-store. Once you found out they implemented new services such as special offers, when you are in store, and navigation through the physical store, with the possibility to scan the products and pay online. You decided to try the new services. However, the app works inappropriately, your location was identified incorrectly and it's quite hard to scan the product because the system recognizes the product only after several trials. The store employees explained that the service is new, so they still solve technical issues. What are the chances you will try it again? 2. What will be your attitude to the failure of using new services?	Influence of uncertainty avoidance on the desire to use new technologies and integration of channels

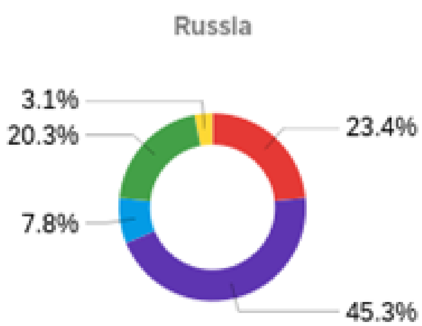
Appendix 12

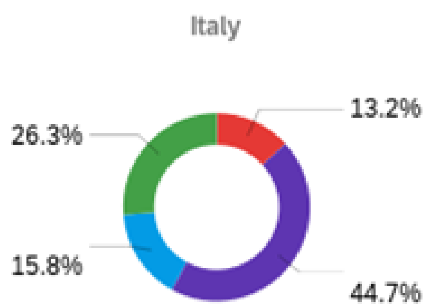
Survey Report

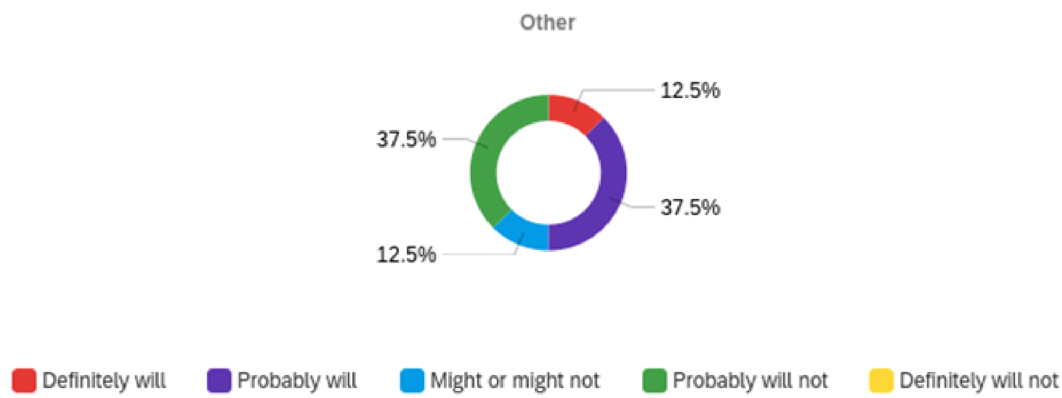
June 3rd, 2021

Q1 - You have always visited the same beauty and personal care physical store. During the last visit you saw the advertisement that they have just implemented online purchase. At the checkout the cashier gave you a coupon for the free delivery, but you have to register on the website. What are the chances you will try the new service?



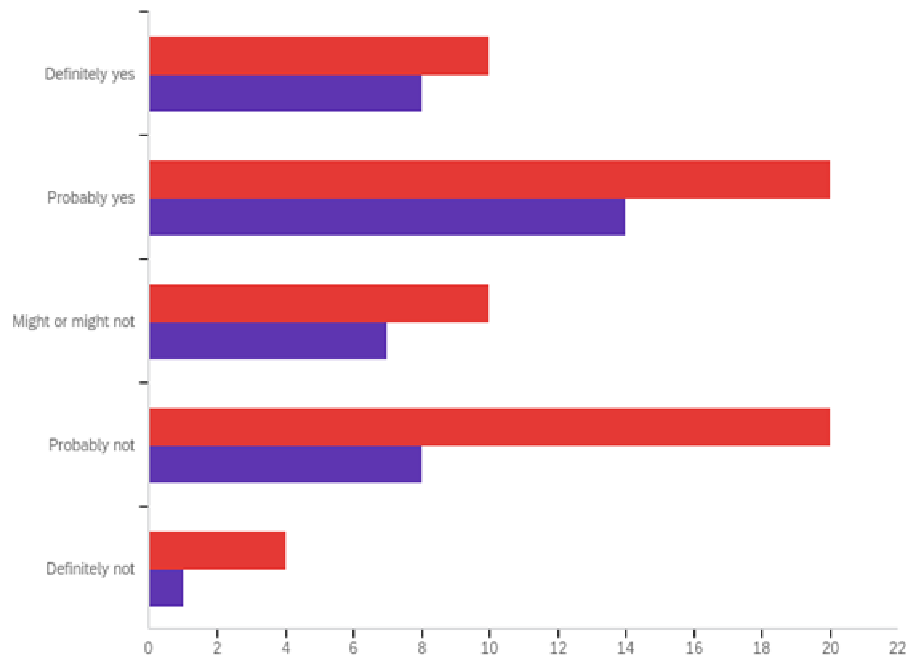


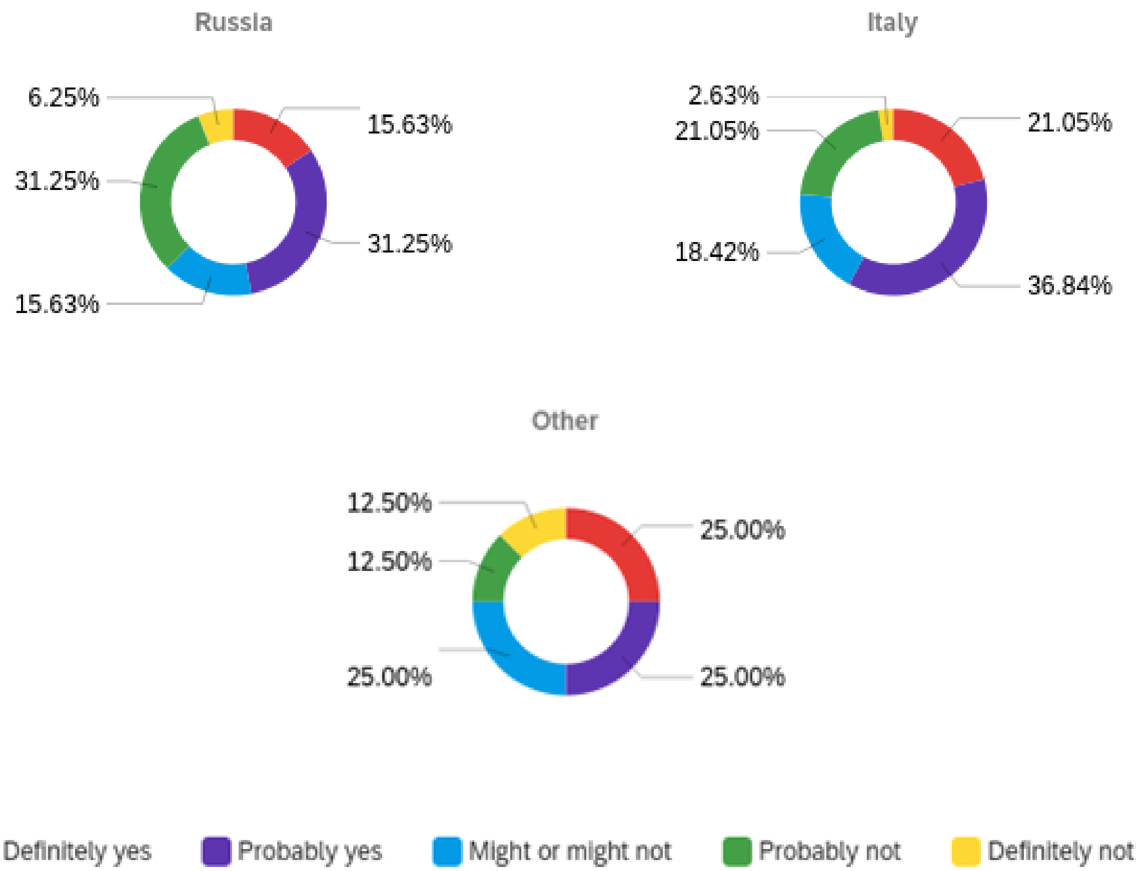




#	Question	Russian		Italian		Other	
1	Definitely will	23.44%	15	13.16%	5	12.50%	1
2	Probably will	45.31%	29	44.74%	17	37.50%	3
3	Might or might not	7.81%	5	15.79%	6	12.50%	1
4	Probably will not	20.31%	13	26.32%	10	37.50%	3
5	Definitely will not	3.13%	2	0.00%	0	0.00%	0
	Total	Total	64	Total	38	Total	8

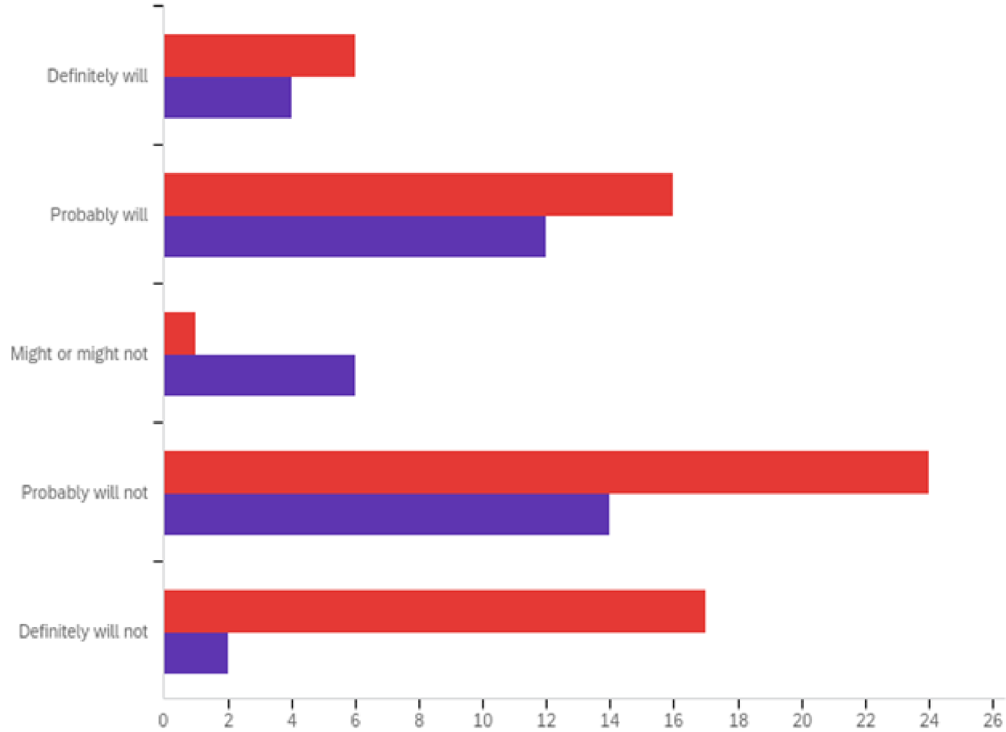
Q2 - Imagine you always buy personal care products in the same branded retail store. You have been a long-standing customer. You trust this brand and exactly know which products fit you. You often ordered online and picked up the products in the nearby store. However, during the pandemic your location has been closed, and it's not convenient to use other locations. Will you continue to buy products from the same retailer?

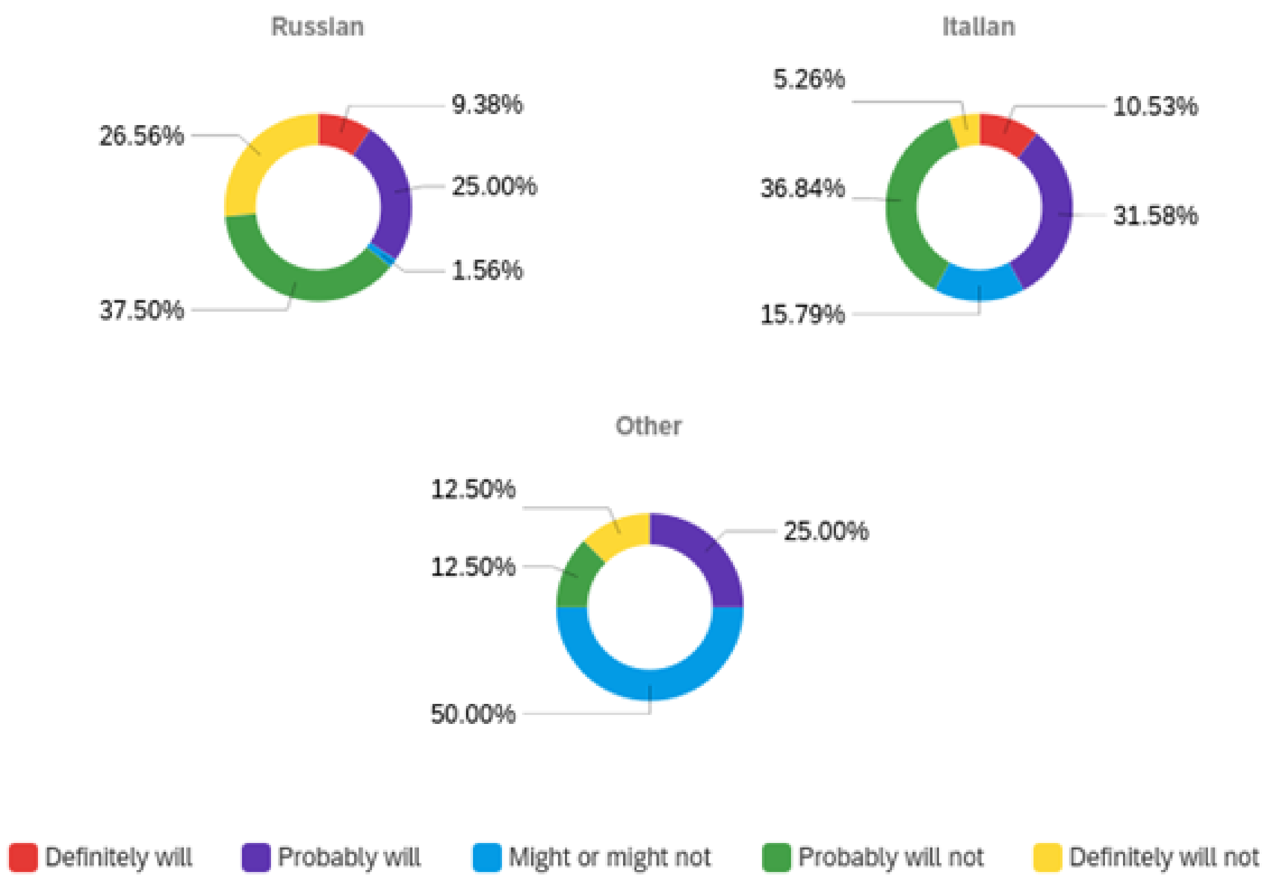




#	Question	Russian		Italian		Other	
1	Definitely yes	15.63%	10	21.05%	8	25.00%	2
2	Probably yes	31.25%	20	36.84%	14	25.00%	2
3	Might or might not	15.63%	10	18.42%	7	25.00%	2
4	Probably not	31.25%	20	21.05%	8	12.50%	1
5	Definitely not	6.25%	4	2.63%	1	12.50%	1
	Total	Total	64	Total	38	Total	8

