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Multi-channel strategy in business-to-business markets: Prospects and problems

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Abstract

Multi-channel marketing strategy has become a major force in business-to-business distribution channels, especially since the option of Internet-based online channels emerged less than a decade ago. Making products and services available to business markets via a wide array of different channels can provide increased levels of customer choice and service. But the task of coordinating and integrating multiple channels that operate at high levels of efficiency has forced managers responsible for channel management to deal with a variety of challenging issues. These include the role of e-commerce in the multi-channel structure, finding an optimal channel mix, creating synergies across channels, building strategic alliances, creating sustainable competitive advantages, managing more complex supply chains, dealing with conflict, and providing the leadership necessary to attain well integrated multiple channels.

Keywords: Multi-channel strategy; Channel management; Integrated multiple channels; Multiple channels; Channel coordination

Moving past the first half decade of the twenty-first century, it has become obvious that such forces as Internet-based E-commerce, globalization, and intense international competition have made marketing channel management much more challenging and complicated than it was just a few short years ago (Narus & Anderson, 1996). Businesses all over the world now have many more choices in the channels they can use to reach their customers (Rangaswamy & Van Bruggen, 2005). In fact, numerous companies in the business-to-business sector already use multiple channels to go to market with their products and services (Cespedes & Corey, 1990). The company's own field sales force channel, the distributor channel, the sales rep channel, the catalog/mail order channel, the online channel, the call center channel, and several other may all be needed by the same company to serve its customers effectively and efficiently (Friedman & Furey, 1999).

But such a wide range of channel choice and combination potential means that businesses also face the challenge of formulating strategies to achieve an optimal channel mix while avoiding conflict among the different channels being used (Rosenbloom, 2004). So, the overriding question becomes: How do firms utilize multiple channels, including new high-tech E-commerce channels, to foster channel confluence and synergy rather than conflict? Other important and related questions include: Will virtually all firms regardless of size and products sold face the challenge of developing well-integrated multiple channels? Or will a multi-channel strategy need to be pursued only by those firms that deal with diverse customer segments that seek maximum choice in how, when, and where they purchase products and services? The multi-channel challenge may also involve cost/benefit tradeoffs (Frazier, 1999). Does offering customers maximum convenience via a wide variety of channel choices necessarily raise the cost of distribution? Or, is it feasible to design multiple channel structures that actually *reduce* the overall cost of distribution by segmenting the firm's customer base in such a way that each customer segment is served by the most cost effective channel? Thus, large volume customers get called on regularly by the field sales force channel while small customers have access only to call center channels. Customers in the intermediate range are served mainly by the independent distributor channel. Numerous firms selling in business-to-business markets already operate essentially according to this channel strategy. But are more sophisticated multi-channel strategies feasible that allow

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customers more flexibility in channel choice and that move beyond the perhaps overly simplistic and static model based virtually entirely on size and on cost? Instead, can more dynamic multi-channel strategies be developed that enable even small customers to have access to premium, more people-intensive channels on the assumption that some of today's small customers could become giant ones in the future if the "expensive" channel offered them a superior level of service that exceeded their expectations?

The purpose of this special section of *Industrial Marketing Management* on Multi-Channel Strategy in Business-to-business Distribution Channels is to begin addressing the opportunities and challenges presented by multi-channel marketing strategy. Five highly thought provoking articles that deal with some of the most important issues in business-to-business multi-channel marketing have been included in this special section. This article then goes on to discuss further some of the key challenges and opportunities associated with B2B multi-channel marketing strategy.

1. Overview of the articles

The first article, "The multi-channel challenge: A dynamic capability approach" by Hugh Wilson and Elizabeth Daniel, provides an analysis of the underlying decision processes needed for effective multi-channel strategy. Using a methodology the authors borrow from the strategic management literature "dynamic capabilities analysis" along with an analytic induction approach to data analysis from four case studies, the authors provide important insights into what is required to create an integrated customer experience and synergy among the different channels being utilized by the firm. From this analysis, Wilson and Daniel derive seven dynamic capabilities that have important and very practical implications for managers designing and managing multi-channel strategies in B2B markets.

The second article in this special section, "Choosing an optimal channel mix in multichannel environments" by Arun Sharma and Anuj Mehrotra develops a framework for creating an optimal channel mix. The authors then apply their model to a large multi-channel software firm operating in B2B markets. Based on the empirical application of the model to this firm, Sharma and Mehrotra derive several managerial implications for formulating multi-channel strategy. These implications point to the need for management to emphasize an empirical, data-based approach to multi-channel strategy. The authors argue that such rational and rigorous approaches are becoming more feasible given the availability of better data such as that provided by modern CRM systems and widespread availability of common software such as Excel.

In the third article of this special section, entitled "Internal multi-channel conflict: An exploratory investigation and conceptual framework," Kevin Webb and C. Jay Lambe, examine one of the most vexing problems in multi-channel strategy — conflict. The authors focus particular attention on what they refer to as internal multi-channel conflict: the type of conflict that is internal to the supplier firm which occurs among the groups and individuals responsible for managing multiple channels. Utilizing in depth research from four case studies, Webb and Lambe derive a broad conceptual framework of internal multi-channel conflict. Based on this, they offer fourteen propositions for future research as well as several managerial implications that may have immediate practical application for dealing with conflict associated with multi-channel marketing strategy.

The fourth article is entitled, "From catalog to Web: B2B multi-channel marketing strategy" by Bill Merrilees and Tino Fenech. The authors remind us that even in the modern B2B multi-channel environment, the "old fashioned" catalog channel is still a very important one and indeed often exceeds the dollar volume of online channels. Using a structural equation model, and multiple regression analysis to gain insight into a large sample of customers in the office supplies market, Merrilees and Fenech find that online channels may not be a ready substitute for catalog channels. Instead, their results show that customers prefer the choice provided by multiple channels which include both catalog and online options.

Finally, the fifth article in the special section on B2B multi-channel strategy by Julian Ming-Sung Cheng, Show-Ming Tsao, Wen-Hsien Tsai, and Hill H-J Tu, addresses the bottom line issue of financial performance and multi-channel strategy; specifically whether the addition of an online channel to a firm's channel mix enhances or detracts from financial performance. Based on their exploratory study using Economic Value Added (EVA) and Market Value Added (MVA) metrics, the authors found that the addition of online channels improved the financial performance of the firms studied.

2. Additional issues in B2B multi-channel strategy

The five articles summarized above address several of the most important issues associated with B2B multi-channel marketing strategy. These include multi-channel integration, channel mix optimization, conflict in multiple channels, channel trade offs, and financial performance. Individually and collectively this work provides some substantial insights and directions for future research on these issues as well as some practical managerial implications for multi-channel marketing strategy. But there are a number of additional issues in multi-channel marketing strategy that also need to be examined in future analysis and research. Some of the most important of these are discussed below in the context of the prospects and problems they present for multi-channel marketing strategy.

2.1. E-commerce and multi-channel strategy

Unquestionably the greatest force to impact marketing channel strategy in at least the last half century has been Internet-based e-commerce. The availability of the online channel option means that now virtually every firm whether large or small must include the Internet as a channel for reaching its customers. Further, all of these firms are faced with the task of blending online channels with conventional channels. So, "bricks and clicks" is no longer just a cute expression but a very real marketing channel strategy issue.

Integrating online channels with conventional channels to create a "seamless" experience for customer is, if course, the