

Successful multi-channel strategy: mixing marketing and logistical issues

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Introduction

When a company simultaneously manages several distribution channels, there is an important issue as to the sharing of marketing and logistical resources between them. The aim should be to make important economies of scale in transport, order management and storage. One of the main issues is that the sales force of a channel (e.g. in shop sales) is rarely trained to face a logistical failure encountered in another channel (e.g. Internet sales). In service industries, the management of distribution channels must incorporate the role of employees in the measurement of process performance (Tyagi and Gupta, 2013). More generally, multi-channel strategy often faces a lack of integration at two levels: logistics and marketing. Using three illustrations in the French context (King Jouet, Fnac and Darty), this paper aims to show that an active integration strategy can improve service delivery and the levels of satisfaction of multi-channel consumers. The information is based on an analysis of secondary data resulting from interviews given by top managers. It aims to provide the key to success in multi-channel strategy.

Multi-channel strategy

Multi-channel distribution enables the consumer to use different channels (e.g. Internet, brochure and retail premises) as part of the purchasing process. This is now the rule, rather than the exception. Large retailers have not always considered the changes and modifications arising from this change. Two research streams should be distinguished: the first focuses on an analysis of consumer behaviour and the second focuses on the management of companies developing a multi-channel strategy.

Consumer behaviours

In a multi-channel context, the consumer benefits from the complementarity and synergies between traditional and digital channels. Consumers can use both channels either simultaneously or alternatively, depending on what they want, for example in terms of availability, purchasing experience or type of need. Consumers no longer limit themselves to multi-channel behaviour through multiple interactions with the different channels. Instead, they adopt *cross-channel* behaviour, by means of crossed and multiple interactions *between* the channels. This emphasises the need for an integrated approach to provide a consistent and smooth experience to consumers through all the channels used. A failure to provide this integration between channels is likely to undermine customer loyalty. Perceived integration between stores and Web sites contributes an essential element to customer loyalty.

The consumer's experience of integration results in a coherent answer to a question asked via different channels or to an interaction through a channel that takes into account past interactions via other channels. Moreover, multi-channel integration means that the consumer's

activity can be tracked along the different channels, and this in turn facilitates an understanding of the consumer's multi-channel behaviour. This enables companies to provide offers that are better adapted to consumer needs or even to anticipate them. The importance of integration in multi-channel consumer experience leads [Seck and Philippe \(2013\)](#) to introduce perceived quality of integration, referring to the "capacity to provide the client with a similar experience through all the channels used". This is the case for Sephora in France. By scanning its loyalty card with a smartphone with the MySephora application, a salesperson is able to access the consumer's complete sales record (on the Internet as well as in store), and the software automatically suggests products that are consistent with the consumer's profile.

It is clear that the multiplication of channels available to consumers has changed their purchasing behaviours. Studies analyse the channel selection process, the use of channels during the purchasing process and consumer migration from one channel to another, and there has also been research on the elements determining multi-channel adoption and its influence on consumer profitability. [Vanheems \(2012\)](#) highlights changes in the profile of consumers. Thanks to the multiplication of information sources, consumers become experts. Consumers are less receptive to business offers and to the shop's "theatralisation" using atmosphere elements (colour, brightness, freshness, smoothness, etc.). They have control of temporal and financial resources and they develop self-control. The relationship between the in-store sales force and consumers has therefore changed. The salesperson's dominant position in terms of knowledge is now in question. This change can lead consumers to be more sceptical of the claims of sales personnel.

Corporate behaviours

A second stream of research focuses on the management of multi-channel systems. There may be a significant risk of cannibalisation. Research highlights the importance of multi-channel coordination to benefit from synergies between the channels, as well as focusing on the management of channel conflict. An analysis of studies on multi-channel strategy shows two possible responses: integration strategies and separation strategies. [Gulati and Garino \(2000\)](#) define the elements (brand, management, operations and capital) on which companies can define their level of integration or separation. With a separation strategy, the company shows a different product mix; prices are not homogeneous between the channels. On one hand, this strategy can lead to numerous conflicts; but on the other, it enables companies to maintain flexibility in different competitive situations. It can also facilitate the targeting of different market segments. Against this, an integration strategy assumes the blending of a system, based on the will to create "strong ties" between channels. Each channel must complement the others, as indicated in Box 1 with the King Jouet case.