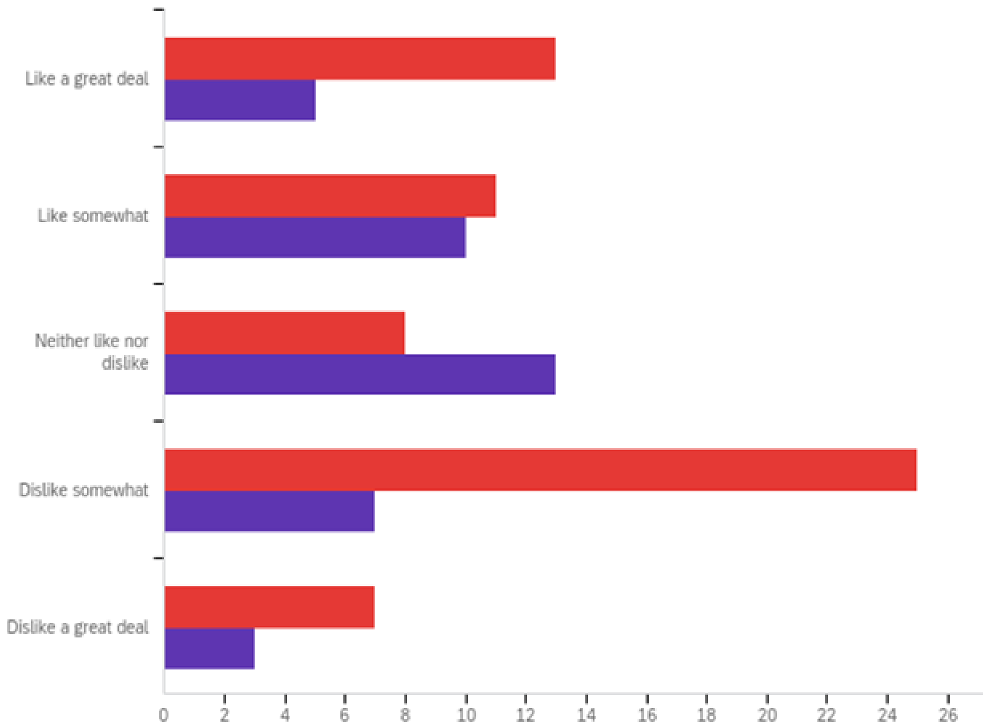
Q3 - The online store you usually use implemented a chatbot (software that simulates human-like conversations with users via text messages on chat.). What are the chances you will use it?

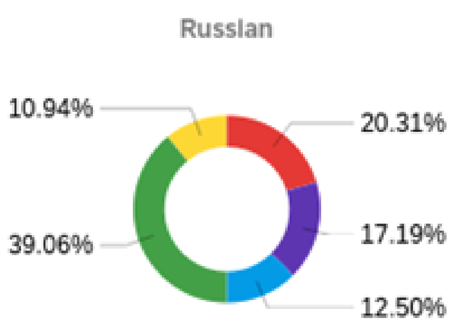


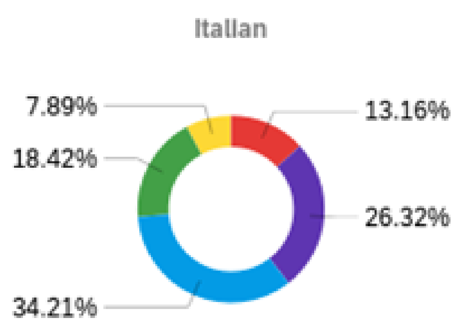


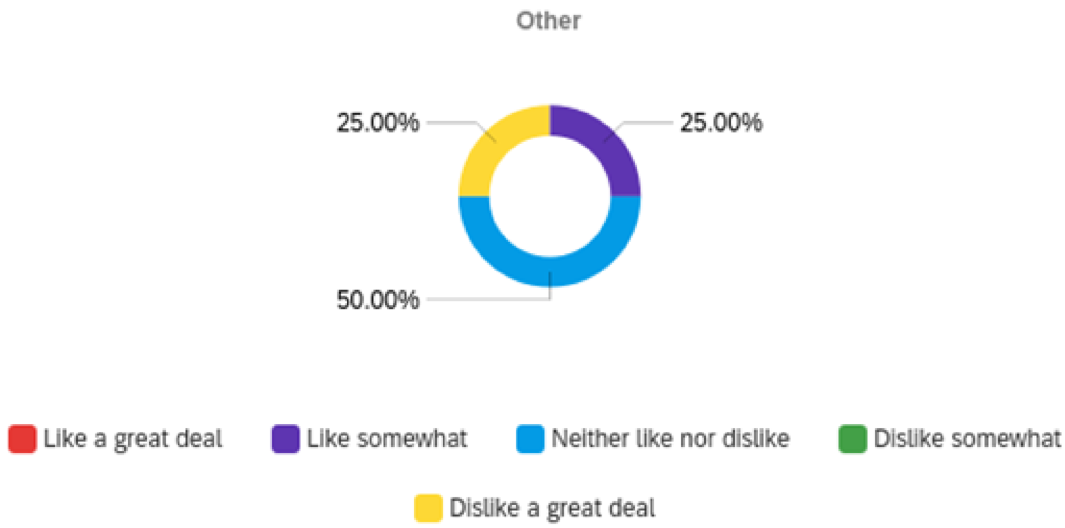
#	Question	Russian		Italian		Other	
1	Definitely will	9.38%	6	10.53%	4	0.00%	0
2	Probably will	25.00%	16	31.58%	12	25.00%	2
3	Might or might not	1.56%	1	15.79%	6	50.00%	4
4	Probably will not	37.50%	24	36.84%	14	12.50%	1
5	Definitely will not	26.56%	17	5.26%	2	12.50%	1
	Total	Total	64	Total	38	Total	8

Q4 - Your favorite online beauty and personal care shop has a chatbot. The retailer decided to upgrade it and made it more humane. Now in addition to providing assistance it also makes some jokes and involve you in the conversation. Will you like such changes?



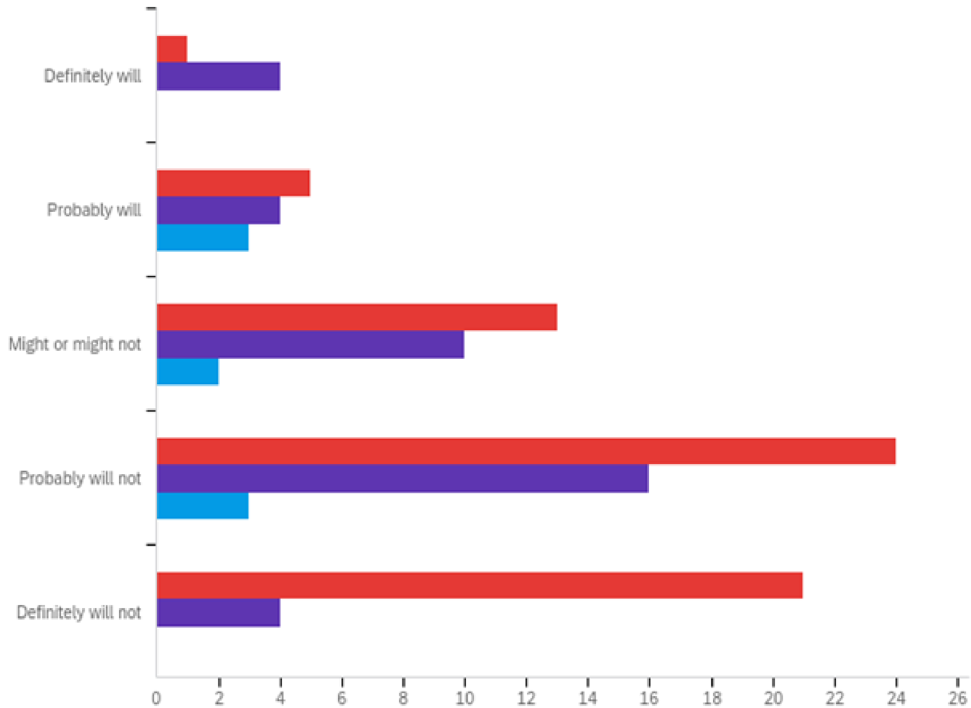


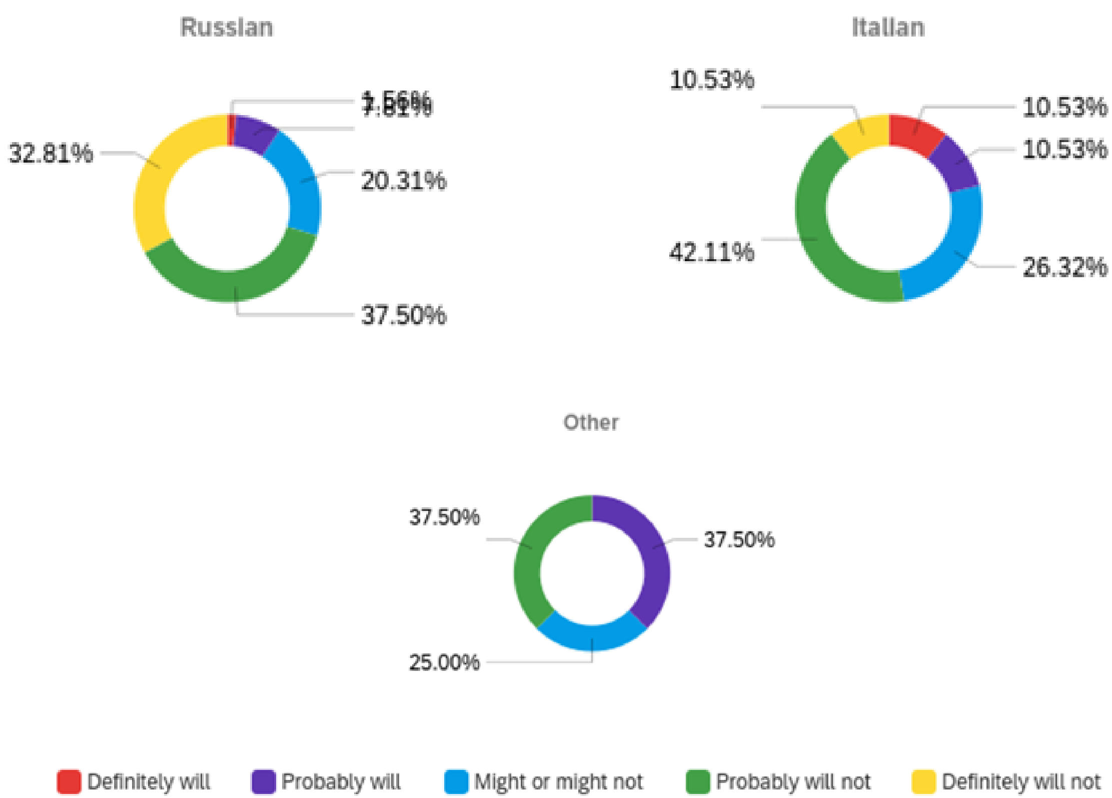




#	Question	Russian		Italian		Other	
1	Like a great deal	20.31%	13	13.16%	5	0.00%	0
2	Like somewhat	17.19%	11	26.32%	10	25.00%	2
3	Neither like nor dislike	12.50%	8	34.21%	13	50.00%	4
4	Dislike somewhat	39.06%	25	18.42%	7	0.00%	0
5	Dislike a great deal	10.94%	7	7.89%	3	25.00%	2
	Total	Total	64	Total	38	Total	8

