Optimizing omnichannel: Not all sales are created equal

How to design an inventory management system that maximizes profit.

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For today's large retailers, omnichannel — selling products both online and in physical stores — is no longer optional. Offering customers the ability to shop anytime, anywhere increases visibility and convenience, and has quickly become the industry standard.

But omnichannel also brings difficult trade-offs and challenges for organizations. Managing inventory across channels is far more complex than managing it in stores alone. U.S. retailer Macy's has repeatedly struggled with weak earnings after carrying too much store inventory in a time of declining foot traffic. In Canada, the iconic 350-year-old Hudson's Bay Company filed for bankruptcy in 2025, in part due to inventory disconnects and poor online integration.

One reason omnichannel inventory is so difficult to manage is that not all sales are equally profitable. Online channels typically reach more customers but earn less profit per item. In-store sales are often more profitable because customers effectively perform the most expensive part of fulfillment, the so-called last mile, themselves.

In a counterintuitive reality, it can be a good idea to restrict online availability — even when online demand exists — in order to protect higher-margin store sales. This runs counter to the common omnichannel objective of maximizing *availability* across all channels, but doing so doesn't always result in maximized *profit* when margins differ.

Research by IESE's Victor Martinez de Albeniz and Alborz Hassanzadeh of NEOMA Business School, published in the *International Journal of Production Economics,* shows that maximizing profit requires adjusting where inventory is held over the course of a selling season. The problem, more often than not, isn't having too much inventory or too little — but having it in the wrong place at the wrong time.

The key insight from the research is that the "right" channel for inventory changes over time. There is a key consideration to keep in mind: It isn't always possible, once products have been sent to stores, to return them to a distribution center at a reasonable cost, because storage and shipping practices are optimized for downstream flows, not returns.

Because of this, the authors identify patterns of distribution that work best. Importantly, early sales provide information about how demand is unfolding over the season, so keeping flexibility in inventory placement becomes especially valuable.

Following these patterns, managers should:

- Early in a selling season, concentrate inventory in stores to protect high-margin sales.
- Mid-season, maintain flexibility by serving both channels.
- Late in the season, when time is short to clear excess stock, shift inventory toward online fulfillment.

One size does not fit all

These were the results for products with limited inventory and a finite selling season. These won't apply to all selling situations. However, they will for fashion or seasonal products and limited editions, where shipping and fulfillment costs are significant and supplies cannot easily be replenished mid-season. In such cases, maximizing availability is less important for retailers than making sure products are where they can best guarantee the largest overall profit.

Good omnichannel management involves keeping inventory where it can create the most value at any given moment. It's about timing, margins and smart trade-offs — not just keeping the shelves full.

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Victor Martinez de Albeniz

Professor in the Operations, Information and Technology Department at IESE. His areas of interest include retail, supply-chain management, procurement, innovation and product development.

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