

# When and How Are Multichannel Strategies Successful? Identification of Strategy Types, Underlying Mechanisms, and Development of a Moderator Framework

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## EXTENDED ABSTRACT

### Research Question

It is not clear whether selling products through multiple channels is a promising strategy. Multichannel retailers are often expected to be more successful than single-channel firms (Ansari, Mela, and Neslin 2008), but research results are inconsistent. Whereas some studies report positive effects of using multiple channels on firm performance (e.g., Geyskens, Gielens, and Dekimpe 2002), others find no significant effects (Lee and Grewal 2004) or even negative effects (Pentina, Pelton, and Hasty 2009). This is in line with real life examples: Some single-channel retailers outperform multichannel competitors (e.g., Amazon.com), many retailers have problems with implementing multichannel strategies (e.g., JC Penney), and others went out of business after having failed to implement a multichannel strategy (e.g., Borders). On these grounds, it seems crucial to better understand the mechanisms and conditions in which channel strategies lead to higher firm performance, rather than saying that a multichannel strategy in general is more or less successful.

### Summary of Findings

Above and beyond differentiating between single- and multichannel strategies as such, we distinguish between multichannel strategies which either combine similar (substitutive) or distinct (complementary) channels and find that both can be reasonable strategies. We theoretically elaborate mechanisms which facilitate or impede firm success when implementing multichannel strategies, with specific mechanisms being more probable to occur in certain conditions.

Considering facilitating mechanisms on the demand side, multichannel strategies can increase customer loyalty, acquisition, and customer profitability. On the supply side, economies of scale and scope can be achieved. Impeding mechanisms are brand dilution, cannibalization, and customer switching on the demand side, and channel-related costs and coordination costs on the supply side.

We propose a comprehensive contingency framework which demonstrates when multichannel strategies are recommendable and use strategic triangle theory to identify moderators related to the company, competitors, and customers. We find that implementing multichannel strategies, especially complementary channels, is recommendable when retailers sell experience goods (instead of search goods), pursue a differentiation strategy (instead of cost leadership), and have a strong brand and dynamic capabilities. Further, multichannel strategies are more promising when only few or all competitors provide multiple channels, channel-related competitive intensity is low, the market is instable, and customers purchase the products frequently.

### Key Contributions

Our study contributes to extant research in three ways: First, we consider channel strategies in a generalizable manner by distinguishing between single and multiple channels and two types of multichannel strategies (i.e., substitutive or complementary). Current findings are often related to the addition of particular channels and no study considers how these channels are interrelated. Firms, however, are faced with more

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complexity than “only” adding one specific channel, and it is important to understand how to optimize channel strategies.

Second, we identify mechanisms of a multichannel strategy that facilitate or impede business performance. Although some studies discuss advantages and disadvantages of Internet additions, we are not aware of any comprehensive overview of mechanisms that lead to multichannel success or failure. Such an overview can be a basis for future research and help managers to identify critical success factors.

Third, we review the literature on multichannel management, strategic management, and performance research to develop a model on the link between channel strategy and firm success. Due to contradictory findings, we are less interested in main effects of channel strategies, but rather believe that contingencies matter. Drawing on strategic triangle theory (Ohmae 1991), we identify relevant moderators for multichannel success that have not been researched yet.

*References are available upon request.*