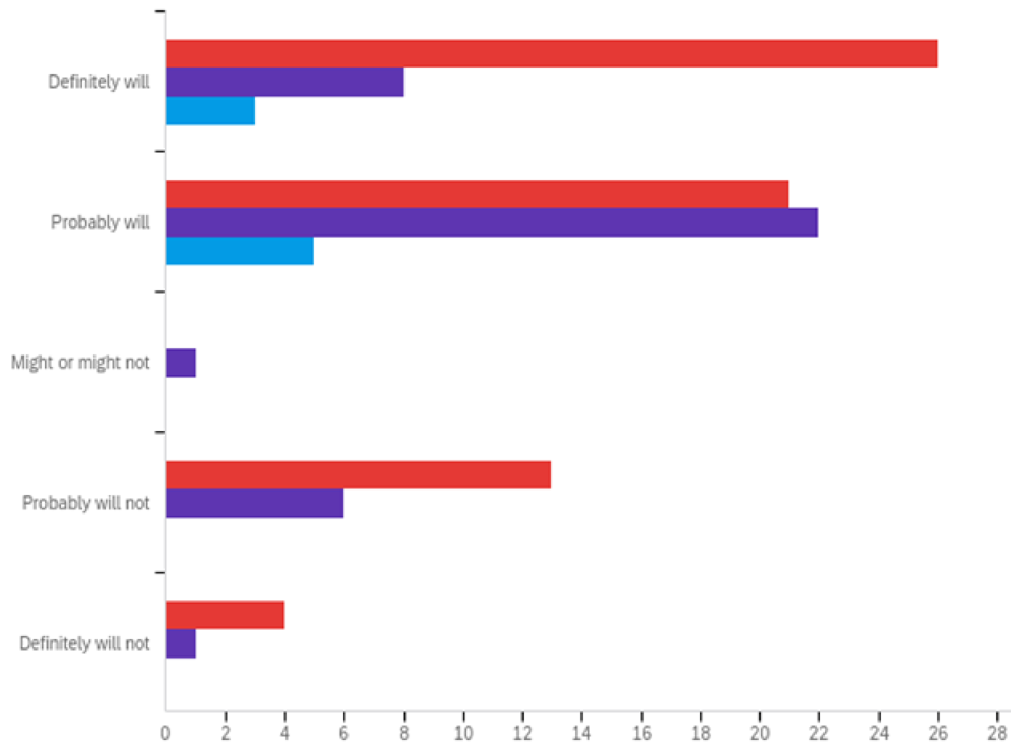
Q5 - You have been shopping in the same beauty and personal care retail store for years. You have your favorite employee who always provides professional assistance and knows what you want. This person has recently decided to change the place of work. What are the chances you also change the retailer?

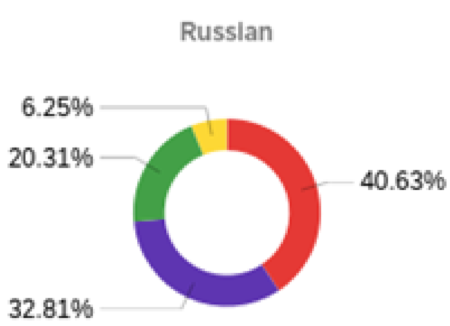


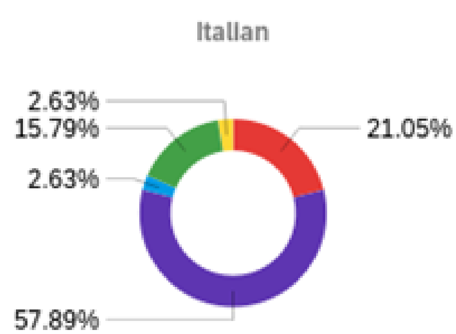


#	Question	Russian		Italian		Other	
1	Definitely will	1.56%	1	10.53%	4	0.00%	0
2	Probably will	7.81%	5	10.53%	4	37.50%	3
3	Might or might not	20.31%	13	26.32%	10	25.00%	2
4	Probably will not	37.50%	24	42.11%	16	37.50%	3
5	Definitely will not	32.81%	21	10.53%	4	0.00%	0
	Total	Total	64	Total	38	Total	8

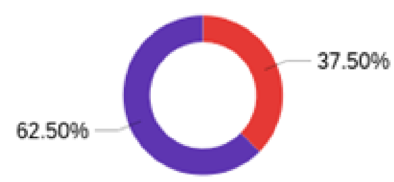
Q6 - Imagine your barber recommended you a hair styler. You decided to try it out. Will you need any additional information about the product?





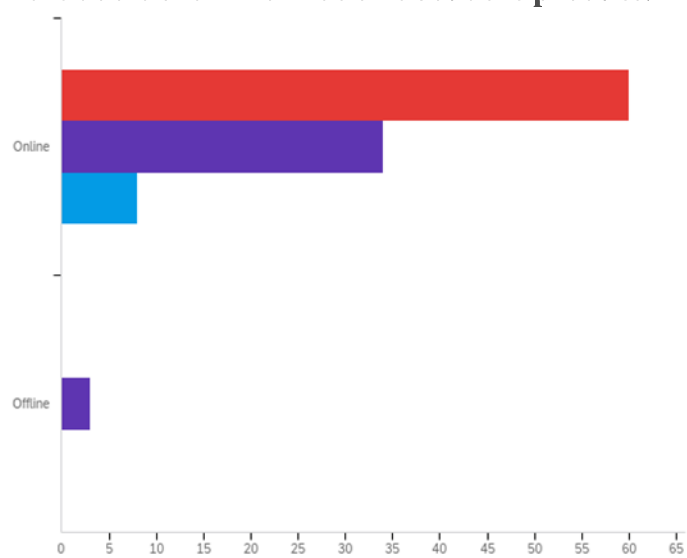


Other



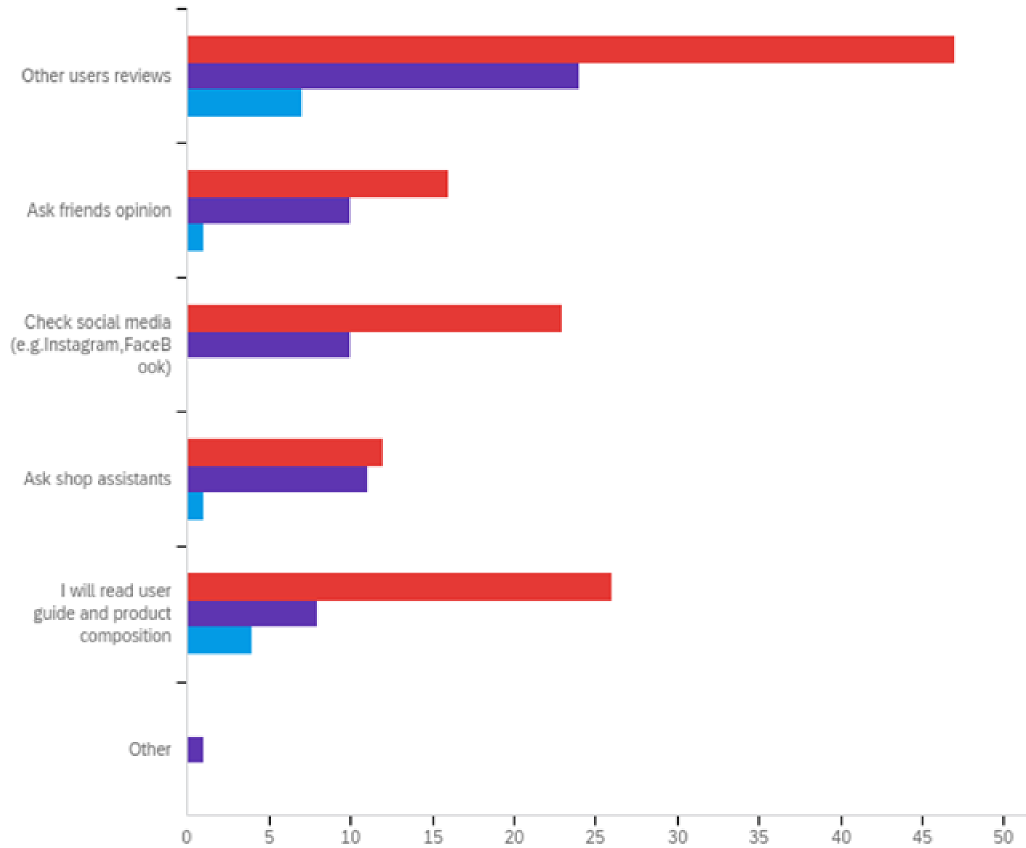
#	Question	Russian		Italian		Other	
1	Definitely will	40.63%	26	21.05%	8	37.50%	3
2	Probably will	32.81%	21	57.89%	22	62.50%	5
3	Might or might not	0.00%	0	2.63%	1	0.00%	0
4	Probably will not	20.31%	13	15.79%	6	0.00%	0
5	Definitely will not	6.25%	4	2.63%	1	0.00%	0
	Total	Total	64	Total	38	Total	8

Q7 - How will you search for the additional information about the product?



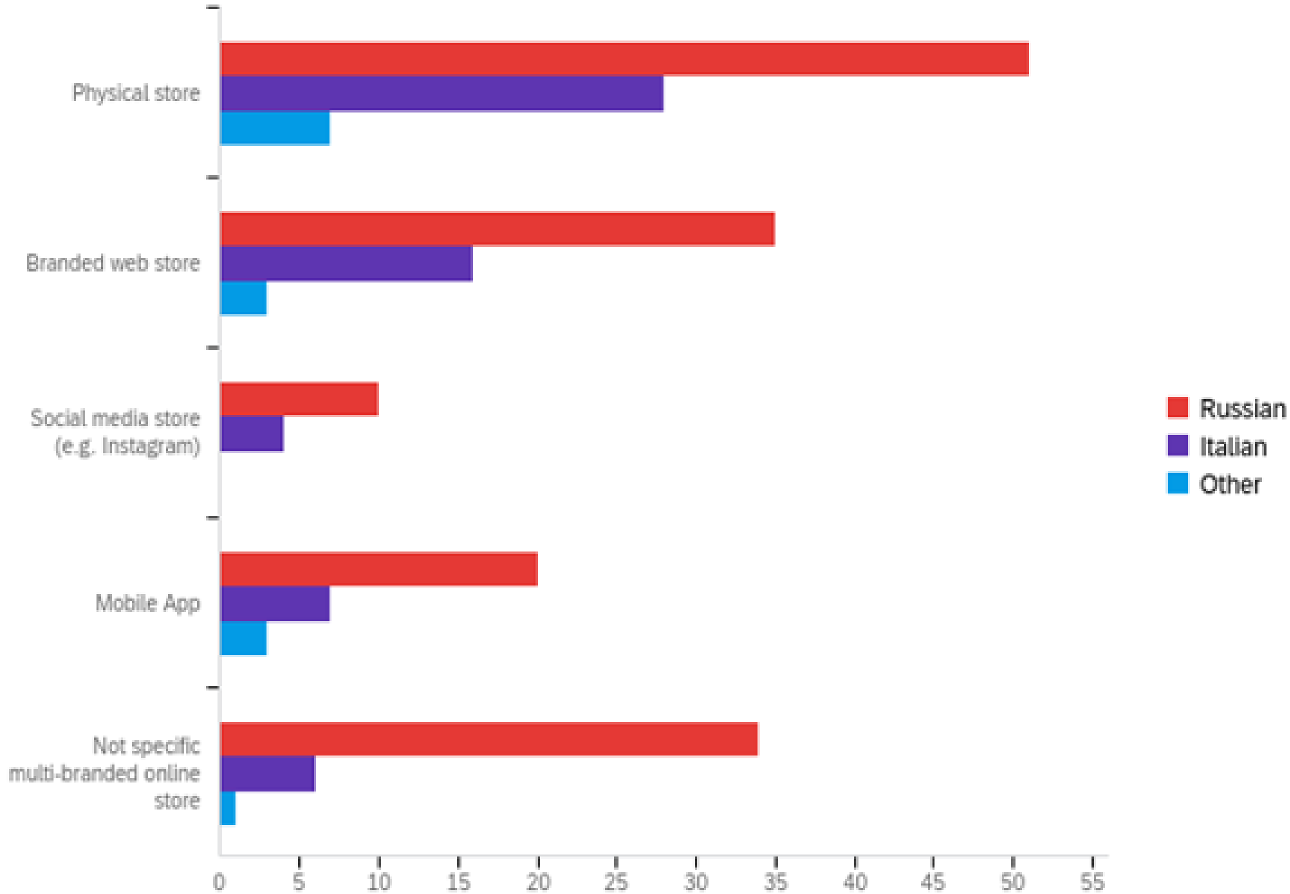
#	Question	Russian		Italian	
1	Online	100.00%	60	91.89%	34
2	Offline	0.00%	0	8.11%	3
	Total	Total	60	Total	37

Q8 - Which channels would you use to acquire additional information about the product?



