

## A THEORETICAL FRAMEWORK OF MULTICHANNEL STRATEGY SUCCESS

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### ABSTRACT

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). Thus, 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.

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. We propose a comprehensive contingency framework which demonstrates when multichannel strategies are expected to increase firm's cash flow and use Ohmae's (1991) strategic triangle theory to identify moderators related to the company (i.e., brand equity, business strategy, product category), competitors (i.e., competitors' multichannel strategy), and customers (i.e., market dynamism, purchase frequency). For instance, we find that implementing multichannel strategies is recommendable when retailers pursue a differentiation or a hybrid strategy (instead of cost leadership), and when only few or all competitors provide multiple channels. Further, multichannel strategies are more promising, when the market is instable, and customers purchase the products frequently.

Our study contributes to extant research in two ways: First, 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. Second, 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.