Recent studies have highlighted that a large majority of multi-channel companies are managed as independent systems (in silos), where marketing or communication operations are not carried out in common. According to [Neslin and Shankar \(2009\)](#), a true multi-channel company must coordinate its channels rather than managing them independently of one another. Multi-channel retailers must modify their operations and re-visit their organisational founding principles, their business processes and their customer knowledge ([Cunnane, 2011](#)). This integrated management questions a certain number of elements, such as marketing, stock management, range of products, product orders and returned products. [Van Baal \(2014\)](#) notices two levels of integration: coordination of channels and harmonisation of marketing variables.

Coordination of channels covers activities that are invisible to consumers, such as purchasing, logistics and customer data management. Organisational coordination must take into account potential economies of scale. Marketing and communication functions can be coordinated: the use of the same brand name in all channels creates benefits from brand reputation (e.g. its perceived quality, its reputation, etc.). The trust and credibility associated with the brand reduces the perceived risk. The use of online communication tools (e.g. e-mail, viral marketing and Web site search) benefits all channels. For example, the company sends its consumers an

Box 1. Interview with the cross-channel manager of King Jouet

King Jouet is a French chain of stores specialising in games and toys for children. It has a network of over 180 stores. It possesses three types of stores: those named King Jouet, located on the periphery of large cities with a store space of over 750 m²; those named King Jouet City, located in medium-sized cities with store spaces from 300 to 750 m²; and those named King Jouet, located in city centres with medium-sized store space of 300 m². This results in a substantial national coverage.

How do you plan your Web and retail activities?

The aim of the drive-to store is to decompartmentalise e-commerce and retail, to avoid internal competition between sales made online and sales made in store. The Internet must position itself as a business provider for stores. In our company, it only represents 10 per cent of the group's turnover. The key performance indicators implemented are not linked to e-commerce but to cross-channel activities. We are ahead of our competitors regarding this aspect, and we started by changing our Web site. Indeed, developing the necessary tools in store is a good improvement, but our Web site had to have a research online purchase offline approach. We have developed practices such as click & collect, e-reservation and the mutualised cart (reserve or purchase online, then collect from the store or order delivery). We now provide the possibility of choosing a favourite store (giving access to its stock), with the aim of improving the consumer's purchasing process.

What were the effects?

This modification enabled us to offer five times more products, corresponding to the entire range contained in over 200 stores, while keeping the same volumes of supply. We had to upgrade our stores by placing devices to ease the consumer's choice. Indeed, as toys are intended for children, the choice becomes very technical and very involving. We need our sales personnel to be on an equal footing, for example, by equipping them with tablets providing the consumer's sales record. Technology is not the only tool; that is why they will be trained in different sales techniques. Web-to-store consumers are not low-end consumers; they must be treated equally, by showing our stores' collection points more clearly for example.

Source: available at: <http://ledrivetostore.com/> (accessed 11 March 2015)

e-mail to advertise its new collection by adding links to the stores where the products can be found, as well as their availability. Marketing coordination also allows the implementation of cross-channel promotions and cross-selling. The coordination of logistical operations and information management are further advantages. The creation and development of a cross-channel database consolidating customer information facilitates genuine multi-channel shopping experiences with shared logistical operations between on-line and off-line purchasing. In this way, customer relationship management (CRM) operations and logistical functions are synchronised.

There should also be fundamental changes to staff remuneration. Fournier (2009) underlines the importance of entirely rethinking remuneration structures in a multi-channel context. He proposes changing remuneration structures by increasing the fixed element of total remuneration, developing qualitative objectives (e.g. integrating qualitative indicators such as customer satisfaction or product knowledge) and setting team objectives. The remuneration system should minimise conflict, particularly in relation to the allocation of sales, as well as encouraging collaboration between channels. Marketing variables unite the elements that are visible to consumers: it may be the shop image, prices or product mix (e.g. breadth and depth of the range). The harmonisation of these marketing variables leads to advantages (e.g. increased sales, customer loyalty and customer retention) as well as disadvantages (e.g. risks of cannibalisation in the short run).