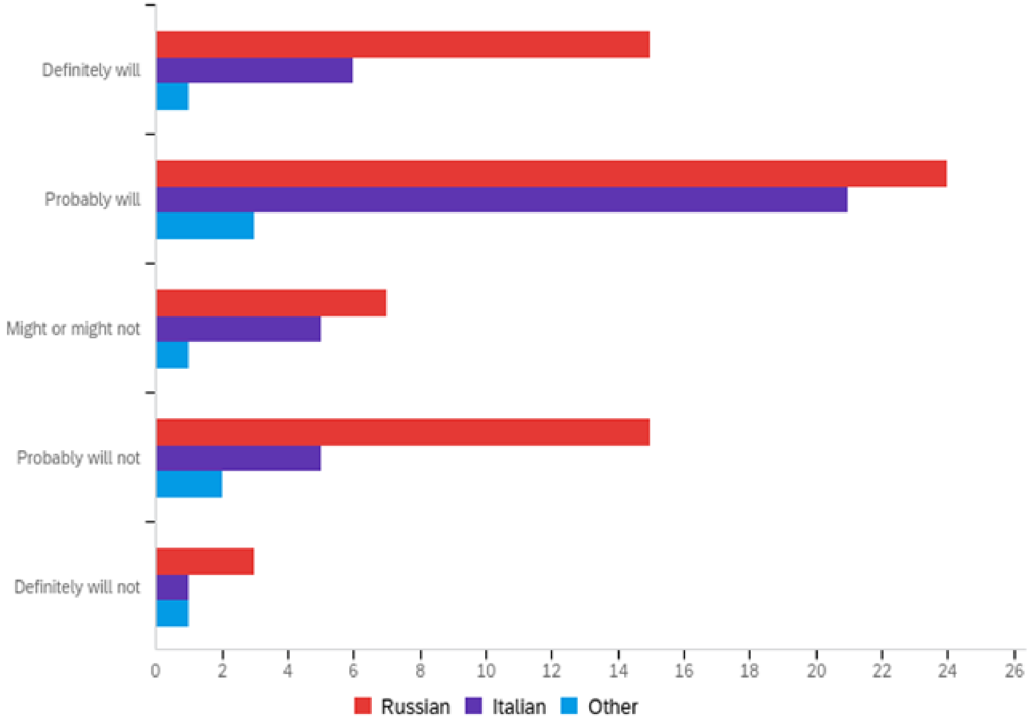
#	Question	Russian		Italian		Other	
1	Other users reviews	78.33%	47	64.86%	24	87.50%	7
4	Ask shop assistants	20.00%	12	29.73%	11	12.50%	1
2	Ask friends opinion	26.67%	16	27.03%	10	12.50%	1
3	Check social media (e.g.Instagram,FaceBook)	38.33%	23	27.03%	10	0.00%	0
5	I will read user guide and product composition	43.33%	26	21.62%	8	50.00%	4
6	Other	0.00%	0	2.70%	1	0.00%	0
	Total	Total	60	Total	37	Total	8

Q9 - Which channels are you ready to use for purchasing beauty and personal care products?



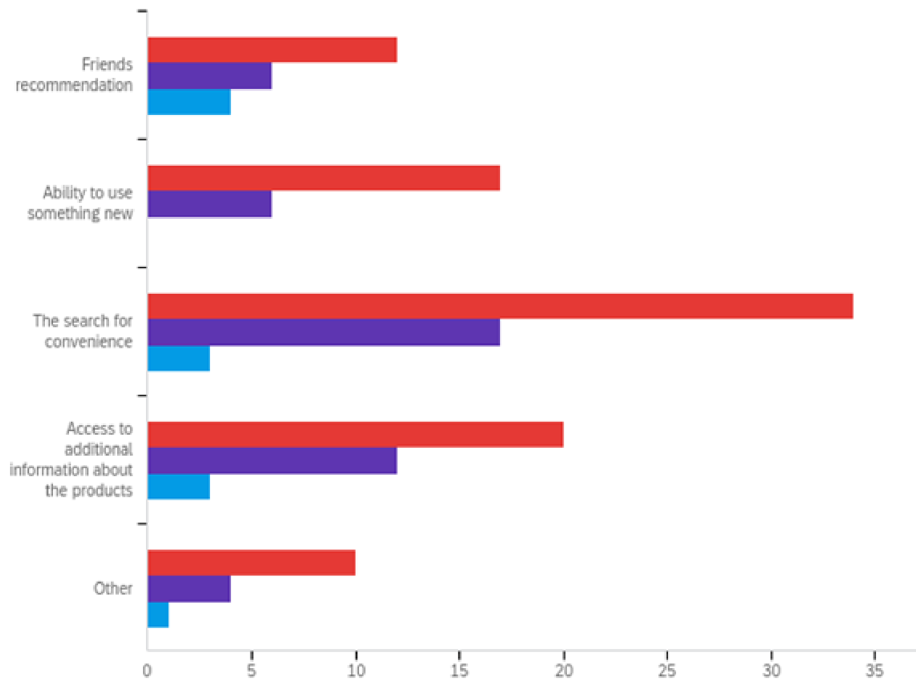
#	Question	Russian		Italian		Other	
1	Physical store	79.69%	51	73.68%	28	87.50%	7
2	Branded web store	54.69%	35	42.11%	16	37.50%	3
3	Social media store (e.g. Instagram)	15.63%	10	10.53%	4	0.00%	0
4	Mobile App	31.25%	20	18.42%	7	37.50%	3
5	Not specific multi-branded online store	53.13%	34	15.79%	6	12.50%	1
	Total	Total	64	Total	38	Total	8

Q10 - You have found out your retailer has a mobile app. What are the chances you will download it?



#	Question	Russian		Italian		Other	
1	Definitely will	23.44%	15	15.79%	6	12.50%	1
2	Probably will	37.50%	24	55.26%	21	37.50%	3
3	Might or might not	10.94%	7	13.16%	5	12.50%	1
4	Probably will not	23.44%	15	13.16%	5	25.00%	2
5	Definitely will not	4.69%	3	2.63%	1	12.50%	1
	Total	Total	64	Total	38	Total	8

Q11 - What will motivate you to download a mobile app of the retail chain you use?



#	Question	Russian		Italian		Other	
1	Friends recommendation	18.75%	12	15.79%	6	50.00%	4
2	Ability to use something new	26.56%	17	15.79%	6	0.00%	0
3	The search for convenience	53.13%	34	44.74%	17	37.50%	3
4	Access to additional information about the products	31.25%	20	31.58%	12	37.50%	3
5	Other	15.63%	10	10.53%	4	12.50%	1
	Total	Total	64	Total	38	Total	8

Q11 - Other - Russian

Other - Text
информация о наличии (information about availability)
Ничего (nothing)
скидки/бонусы (discounts/bonuses)
Ничего, если есть удобный аггрегатор (nothing if there is a convenient aggregator)
Какие-то дополнительные скидки (some additional discounts)
Coupons
Most probably nothing
Дополнительные скидки (additional discount)
Программа лояльности (loyalty program)
Скидка, бонус на первую покупку; бесплатная доставка (discount, bonus for the first purchase, free delivery)

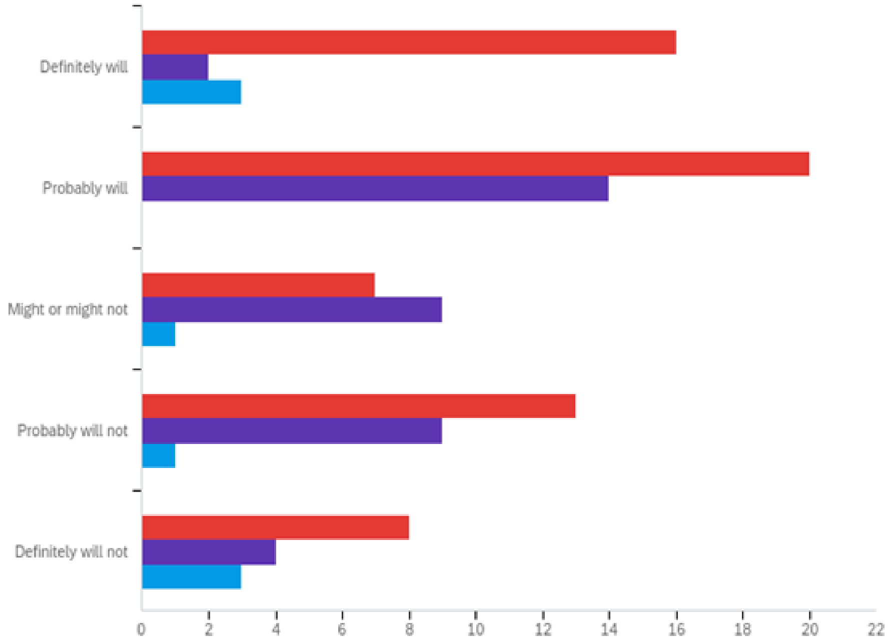
Q11 - Other - Italian

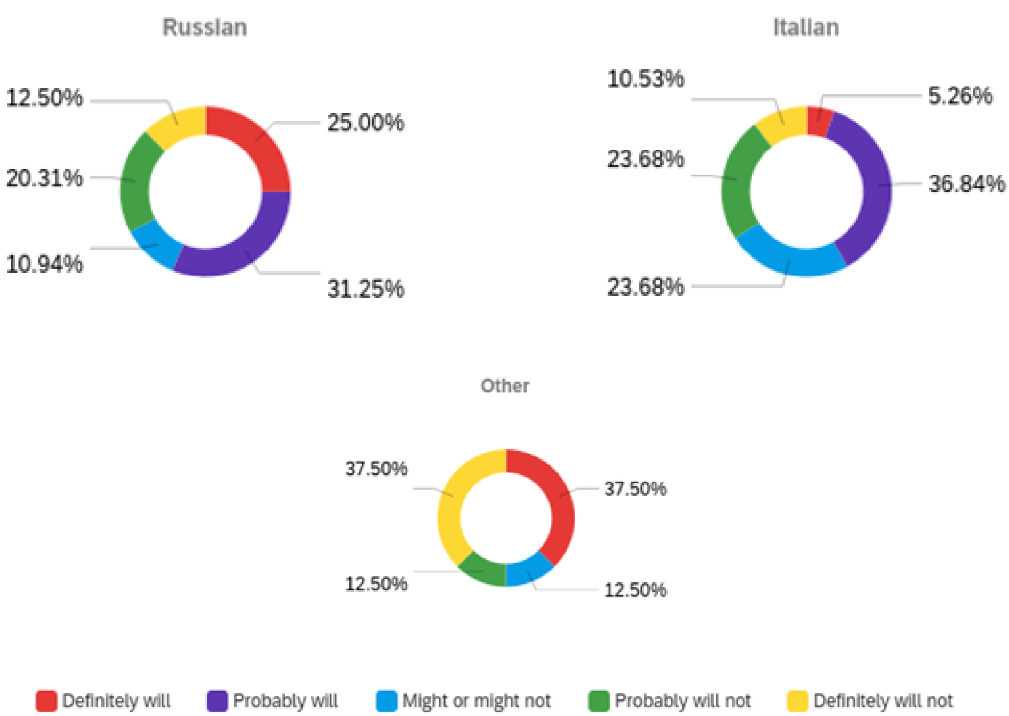
Other - Text
Possibilità di sconti e/o offerte (Possibility of discounts and / or offers)
Coupon
Consegna a domicilio (Home delivery)

Q11 - Other - Other

Other - Text
Better prices

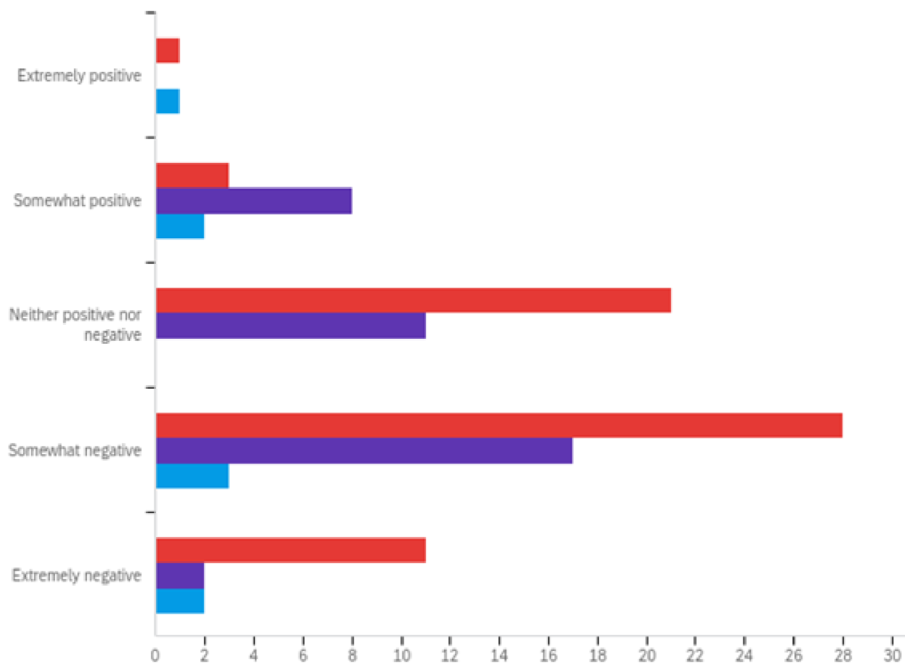
Q12 - Sometimes you use a mobile App to check for beauty and personal care products of your favorite brand-store. Once you found out they implemented new services such as special offers, when you are in store, and navigation through the physical store, with the possibility to scan the products and pay online. You decided to try the new services. However, the app works inappropriately, your location was identified incorrectly and it's quite hard to scan the product because the system recognizes the product only after several trials. The store employees explained that the service is new, so they still solve technical issues. What are the chances you will try it again?

