- Abstract -

The Financial Performance of Multichannel versus Pure-Play Retailers: Testing a Contingency Framework

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Due to the accelerating growth of Internet retail in the last 20 years, more and more store-based retailers feel forced to adopt the Internet as a distribution channel in order to stay competitive (Geyskens et al. 2002; Lee and Grewal 2004). These developments formed a recent debate in marketing research and practice: One side clearly argues for the Internet channel to be the sole future of retail whereas the other side believes in multichannel retail as a must-have. Research results on the effects of a single- versus a multichannel strategy are inconsistent. It thus seems crucial to better understand the mechanisms and contingencies in which different channel strategies lead to higher firm performance rather than assuming that any strategy is generally more or less successful. The following major questions remain to be answered: Can a multichannel strategy, consisting of at least store and Internet, compete with pure online retail? If yes, in which conditions? Is it recommendable to stick to a pure store strategy in any condition?

Our study aims to answer these questions and thereby contributes to extant research in two ways: First, we systematically identify mechanisms of a multichannel strategy that facilitate or impede business performance compared to a single-channel strategy (pure Internet or pure store channel). Such an overview provides a basis for future research in this field and helps managers to identify critical success factors for the strategic orientation of their firm. Second, we develop and empirically investigate a comprehensive contingency framework on the short- and long-term financial performance (i.e. cash flow and Tobin's q) of multichannel compared to pure Internet

and pure store strategies by considering company, competitor, and customer moderators (Ohmae 1991). Due to contradictory findings in previous research, we are less interested in main effects of channel strategies, but rather believe that contingencies matter (Ginsberg and Venkatraman 1985; Venkatraman 1989). This comprehensive overview represents a useful basis for future studies in this area. Moreover, we hope our empirical findings stimulate the current debate in research and practice on the future of retailing.

We empirically test our model by analyzing data on 191 publicly traded U.S.-retailers using time series cross-sectional analysis (Beck and Katz 1995). We collected data of these firms for a time period from 1994 to 2012 by analyzing multiple data sources (e.g., COMPUSTAT, annual reports, press). Our results largely confirm that the success of conducting a multichannel strategy is dependent on several conditions. For instance, we find that the channel strategy needs to fit with purchase frequency and type of product (i.e., sensory versus non-sensory) in the short- and long-run. Further results support that multichannel competition matters for short-term performance only, but the fit between dynamism of the market and a single-channel strategy impacts long-term success. Our study is the first to test a comprehensive contingency model of multichannel compared to single-channel success. Managers should use our model as a basis for their decision making when introducing additional channels and designing their multichannel strategy.

References are available upon request.

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