Challenges related to integration

Multi-channel strategy has become a management model that raises major technological and organisational concerns. In the literature dedicated to this theme, the emphasis is placed in an increasingly systematic way on the necessity of global and combined management of all channels offered to consumers in terms of their coordination or even their integration. The

management of logistical operations, linked to Internet sales, is often paired with a purchasing system developed for stores. This is a major approach as, without it, there are significant risks for companies in terms of simply adding a new channel (e.g. Internet or a call centre) to an existing channel (e.g. sales in stores).

Risks linked to the absence of integration

In an interview given to the magazine *Marketing Direct*, the CRM manager of Accenture in France noted “the adoption of multi-channel was done by many companies through the successive addition of channels without a genuine global integration”. Today, companies must opt for a true multi-channel strategy based on precise objectives so as to achieve rigorous implementation and subsequent evaluation of the policies adopted. Indeed, a failure to work on globalising schemes of multi-channel distribution, by developing an ago-antagonist view of different channels, can create many problems:

- conflicts between channels, resulting from a lack of role convergence between them;
- a lack of potential synergy between channels, leading to additional costs rather than economies of scale or economies of scope; and
- a potentially long and costly learning period for the company, resulting in a possible loss of competitive advantage.

Therefore, many companies consider how best to integrate their channels according to a holistic perspective. Multi-channel integration means that a company's channels will be viewed as being part of a coherent value-creating system, rather than as parallel or isolated elements. This point is essential to avoid consumer frustration arising from poor delivery processes (Jackson, 2010). In terms of logistical operations, multi-channel integration consists of coordinating supply chains associated with different channels to create common “knots” (e.g. warehouses and platforms), so as to create economies of scale, as well as differentiating operations, particularly final delivery where customers have specific expectations.

The adoption of a multi-channel strategy must be consistent with the company's desire to optimise its profitability. The choice of a “click & mortar” strategy, by adding an Internet channel to the traditional channels, can provide the opportunity to succeed. Now, companies can make their products, and product information, available at any time in any place and at a lower cost, with reduced distribution and transaction costs (through reduced reliance on intermediaries). However, the use of multiple channels requires companies to organise and manage each channel, to establish marketing strategies, to invest in technologies and logistics and to create a customer database. This constitutes a heavy investment and should force companies to think about the means to make their multi-channel distribution systems as efficient and effective as possible, in particular by linking sales personnel to it, as Fnac did (Box 2). Working on globalising schemes becomes essential; multi-channel integration constitutes a means to reach this objective.

Impact in terms of performance

Cross-channel management helps to develop synergies and complementarities between the channels through the sharing of logistical operations, technologies, marketing and communication policies. For example, some large retailers, having developed sales through the Internet, use their retail stores as logistical bases to prepare orders made online. They make *store picking* operations (Tesco model) before delivery to the consumer's home or they may ask the customer to come to a drive-in store, sometimes annexed to a retail store, from which they collect the order (Auchan model). In both cases, the physical and the digital store (Web site) are integrated in a global strategy in terms of management of product mix and policy of product availability for customers.

Box 2. Interview with the managing director of Fnac (France)

Fnac covers a large number of sectors, in which it is positioned as a leader: distribution of technical and cultural products, and travel tickets. The company has a cross-channel approach, and all products are offered and accessible to consumers both in store (80) and on the Internet. The strategy has three main strands: Internet development, developing network of stores on the periphery of urban areas and anticipating market changes by working in particular on the dematerialisation of cultural products.

What is the place occupied by multi-channel in Fnac's strategy?

Multi-channel is essential for us. Fnac.com is a powerful tool that enables us to manage our product and customer references. We have strong added-value content, and we are capable of understanding the needs and behaviour of consumers in store as well as on the Internet. The value is created from the capacity to cross this information and use it in all our marketing channels. We have deeply modified the organisation regarding customer activation by entrusting this management to Internet teams to have a unique customer management policy. These teams have developed a set of tools enabling us to understand and analyse the path used by the consumer on the Web site. We provide these quality management tools and methods and put them at the disposal of the stores.

What place do the stores and sales personnel continue to occupy?

Stores remain at the heart of our strategy, and the objective of the new organisation is to develop in-store turnover. We will therefore enable the consumer to be more autonomous and help the salesperson to better understand the consumer: the consumer can access its My Fnac page and customise the advice needed. We want to develop an "everything, all the time, everywhere" approach: a store's salesperson should be able to offer products located in other stores or on the Internet, and get them delivered at the consumer's home or in store. This is a real innovation in support of customers.