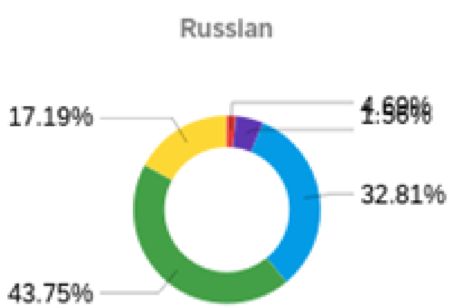


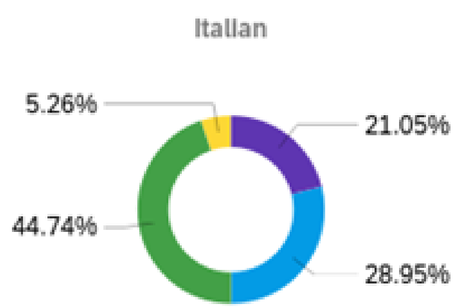


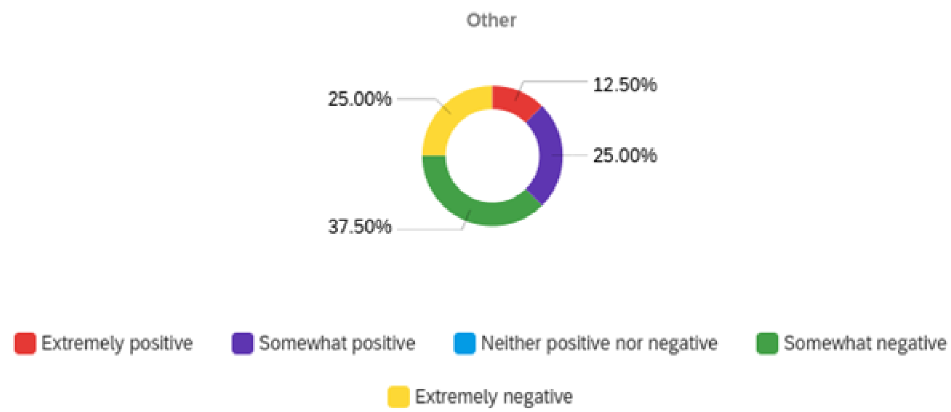
#	Question	Russian		Italian		Other	
1	Definitely will	25.00%	16	5.26%	2	37.50%	3
2	Probably will	31.25%	20	36.84%	14	0.00%	0
3	Might or might not	10.94%	7	23.68%	9	12.50%	1
4	Probably will not	20.31%	13	23.68%	9	12.50%	1
5	Definitely will not	12.50%	8	10.53%	4	37.50%	3
	Total	Total	64	Total	38	Total	8

Q13 - What will be your attitude to the failure of using new services?









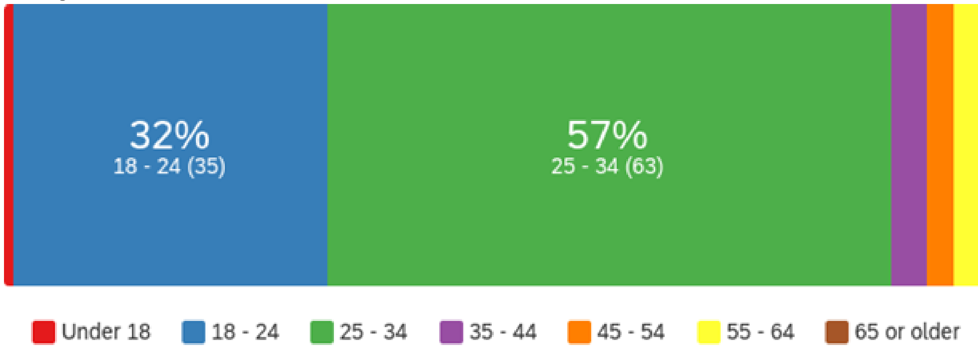
#	Question	Russian		Italian		Other	
1	Extremely positive	1.56%	1	0.00%	0	12.50%	1
2	Somewhat positive	4.69%	3	21.05%	8	25.00%	2
3	Neither positive nor negative	32.81%	21	28.95%	11	0.00%	0
4	Somewhat negative	43.75%	28	44.74%	17	37.50%	3
5	Extremely negative	17.19%	11	5.26%	2	25.00%	2
	Total	Total	64	Total	38	Total	8

Q14 - Please, in the free space give the reasons for your answer.

Italian Reasons	Translation
Il primo impatto di questo genere mi lascerebbe perplessa preferirei che il lancio del sevizio avvenisse una volta perfezionato	For the first time I would be misled. I prefer that launching of new services happen a soon as they work perfectly
Perdita di tempo	Waste of time
Devo valutare con calma	I should take it calm
Lo scopo di implementare un nuovo servizio dovrebbe essere quello di rendere più comodo e velocizzare il processo d’acquisto di un prodotto. In caso di malfunzionamenti , non avrebbe senso utilizzare qualcosa che funziona peggio di una normale interazione con un commesso!	The aim of launching new services is to make the process more convenient and faster. In case of technical issues there is no need to use it if it works worse than ordinary interconnection with the retailer.
se non riesco ad utilizzare i servizi perché l'app non funziona anche dopo mesi di attesa, questo mi spingerebbe a valutare negativamente l'esperienza	If I can't use the services because there are technical issues in the app after several months, it make me negatively assess an experience
It's not easy for me to try something new, if I decided to do it I'd like to have the full experience	

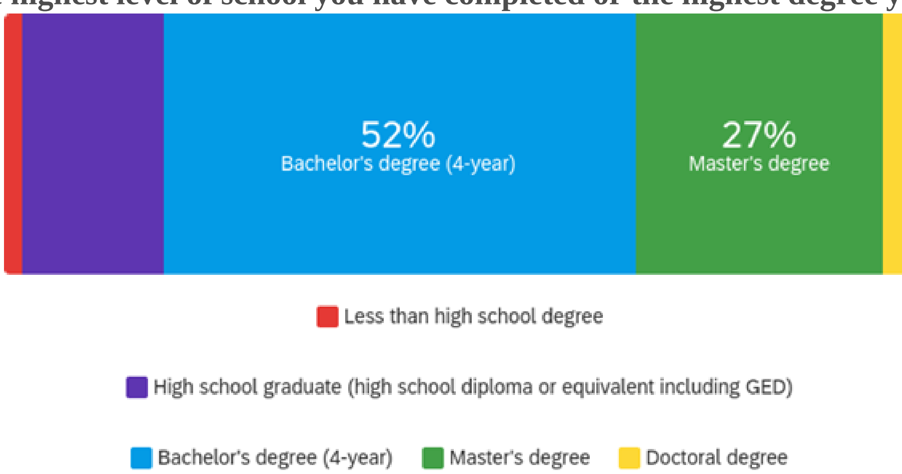
Russian Reasons	Translation
Главное, чтобы быстро починили баги и тогда норм. Если будет долго, то будет бесить.	The most important thing is that they fix bugs as soon as possible, it will be ok. If it takes a long time, I can lose my patience
It's not good to run the service without appropriate check of the system	
Логически я понимаю, что введение новых функций достаточно сложный процесс, но эмоционально у меня останется все равно негативное впечатление, поэтому в следующий раз я вряд ли воспользуюсь новыми функциями	Logically I understand that launching of new features is rather difficult process, but emotionally I would have got a negative impression so next time I hardly use the new functions
It would be annoying and would’ve wasted my time, but I somewhat understand that it’s a work on progress, so my reaction really depends on the store employees explanation and attitude	
Не корректная работа занимает много времени на то, чтобы разобраться, что не так с приложением	Incorrect work takes a lot of time to understand what is going wrong with the app
Это нормально, что в начале есть баги	It's ok that at the beginning there are bugs
Так как функции новые, ошибки возможны и допустимы для меня. Сообщу об ошибке и буду надеяться на исправления. А вот если ошибки не исправлены очень долго - удалю приложение, но не перестану ходить в этот магазин, если качество продукции не меняется.	Because the function is new, the errors are possible and acceptable for me. I will let support team know about the issue and will hope for fast fixing the problem. But if the errors are not fixed for a long time, I will delete the app, but I will not stop to visit the store, if the quality of products doesn't change
Нет времени разбираться с некорректно работающим приложением	I have no time to look into dysfunctional apps.
Ничего позитивного	Nothing positive
Если что-то работает некорректно, значит приложение недостаточно протестировали перед выпуском.	If something works incorrectly, it means the app was not tested enough before launching
если только это нововведение, настройка функций может не сразу быть в норме	Only if it is an innovation, functional settings can work with interruptions

Q15 - How old are you?



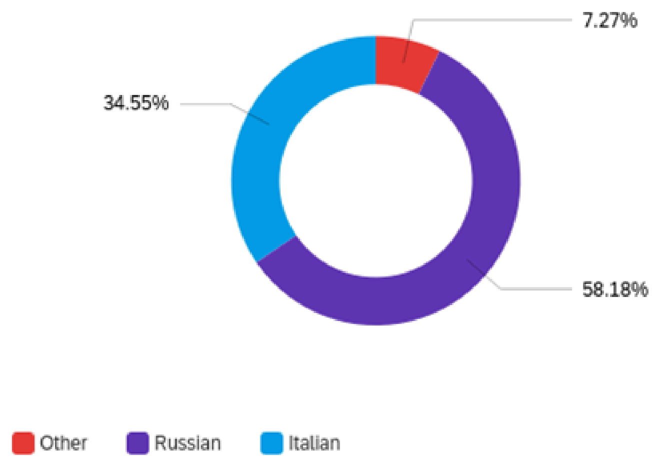
#	Question	Under 18		18 - 24		25 - 34		35 - 44		45 - 54		55 - 64		65 or older	
2	Russian	100.00%	1	68.57%	24	57.14%	36	50.00%	2	33.33%	1	0.00%	0	0.00%	0
3	Italian	0.00%	0	25.71%	9	36.51%	23	50.00%	2	33.33%	1	75.00%	3	0.00%	0
1	Other	0.00%	0	5.71%	2	6.35%	4	0.00%	0	33.33%	1	25.00%	1	0.00%	0
	Total	Total	1	Total	35	Total	63	Total	4	Total	3	Total	4	Total	0

Q16 - What is the highest level of school you have completed or the highest degree you have received?



#	Question	Less than high school degree		High school graduate (high school diploma or equivalent including GED)		Bachelor's degree (4-year)		Master's degree		Doctoral degree	
2	Russian	50.00%	1	47.06%	8	73.68%	42	43.33%	13	0.00%	0
3	Italian	50.00%	1	52.94%	9	21.05%	12	50.00%	15	25.00%	1
1	Other	0.00%	0	0.00%	0	5.26%	3	6.67%	2	75.00%	3
	Total	Total	2	Total	17	Total	57	Total	30	Total	4

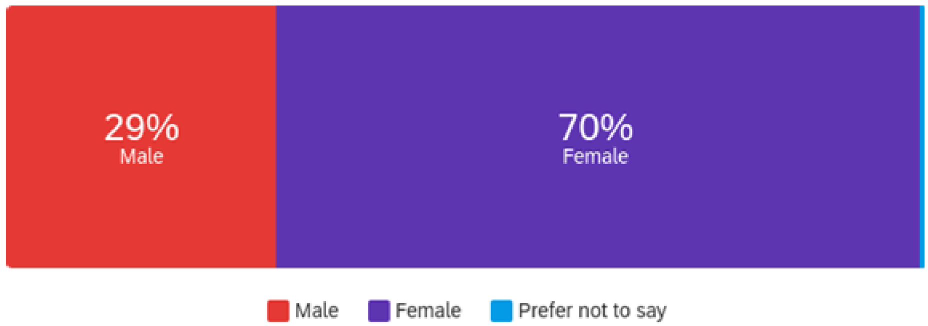
Q17 - What nationality are you??



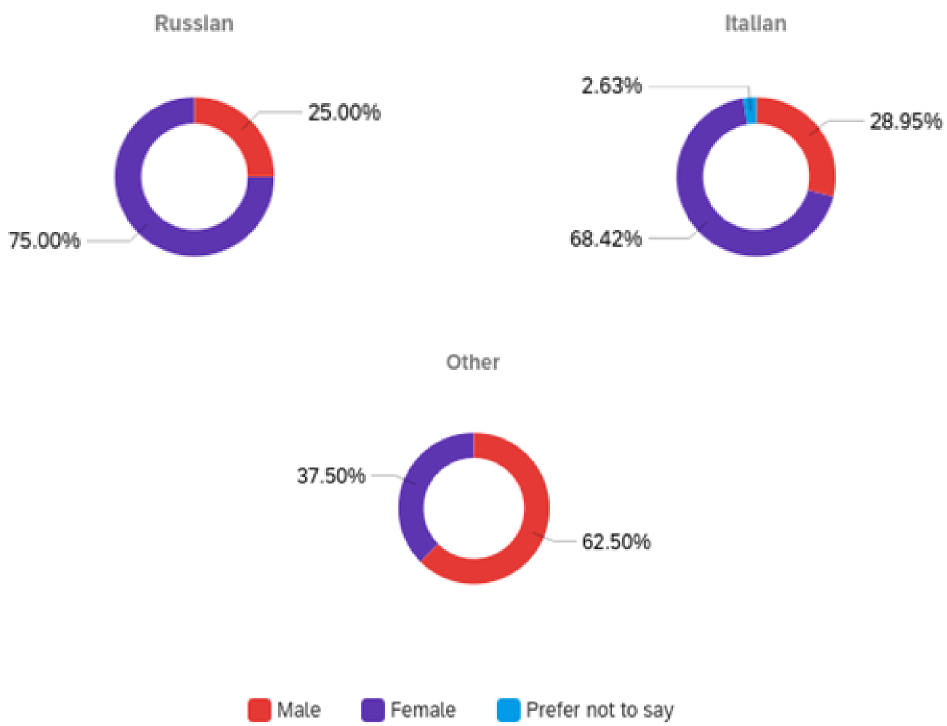
#	Answer	%	Count
3	Italian	34.55%	38
1	Other	7.27%	8
2	Russian	58.18%	64
	Total	100%	110

Other - Text
Slovenan
South African
Belgian
Indian
German
Indian
Украинец

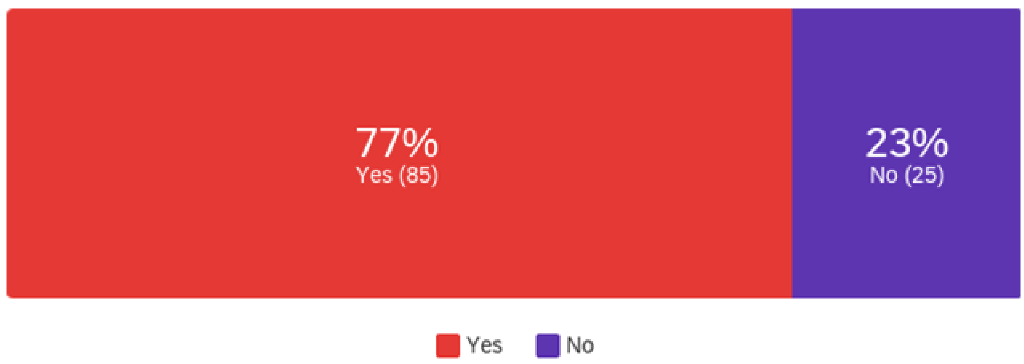
Q18 - What is your sex?



