

Chapter 4.21

Serving Customers in a Hybrid World: Multi-Channel Strategies in Retailing

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ABSTRACT

In contrast to a widely held belief that online and offline channels of click and mortar companies should be tightly integrated, this chapter proposes a taxonomy of four multi-channel strategies that show varying degrees of integration and mutual support of online and offline activities. Each of the four basic strategies is illustrated by an example from the grocery retail industry in order to underscore the strategic choice companies have even within an industry. In a second step, we have developed a set of indices that we use to analyze multi-channel retailers' Web sites. The indices are used to classify and discuss the four

case companies' implementations of multi-channel strategies in the Web channel.

INTRODUCTION

After the disappointing performance of many Internet pure players, click and mortar channel systems have raised new hopes to achieve profitable e-commerce activities. The Internet and, to an increasing extent, mobile technologies inspire visions of completely integrated online and offline channels that support customer channel switching within and across transaction phases (Rheault & Sheridan, 2002; Steinfield, Bouw-

man & Adelaar, 2002). Consultants claim that multi-channel customers are more loyal and two to four times as profitable as single channel customers (OC&C, 2002). However, the integration of online channels into an already existing, often complex distribution system confronts managers with a number of challenges (Gallaughar, 2002; Webb, 2002). To ensure economic viability and customer acceptance, retailers face the challenge of defining a multi-channel strategy that creates benefits that outweigh increased costs for both the company and its customers (Anderson, Day & Rangan, 1997; Gadde & Ford, 2000). Next to large, up-front investments for competitive Web sites for online transactions and customer support (Schoenbachler & Gordon, 2002), a multi-channel strategy incurs further costs through channel integration and coordination of a complex system of interdependent channels (Malone & Crowston, 1994; Peterson, Balasubramanian & Bronnenberg, 1997). As for the revenue side, however, there is no obvious reason why the Internet or any Internet-based service will in itself increase consumer spending in a multi-channel system (Peterson et al., 1997). The Internet might even cause consumers to spend less (Deighton, 1997), and a lower service level combined with price reductions can lead to a higher perceived value (Gadde & Ford, 2000). Therefore, depending on a company's situation and corporate strategy, an extensive integration of channels is not necessarily the most promising multi-channel strategy.

The purpose of this chapter is to further understand different multi-channel strategies and their implementation, especially in the Web channel. We develop a framework for multi-channel strategies (in the sense of click and mortar strategies) that is based on channel integration and channel domination as classification criteria. It highlights alternative roles and relative strategic positions of online and offline channels, respectively (Earl, 2000), and is applied to four cases from the grocery retail industry.

In order to support the application of the framework and to generate and explore research propositions, we have developed a set of items and indices to analyze multi-channel retailers' Web sites and, thus, the implementations of multi-channel strategies in the Web channel. We apply this approach to the four case companies' Web presences.

While our work can support business practitioners in strategically positioning or analyzing multi-channel strategies and their implementations, we also demonstrate how the framework can be used in further research activities to generate and discuss research propositions. The propositions concern the role of online customer retention measures and the intensity of online communication and information in the context of the different multi-channel strategies. We conclude with a discussion and an outlook for further research as well as management issues.

MULTI-CHANNEL STRATEGIES

Throughout this chapter, the term *multi-channel strategy* is used synonymously with strategies of combining physical and virtual distribution channels. More precisely, we focus on the combination of physical retail chains and an Internet presence.

Literature Review on Classifications of Multi-Channel Strategies

The framework developed in this chapter gives an overview of strategic choices regarding the relative roles of and relationship between online and offline channels in multi-channel systems, with domination and integration as classification criteria. It is an extension and critique of existing frameworks, some of which offer complementary views on multi-channel strategies, while all take different perspectives. Steinfield et al. (2001) (following Venkatesh, 1999) describe six Internet

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