#	Question	Russian		Italian		Other		Total
1	Male	50.00%	16	34.38%	11	15.63%	5	32
2	Female	62.34%	48	33.77%	26	3.90%	3	77
3	Prefer not to say	0.00%	0	100.00%	1	0.00%	0	1

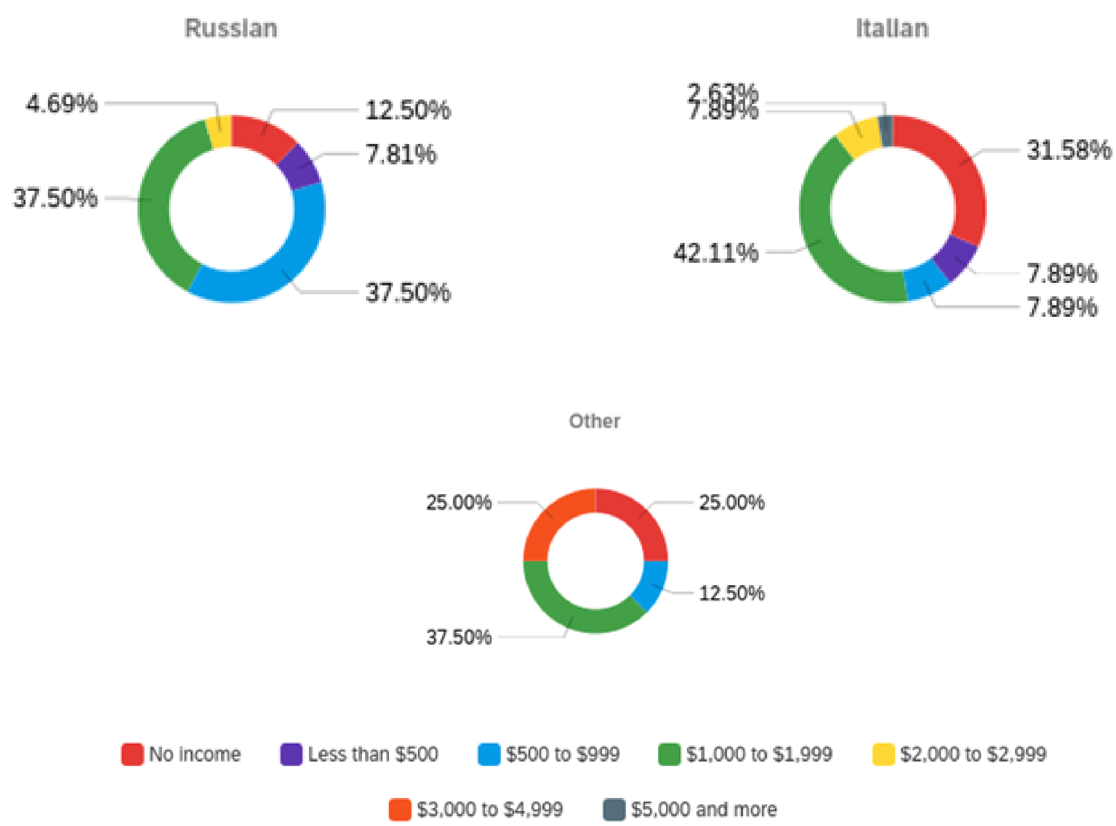


Q19 - Do you have a paid job?



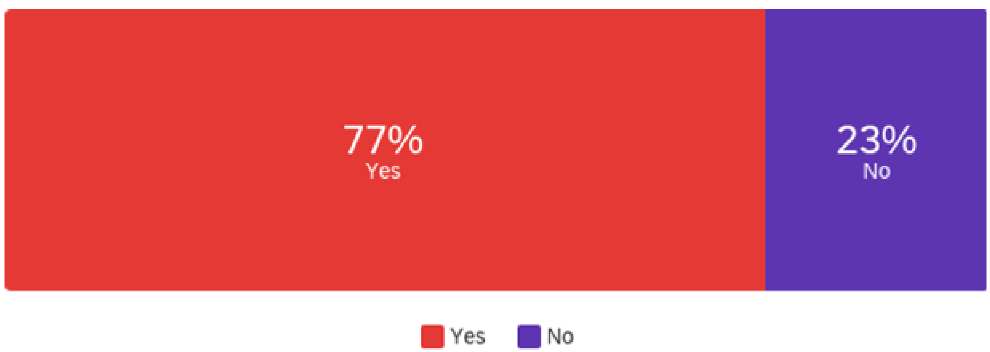
#	Question	Russian		Italian		Other	
1	Yes	84.38%	54	68.42%	26	62.50%	5
2	No	15.63%	10	31.58%	12	37.50%	3
	Total	Total	64	Total	38	Total	8

Q20 - What is your monthly income?



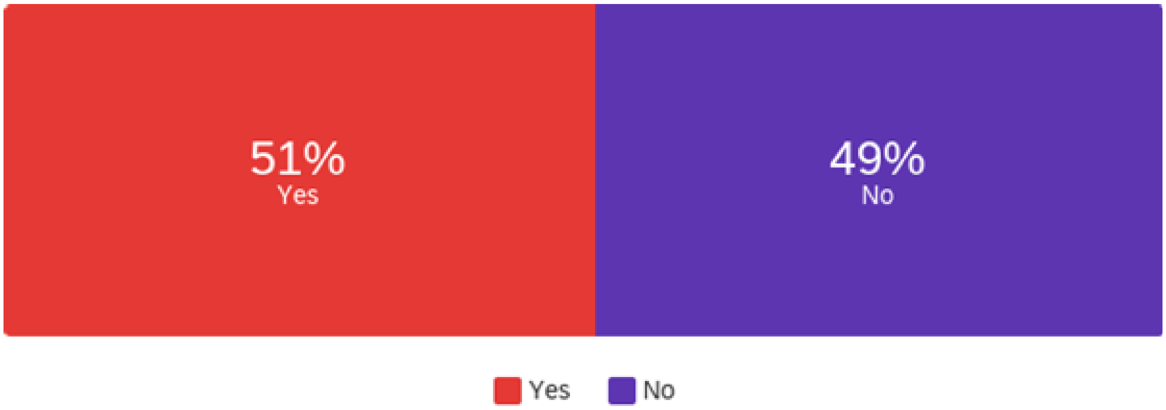
#	Question	Russian		Italian		Other		Total
1	No income	36.36%	8	54.55%	12	9.09%	2	22
2	Less than $500	62.50%	5	37.50%	3	0.00%	0	8
3	$500 to $999	85.71%	24	10.71%	3	3.57%	1	28
4	$1,000 to $1,999	55.81%	24	37.21%	16	6.98%	3	43
5	$2,000 to $2,999	50.00%	3	50.00%	3	0.00%	0	6
6	$3,000 to $4,999	0.00%	0	0.00%	0	100.00%	2	2
7	$5,000 and more	0.00%	0	100.00%	1	0.00%	0	1

Q21 - Do you know brand Sephora?



#	Question	Russian		Italian		Other	
1	Yes	70.31%	45	92.11%	35	62.50%	5
2	No	29.69%	19	7.89%	3	37.50%	3
	Total	Total	64	Total	38	Total	8

Q22 - Have you ever bought something from Sephora?



#	Question	Russian		Italian		Other	
1	Yes	48.44%	31	57.89%	22	37.50%	3
2	No	51.56%	33	42.11%	16	62.50%	5
	Total	Total	64	Total	38	Total	8

Q23 - How often do you buy the products from Sephora?

Frequency	**Russian Shares, %**	**Russian #**	**Italian Shares, %**	**Italian #**
Often	0%	0	9%	2
Rarely	42%	13	23%	5
Once a month	23%	7	14%	3
At least once in 6 months	10%	3	32%	7
Once a year	6%	2	9%	2
Once in a life	13%	4	5%	1
Not periodically (when necessary)	6%	2	9%	2
Total	100%	31	100%	22

Summary

This master's thesis explores an impact of cultural factors on an omnichannel retailing. Our research paper describes which cultural dimensions considered the most significant and how they influence the realization of omnichannel strategies applied by international companies and perception of the customers from the developed and emerging markets. In our thesis we have considered omnichannel retailing as a strategic approach developed to integrate and to unify the retail experience across different touchpoints, in order to enable customers seamless transition between physical and virtual stores. Increasing digitalization and volumes of online purchase make this question highly contemporary. There is a little research on the role of culture in channel selection by customers. The researchers highlighted there was a critical need for empirical study of how cultural dimensions contribute to the importance of touch points which lead to conversion, satisfaction, and engagement in the customer journey.

The omnichannel retailing extends the concept of multichannel retailing with a broader channel focus and scope, especially to include emerging digital channels. The main idea of the omnichannel retail is to unify the retail experience across different touchpoints and to allow shoppers to transition seamlessly between physical and virtual stores without any break in the experience (Forbes, 2020). The majority of practitioners see the future of physical retail in strong connection with digital experience and technology. The PwC consulting group defined consumer's omnichannel journey, which peculiarity is that each step is an opportunity to bring constructive and bold digital experience and "wow moments" (PwC, 2019). However, some practitioners criticize the strategy. For example, Steve Dennis, strategy and innovation consultant, in his article published in Forbes (June, 2019) argues that omnichannel has never been so effective as everyone tends to perceive. Firstly, he thinks the term was always "ill-defined". Secondly, he sees the concept has been used as a fashionable panacea for any struggling retailers. Thirdly, he notices too much popularity of an omnichannel which, in essence, is no more than a buzzword. Anyway, an omnichannel approach continues to evolve. Over time an understanding of omnichannel has transitioned from organizing different channels to strategic choice which requires structural reorganization of the company, change in goal and values, and creation of a strong digital ecosystem.

Our main concern was that global companies interact with customers from different cultures. They are driven by various values and motivations, so people must have different perception of the services. Geert Hofstede (1980) defined culture as a "collective programming of the mind which distinguishes the members of one human group from another". We used Hofstede's classification, mainly because his approach showed the culture can be quantified, compared and fragmented into smaller parts to be analyzed. In Table 1 we briefly

described the essence of each Hofstede's dimensions. The understanding of them is crucial for our research, as in the analytical part we used the relevant scores of each dimension retrieved from Hofstede Insights.com

Table 1. Hofstede cultural dimensions (compiled by the author)

Dimension	Essence	Meaning of measures
1. Power distance (PDI)	A degree of inequality that exists or is accepted between people with and without power.	A high PDI score indicates an inequality, hierarchical distribution of power, and that people understand "their place" in the system. A low PDI score means equal society, where power is shared and dispersed.
2. Individualism/ Collectivism (IDV)	A strength of the relationship to others or community	A high IDV score indicates weak interpersonal connection among those who are not part of a core "family". A low score says about a high feeling of belonging and common interests.
3. Masculinity / Femininity (MAS)	A distribution of roles between men and women	A high score witnesses masculine cultures. A low score refers to feminine countries
4. Uncertainty Avoidance (UAI)	An attitude to uncertainty.	A high UAI score implies to cultures, where people try to make everything predictable and controllable as possible. A low UAI score refers to more relaxed, open or inclusive countries
5. Short term / Long term orientation (in original Pragmatic vs Normative (PRA)	An orientation in time horizons.	A high PRA value stands for being very pragmatic, rational and with an orientation to the future. A low PRA country focuses on the presence, immediate rewards and quick results.
6. Indulgence / Restraint (IVR)	A dilemma between emotional and reserved behaviour	A high IVR score implies satisfaction of people's personal drives and emotions. A low IVR refers to restrained cultures by social norms, with little emphasis on leisure time.

In order to understand the interconnection, we have based our research on the model of Nam and Kannan (2020). According to the authors' vision omnichannel shopping is a part of consumer journey, which is influenced by socioeconomic, cross-cultural and privacy factors (Figure 4). Authors have found broad evidence that cross-cultural factors contribute to the adoption and the usage of new technologies. In Appendix 3 we enclosed the summary table collected by Nam and Kannan (2020) including the findings of previous studies on cross-cultural differences in interactions with touch points. The most essential conclusions we retrieved for our study are the following:

- Any appearance of omnichannel retail is hardly attractive for high uncertainty avoidance cultures
- A lack of trust in high power distance is a barrier for omnichannel retailing

- Individualistic cultures are more likely to be open to omnichannel thanks to the preferences to innovations.

In fact, the literature review retrieved the most frequently mentioned dimensions which are uncertainty avoidance and individualism/collectivism. Nam and Kannan (2020) stated two main proposals, which will serve for us as the hypotheses should be tested in the survey:

P1: The effect of omnichannel retail strategy on customer experience is stronger in high uncertainty avoidance cultures than in low uncertainty avoidance cultures.

P2: The effect of omnichannel retail strategy on customer experience is stronger in collectivist cultures than in individualist cultures.

Different studies (Ameen et al., 2018; Shavitt and Barnes, 2019; Nam and Kannan, 2020; Merritt and Zhao, 2020) provide various evidence that culture influences omnichannel retail mostly from the side of consumer behaviour, consumer journey and customer satisfaction. So, we can conclude that according to the literature review the dependence between omnichannel and culture exists, but it is not direct. In all reviewed theories there is always a mediator between two phenomena.

In 2015 and 2017 PwC conducted market research on global omnichannel retail, where they analyzed 28 countries and nine categories. The consulting company computed an omnichannel retail index, which assess countries on a 100 scale across four factors (PwC, 2017):

- Consumer behaviour – the rate in which customers make their retail purchases via an omnichannel approach.
- Degree of digitization – the level of sales channel digitization.
- Omnichannel potential - the average compound annual growth rate of the Internet and mobile retailing.
- Technology infrastructure - the penetration of omnichannel devices and services (such as smartphones and tablets).

In Appendix 4 we divided the countries and referent omnichannel retail index scores from PwC report on emerging and developed markets. As we can see, generally, developed countries have higher scores than emerging markets. We can explain that tendency by the higher level of the economic development of the country. People in developed countries have higher income, so they can afford more and expect better service and quality of products. It is interesting to notice that in many retail categories, Europe does not have significant online business, even though customers are beginning to want it (PwC, 2017). Substantially, customers in an emerging market base their satisfaction on their “attitude” of receiving value (in which price is a practical and important component) over their perceptions of the performance of the product or service (Morgeson, 2015). In turn, Western customers from the developed countries are more oriented on convenience and efficiency (Nam and Kannan, 2020). Recent research expresses that price and promotion are no longer one of the main appeals when it comes to customer purchase decisions (Shirai, 2015). However, there is an evidence to assume that it also depends on which type of markets: developed or emerging. In the emerging countries, lower disposable income may force customers to place greater importance on price in most/all their consumption experiences, elevating the importance of value and diminishing that of quality (Morgeson, 2015).

In PwC ranking, in comparison to other industries, the global beauty and personal care market has almost the lowest omnichannel retail index and is positioned on 8^{th} place out of 9 categories, conceding only to grocery (Appendix 5). "Research and Markets" (2020), the world's leading market research store, identifies the key reasons driving the global online beauty and personal care products market growth:

- expansion of distribution channels
- adoption of omnichannel strategy
- the rise in penetration of internet and smart gadgets

The beauty and personal care market is one of the fastest growing consumer markets. It is driven mainly by the Cosmetics and Skin Care segments (Statista, 2021). In particular, young consumers generate the growth. At the same time, this change is reinforced by social media, globalization, and e-commerce, which affect purchase of beauty products.

The Covid-19 also impacted the market. In 2020 the size of the market has been estimated USD 487.4 billion, which is 3,78% less than in 2019. The last year revealed the first drop in sales in the 5 years history (Appendix 6). In terms of volume in 2020 the global beauty industry is showing a decline of 1,3%. However, the pandemic has changed consumer behaviour and have boosted the online purchases. E-commerce expanded by over 35% globally and the share of online sales of colour cosmetics exceeded 30% in 2020.

For the case study we have examined practice of a French brand owned by the luxury conglomerate LVMH, Sephora. The company has been chosen because it is the omnichannel leader on the beauty and personal care market. We have analyzed performance of Sephora in Italy and Russia and compared how omnichannel approach is implemented in two different countries. We have concluded that the set of available services varies for Italian and Russian customers.

Sephora positions themselves as the best-in-class omnichannel retailer. They pioneered mobile usage in beauty, creating innovative content in the app or social media to share Sephora expertise with clients wherever they are and whenever they want. The company became the first beauty retailer, which enabled Instagram's checkout. As a leader in digital innovation, Sephora continues to provide the best-in-class e-commerce experiences. In both analyzed countries, Sephora has local nationally focused websites: sephora.it in Italy and sephora.ru in Russia, which take care of direct online sales. In order to compare e-commerce performance of Italian and Russian markets in Appendix 10 we included data from EcommerceDB, the Statista database, focused on the e-commerce performance of online stores from different sectors. Sephora stores are classified in the “Food & Personal Care” category, particularly in the “Personal Care” area.

Sephora.it was launched in 2012, and it is operated by LVMH Italia S.p.A. Its e-commerce net sales are generated almost entirely in Italy. Globally Sephora.it ranked 1,304. In 2020 Sephora.it net sales reached USD 88.2 mln, in comparison to relatively small sephora.ru net sales evaluated by USD 6.9 mln. In global ranking sephora.ru was placed at 8,028. On the local market Italian online store proves its leading position as it is ranked 4th with the market share up to 5%, while Russian online store even on the local market is ranked 38th. As we can see Sephora e-commerce is much more developed in Italy than in Russia. There are several reasons for it. First of all, the company entered Italian market a long time ago and managed to establish longstanding customer relationships. However, due to the failure in Russia they lost their advantage and now they are still on the beginning steps of market penetration. Secondly, the range of services available on Italian and Russian markets are quite different. We also conducted a comparative analysis of the provided services in terms of realization of omnichannel strategy.

Both websites are highly interactive and informative. They are easy to navigate thanks to the captivating and professional landing page and a clear vertical menu. The main colors used for the online stores are the same as for the physical one that gives the websites a luxurious appearance. The services provided to enrich the customer experience are different. For example, Sephora.it has “Virtual Artist” which allows customers to create their favourite look by trying various make-up options in AR in order to pre-visualize the products before actual purchase. Italian consumers are also able to book a free of charge video call with Sephora’s beauty experts in order to receive consultancy and suggestions tailored to their specific needs. However, these services are not available for the Russian customers.

Both Sephora online stores have a “Click & Collect” option, so customers can purchase online and then pick up the order in a physical store, avoiding queues. Though in Italy the order can be picked up within 2 hours, while in Russia minimum timing required to prepare the order is 3 hours. Also, on the website, visitors are encouraged to download Sephora's mobile app which is able to enhance consumers loyalty. The company is very active on social media. The Italian Instagram official account reaches 1.1 mln followers, while Russian account has 304 thousand. There is the possibility to directly purchase products displayed in posted contents thanks to Instagram's new shopping feature.

On both markets Sephora implemented points loyalty programs, but the variety of special offers are different in these countries. In Russia consumers benefit from collecting points, which they can exchange for products or discounts (starting from 250 points). They can earn bonus points for the following activities:

- everyday purchases,
- double points for buying in their birthday,

- download a mobile app,
- in store check-in,
- tie Ile De Beaute card.

The Sephora loyalty program in Italy has more variety. The company integrated a tiered loyalty program in which clients are divided in three levels of loyalty (White, Black and Golden fidelity cards); the most loyal ones receive better rewards, stimulating engagement and repeat purchases. Moreover, the brand has an active brand community which aids to strengthen loyalty and involvement. Customers can collect points for purchase in equivalent 1 euro spent is equal to 1 bonus point. In addition, to the general bonus system they can have exclusive offers based on the tier such as:

- birthday presents,
- free shipping,
- free total look make-up,
- exclusive previews of new collections, etc.

Our study of the Sephora case showed that the beauty and personal care companies in terms of omnichannel experience offer different services in the emerging and developed countries. We continued our analysis with the primary data collection. For this we have chosen a survey method to cover a larger number of respondents. Our survey is mainly targeted on Italian and Russian consumers, though we also received the answers from representatives of other nationalities, which were not considered in the results of our analysis. We created an online questionnaire in Qualtrics to have the possibility to reach the respondents from distant locations. The survey was translated and available for our participants on English, Russian and Italian languages. For the distribution methods we used, primarily, the WOM method, as long as publications on Research Gate, Reddit, several Facebook communities, and personal LinkedIn account.

In order to analyze results of the survey we broke down the answers based on the nationality of respondents. Therefore, we got three groups of answers: Italian, Russian and other nationalities. As we used open distribution tools where the nationality of the respondent is beyond our control (like Reddit and ResearchGate) to avoid possible discrimination of people from other countries, we included option other to give them an opportunity to participate. Though we are interested in comparative analysis of two countries: Russia and Italy.

In Appendix 12 we enclosed the results of the survey organized in charts and showing the comparison of the collected data. For the first five questions, we expected to collect contradictory answers because they were supposed to reveal individualistic/collectivistic differences. In fact, we have not found a great difference between Italian and Russian perceptions.

Overall, from our survey we received 110 finalized responses out of 145 distributed. Though 64 of them are Russians, 38 are Italians, and the rest responses are from the other nationalities, which are not considered in the analytical part. We did not restrict our survey on the certain age of consumers, nevertheless during the distribution we considered the fact that the most common users of the omnichannel are millennials, and the most evolving category is generation Z. These two consumer groups represent most of our respondents: 32% are at the age of 18-24 and 57% are at the age from 25 to 34 years old. Considering the specifics of the industry, we got Bernoulli distribution for gender data: 70% of respondents are female, 29% are male, and 1% of respondents prefer not to unveil the gender. 77% of our respondents have a paid job with the average monthly income $1.000-$2.000. Also 79% of participants have a higher education: 52% bachelor's degree, and 27% master's degree.

For the first question, both nationalities showed the readiness to try out new channels. The uncertainty avoidance dimension has a minimum influence here because they are invited to explore online purchase from the known retailer. 58% of Italian respondents are most likely to use new service: 13% will definitely do it, 45% probably will. Russian customers showed stronger readiness to switch to a new channel, 68% of respondents agreed to try it out: 23% will definitely do it, and 45% probably will. Though there are no "definitely will not" answers from Italians, in comparison to 3% of Russian respondents definitely rejected to use new channel. The tricky part of that question was that we intentionally gave people a motivation to accept the offer via providing free delivery for registration on the webstore. We believe it was the main influential factor on their decision. The evidence for our assumption can be found in the question 11 where we asked to choose what would motivate them to download a mobile app. Besides the listed alternatives respondents were offered to type their own choice. The most frequently mentioned option was various types of pricing offers such as coupons, discounts, bonuses, free delivery, etc. It demonstrates consumers price sensitivity and brings us to the conclusion that innovativeness and new channels adoption can be driven by pricing promotional activities. The higher percent of Italians (16%) in comparison to Russians (8%) chosen "might or might not" option which means the price factor works worse on Italians than on Russians. Italian consumers are searching for something else to be motivated to expand the usage of channels.

In the second question we checked if the individualistic cultures are more focused on convenience factor and whether customers are ready to leave if the service becomes less convenient. However, Italian customers representing individualistic culture showed rather high level of loyalty. 21% of respondents will definitely continue to buy from the same retailer even if the location is not convenient for them anymore and they need to change the way they buy products. 37% most likely will continue the relationships with the same retailer. So, overall, we can observe around 58% of positive Italian responses, in comparison to also quite high rate of 47% Russian positive responses. Though if the tested suggestion would be true, Russian consumers should show higher level of loyalty than Italians. To sum up, we reject an assumption that individualistic cultures tend to leave the retailer if the channel they buy from became inconvenient.

In questions 3 and 4 we checked the relationship of consumers from different cultures with virtual agents. As an example, we took most frequently used software - chatbot. Both countries showed not very high level of preference to use it: 34% of Russian over 42% of Italian positive answers. However, our goal was to understand how the attitude to relationships with virtual agents varies. And again, Russia as a collectivistic country supposed to be more relationship oriented than individualistic Italy. In fact, we found 20% of Russian respondents really like more humanistic approach in the work of chatbot, 17% somewhat like it, and 13% are not sure with the answer. In turn, Italian results are 13% - really like, 26% somewhat like it, and 34% are indifferent. This shows that implementation of chatbot focused on building friendship relationships with customers can improve the interest of people from both collectivistic and individualistic countries, because the percentage of respondents who likes the change exceeds the number of people who is ready to use chatbot now.

In the last 5th question dedicated to individualistic/collectivistic dimension we checked if the depth of social relationship influences the consumer loyalty in collectivistic culture. The results showed we must reject the hypothesis. Italy showed (21% of positive answers) even higher precent of loyalty based on social relationships than Russia (less than 10% of positive answers).

The next block considers uncertainty avoidance dimension. The first three questions in this block were created to retrieve a customer engagement to search for the information about the product before the purchase. And if they tend to do it, how they prefer to gather the information. Also, to collect unbiased opinions our question was formulated in such way that before making the decision whether to buy the product or not they were given the recommendation from the person who they were supposed to trust. Our survey results confirm that high uncertainty avoidance stimulates people to explore more about the product. 74% of Russian respondents agreed they would need additional information about recommended product, as well as 79% of Italians. The only difference between countries that Russians showed higher level of confidence than Italians: 41% of Russian respondents stated they would definitely need some additional information, while from Italy almost twice less (21%). Anyway, both countries demonstrated a high level of interest to the product features on the pre-purchase stage. Meanwhile, 97% of the overall sample prefer online channels to collect additional information to offline. The rest 3% went to offline option chosen by some Italian respondents. For Italy and Russia, we ranked channels used to acquire additional information about the product. Based on the results we can confirm an assumption made by Engelen, Lackhoff, and Schmidt (2013) that uncertainty avoidant cultures frequently check reviews and guidance. “Other users review” is the most frequently chosen option by the respondents of both countries. However, national preferences differ from each other (refer to Table 3 below).

Table 3. Ranking of channels used for additional information search (compiled by author, based on the survey results)

	Russia	Italy
1.	Other users review	Other users review
2.	User guide and product composition	Shop assistants
3.	Social media	Social media/ Friends' opinions
4.	Friends' opinions	User guide and product composition
5.	Shop assistants	

For example, we can see that for Italians help of shop assistants is the second most popular choice, while user guide and product composition is ranked on the last place. Russian data are converse. That means, that Italian customers in comparison to Russians are more trustful to the retailer they have chosen. For them, the personnel assistance should be excellent, because uncertainty avoidant cultures are very sensitive to uncertain, ambiguous situations, the quality of information for them is critical. So, the bad in-store experience provided by the retailer's staff can impact the attitude of the customer a lot. For Russians, this peculiarity is not so essential, as they tend to rely on their own knowledge and do not trust shop assistants a lot. It is proved by the fact that only 20% of Russian respondents stick to that option.

The next three questions relate to the number of channels which uncertainty avoidant customers are ready to use for purchasing goods. Our participants were offered to choose the channels they are ready to buy from. Multiple choice was allowed. The most popular channel was a physical store. It was chosen by almost 80% of Russian respondents, and by 74% of Italian respondents. These numbers correspond to the overall industry rate discussed in the second chapter claiming that around 75% of sales occur in physical stores. We also noticed that Russian customers tend to seek for variety of channels more than Italians. We counted that 63% of Italian respondents chose only one option from the list, while among Russians one option was chosen by 33%, the rest picked out from two to five listed channels. Though Italians showed higher willingness to download a mobile app of the retailer they use: 71% of positive answers compared to 61% of Russians. Considering statistics of the previous question we can assume Italians tend to download the app not for purchasing reasons, but for some other purposes. As for the motivation to download the app, the search for convenience is the most popular intrinsic motivational factor. The second choice of respondents was an access to additional information about products. These reasons also can explain the high rate for Italian consumers to download the app.

The last two questions were about seamless experience of an omnichannel customer. In the question we imitated the situation where consumers tried to use newly implemented services in mobile app but faced with software bugs. By their answers we tried to understand feelings and attitude of the customers and how it influences their perception on the retailer. Surprisingly, we discovered that 56% of Russian respondents would like to try out new service after the failure compared to 42% of Italians. It shows high rate of interest to the new technologies and seamless experience from Russian consumers, while Italian side is doubting whether such services are needed, as 24% of Italian respondents might or might not use it again. The same number of Italians said they probably would not try it again. From emotional point of view Italians, on the contrary, are less negative about unsuccessful experience and more tolerant to the errors than Russians. The participants were also pleased to share the reasons of their answers, they brought us to the interesting findings that loyal customers have a high level of understanding, which allows the majority to give the second chance to the app, however, the bug should be resolved as soon as possible. If it does not satisfy customer again, the retailer can lose the customer in mobile app channel, but it will hardly influence the in-store channel.

To conclude, 52% of our participants are the Sephora customers. So, we consider results of this analyses can be applicable to the Sephora case and might be used for developing recommendations how to improve performance of the company. 77% of respondents claimed they knew brand Sephora, so there is a room for improvement and turn the brand awareness to new clients.

Summing up our survey analysis we can partly accept the first proposal claiming that the effect of omnichannel retail strategy on customer experience is stronger in high uncertainty avoidance cultures than in low uncertainty avoidance cultures. We say partly because in our sample there were two uncertainty avoidant countries, which in fact demonstrated a strong effect of omnichannel retailing. However, we believe it should be also tested on the low uncertainty avoidant cultures to assure the results are different. From our research, we can claim that an influence of uncertainty avoidance dimension exists because Russian participants with higher scores of UAI perceived omnichannel traits with higher engagement and “appetite” than Italians. Though both countries demonstrated a strong effect of omnichannel experience.

Also, we can accept the second hypothesis of Nam and Kannan (2020) saying that the effect of omnichannel retail strategy on customer experience is stronger in collectivist cultures than in individualist cultures. Overall, we noticed Russian consumers search for seamless experience and seek for variety of channels. Our situational questions retrieved that with adding new features to their experience customers were reactive, and their preferences were changing. For example, possible upgrade of chatbot immediately raised the percentage of people who liked it.

As soon as we decided on the most influencing cultural dimensions. We tried to assess what kind of impact they have. For this purpose, we called for the literature review and illustrated the logic in Appendix 11. And here concluding our research we have created a Table 4 which summarizes which of the assumptions and ideas offered by other authors were successfully tested and which of them failed, and what additional impacts have been identified. The Table 4 draws the conclusion of our research part dedicated to impact of cultural dimensions on omnichannel retailing. We suppose it can be used by practitioners for consulting purposes when they implement an omnichannel strategy on the host markets.

Table 4 UAI and IDV Impact summary table (compiled by author)

Areas of impact	Test results
How much customers are likely to switch channels and seek variety	Collectivistic cultures are more likely to switch channels, but if it is emerging market, consumers need additional motivation, such as pricing offers (due to price sensitivity)
The effect of individualism on importance of convenience	Interconnection between individualism and focus on convenience has **not** been detected
Influence of collectivism/individualism on the relationship orientation with retailer **online**	Regardless of the IDV cultural dimension both countries revealed an intention to build friendship relationship with virtual agents
Interdependence of collectivism/individualism and depth of the social relationship with a retailer	Depth of social relationship does **not** depend on IDV dimension
Influence of uncertainty avoidance on the pre purchase stage	Uncertainty avoidant customers tend to explore additional information about the product, even if it was recommended by trustful source. For the information search tool, they prefer online methods.
Influence of uncertainty avoidance on the number of channels used	Our primary data analysis did not show a strong correlation between UAI dimension and number of channels used. Both uncertainty avoidant cultures showed different results.
Influence of uncertainty avoidance on the perceived switching costs. How challenging for customers to switch channels	Loyal customers demonstrate quite high level of readiness to integrate experience across channels. The attitude to mistakes in launching new services is less negative than we expected.

In addition, we would like to mention that depending on the economical categorization of the market: emerging or developed, some impacts can be boosted or, on the contrary, the effect can be decreased. In particular, we highlighted that the fear of uncertainty avoidant cultures can be lower in emerging markets. First of all, due to the intrinsic motivation to find new convenient services driven by curiosity and lack of the most fashionable technologies on the market. For retailers it means they most likely face the higher level of understanding and tolerance to mistakes on the first steps of launching process. But they should be more accurate with the implementation of new features in the developed markets, they would not be given more than the second chance.

Secondly, we paid our attention that customers from the developed countries expected they would be treated specifically and rely on customized approach in everything: provided shopping assistance, solving issues, ordinary communication etc. They highly value the work of shop assistants and perceive in-store personnel as one of the main sources of information. It is worthy to consider when companies develop personal trainings plans and general HR strategy. At the same time, on the emerging markets companies can save money and invest less in the personnel, as their consumers demonstrate lower level of trust. Returning to our cross-cultural results, it means that the impact of collectivism/individualism on the relationship orientation online will be boosted on the developed markets and decreased on the emerging ones.

The case study performed on the Sephora company shows that companies operating in beauty and personal care industry undervalue the prospects of emerging markets. Our empirical study showed that in general customers from the emerging markets have more interest in omnichannel experience than developed markets. We think it happens because emerging markets are unsaturated yet. The companies unjustifiably ignore them. Users from developed markets are pickier to the services, rather than customers from emerging markets. So, Sephora have a chance to enhance fast mover advantage on this field. For example, in case of Russia company is still penetrating the market. With an implementation of all omnichannel services existing in the developed countries, they can make a sensation, especially among the young audience. When we compared in-store visits in Italy and Rome we paid our attention to the strong difference in personnel behavior. Now after primary data analysis we can conclude there is not a strong need to improve and invest in personnel in Russia. And the Sephora is doing fine on that field. Anyway, we would recommend to introduce “Virtual Artist”, an AR technology allowing customers to try on the make-up online. We think the service has many perspectives to evolve on this market. Survey showed that Russian customers to avoid ambiguous situations tend to trust themselves more than others. Therefore, to acquire additional information they often are satisfied with user guide and product composition. This appetite to the self-serving can be satisfied with the virtual try on services and for sure will increase an engagement. In Italy company should pay careful attention to customization and the services considering relationship orientation such as video calls with Sephora’s beauty experts, in-store assistants, and even consumer loyalty program should work excellent because Italian customers are exacting these features. Also, for successful realization of omnichannel strategy it is crucial to consider cultural dimensions we mentioned before.

Frankly speaking, when we analyzed case of Sephora, from the first view, it looked that company had a huge room for improvement on the Russian market. But after cross-cultural analysis we can conclude that most of the things perceived essential drawbacks by the authors, in fact are not so crucial, because the market is not ready to accept some features. So, fixing them now would be for the company the waste of money. Though in order to support omnichannel leading positioning and faster penetrate Russian market, we highly recommend introducing AR technologies as soon as possible.

The literature review in the first chapter gave us an understanding there is a little research on the role of culture in customer’s channel selection. The researchers highlighted there was a critical need for empirical testing how cultural dimensions play a role in the importance of touch points that contribute to conversion, satisfaction, and engagement in the customer journey (Nam and Kannan, 2020). In our study we tried to cover this gap. A lack of the previous research gave us a wide choice of direction how to evolve our study. We decided to base our scrutiny on Hofstede's dimensions theory (1980s), but there are other different classifications such as Riesman, Hall or Brislin. They also can be used to examine how cross-cultural factors influence customers' choice of the channels and what channels are synergetic with each other.

As for cultural dimensions, in our research we tested two factors: uncertainty avoidance and individualism/collectivism. They were chosen because these factors were most frequently discussed in the literature. However, during our examination of primary data we noticed some peculiarities cannot be explained by these dimensions, which brings us to conclusion there are some other influential factors. They can be related to cultural differences or may be linked with some other approaches. Anyway, we noticed there are several features linked with relationship orientation. For instance, when we asked about negative experience from the usage of new technologies, in the reason section we received some comments that the attitude of the customer would depend on the behaviour of personnel. In particular, how the information about technical issues would be communicated to users and what the personnel would do in such circumstances. These comments are linked with relationship orientation. This factor is not represented in Hofstede's dimension theory, so we believe if someone continues the exploration of the topic there should be observed classifications from other authors considering different parameters. We recommend continuing with Riesman's classification (1953), because it relates to consumer behaviour through five aspects: information, values, consumption patterns, purchase behavior, and openness to new ideas, products, and services. It should be helpful to check the categorization: inner-directed, other-directed and tradition-directed. We suppose they should influence the channel selection process. And in the frame of studying omnichannel approach, the openness to new ideas aspect should be crucial.

The survey itself also had some limitations, which we recognized when we were monitoring the answers. Asking about customer preferences about offline or online search for channels, we could also allow multiple choice. From the respondents' comments we understood there were some people who in general use both, and it was difficult for them to choose the preferable one. From the other side, if we allow a multiple-choice option, it will be more difficult for us to identify the most popular way to search the information. So, it was quite difficult choice for respondents, while for research purpose this limitation served as the best straight forward way to assess the preferences.

Overall, our survey was opened by 145 people, however, 110 of them finalized the questionnaire. Only the sample with fully completed survey was taken for the analysis. So, we believe for further research the sample size could be enlarged. Also, the countries with low uncertainty avoidance should be examined in order to have an opportunity to fully accept or reject the first hypothesis, which as for now we managed to accept only partly. Moreover, we found out that the Southern part of Italy varies on the individualistic dimension from the Northern part. In the Southern Italy less individualistic bahaviour can be observed. People coming from Southern Italy to the North say that they feel cold not only for the different climate but for the less “warm” approach in relationships (Hofstede Insights.com). We have not considered that peculiarity in our survey. So, this pattern can be addressed in further research to foresee how the consumer perception is changing in various areas within the country. We also suppose there should be the same kind of differences in Russia.

For further research we also would like to give a recommendation that the topic can be examined from the customer satisfaction point of view. In the first part of the thesis, we have drawn a model (Figure 5) describing the interrelation of omnichannel experience with culture through customer satisfaction. The main idea of this model that customer satisfaction is driven by omnichannel experience, while features of satisfaction are defined by lifestyle, which in turn depends on intrinsic factors and cultural patterns. This approach significantly differs from the one we used for our analysis, but it is not less interesting to explore. With the focus on customer satisfaction researchers can make a lot of valuable conclusions for marketers, which helps to develop detailed local omnichannel strategies.

To conclude we made the first step to cover the gap in existing research of cross-cultural influence on the choice of touchpoints and customer attitude to different experience in each channel. The question is not easy and requires enhanced analysis from different points of view.