Source: Available at: <http://lumens-consultants.com/> (accessed 26 May 2014)

Moreover, cross-channel facilitates a better understanding of the real performance of each channel in terms of turnover, costs of customer contact, profitability and so on, by providing coordinated management and a more cross-functional vision of all channels. It enables more efficient and effective allocation of resources and logistical skills both within and between the channels and, as a result, helps to provide a more rapid return on investment. Furthermore, there is a direct relationship between integration and performance. The contribution of [Fabbe-Costes and Jahre \(2008\)](#) underlines the positive impact of integration on five types of performance: logistical, sales, financial, strategic and sustainable development.

However, although a cross-channel strategy can bring cost savings and improved profitability, significant challenges lie ahead. Given that a consumer-oriented approach is clearly a key to success for online retailing, it is important to question the articulation between physical and digital stores regarding the effective management of flows. Darty has addressed this issue over the past 10 years, and it is at the root of numerous innovations (Box 3). Certain issues need to be resolved, including:

- *unification of different systems*, based on operating models that are very different from one another;
- *assembly and standardisation of data*, resulting from multi-channel interactions with the client;
- *heavy investment in technologies and strategies*, the consequences of which are difficult to evaluate; and
- *the reduction or elimination of organisational obstacles*, linked for example to the adoption of new technologies by company personnel.

Box 3. Interview with the managing director of Darty.com

Darty stores offer a wide selection of home appliance products, TV, video, hi-fi, telephony, multimedia and Internet. The company has over 230 stores and is the leading distributor of home appliances and consumer electronics in Europe. In 1999, the company created its Web site Darty.com with a significant level of visits (over 120 million visitors per year). The Web site is seen as complementary to the company's retail stores.

How can the success of your company's cross-channel strategy be explained?

The key element of our success is a relationship with customers that is not specific to a type of point of sale. We consider that customers can visit our Web site, continue within a store and finish through their mobile. This complementarity of points of sale is what makes the value and effectiveness of the system. Of course, prices are uniform according to the channels. And we offer all usual delivery systems. You can buy your products online and then pick them up an hour later in the store. We also offer Darty delivery, which includes installation, as well as recovery of the old equipment.

How have you achieved interoperability of channels?

Interconnection and synchronisation of points of sale are very complex and difficult to achieve. To do so, a real-time vision of the stock in stores from the Web site is necessary. This requires a high level of IT, as well as successfully synchronised marketing and supply. We constantly work on making our positioning uniform, by multiplying points of contact between the services.

How do you create a dynamic between the Internet and your stores?

One of the keys for successful cross-channel development is to avoid working in silos, and to consider that, ultimately, what matters is sales to customers. In our company, each Internet sale is assigned to a store. The channel analysis is not very important. The physical point of sale prevails, and the store manager is responsible for the point of sale with an annual turnover for physical and virtual activities, corresponding to the Internet sales to which it is assigned. This prevents contrasting the channels and helps build many projects, such as customer information and store news via the Web site.

Source: Available at: www.ecommercemag.fr/ (accessed 16 April 2015)

Back to the future

The pursuit of a cross-channel strategy in an approach based on logistics and marketing can produce major benefits in terms of profitability and differentiation. To achieve these benefits, it is necessary to initiate globalising schemes, based on a holistic vision of the channels which are available to customers. The different channels should not be seen as unconnected entities but as a single entity whose mission is to create value for both the company and the customer. From this point of view, cross-channel management can be driven in various ways and requires a number of changes at strategic, logistical, financial, organisational and informational levels. Such changes should include the design of the channels themselves. Cross-channel management is not an end in itself, but it can be a means to improving the company's performance. The synergy and complementarity between channels can produce economies of scale and improve profitability. In addition, cross-channel management creates value for the customer who will have a coherent, uniform and continuous experience across all channels. To these ends, two tracks should be favoured.

Strengthening links between the Internet and physical channels

The advantages and potentials that a Web site can provide to a business are well established. While, for many companies, the addition of a Web site to traditional channels was initially perceived as a response to "a fad", the trend is now to promote links between Web sites and traditional channels. It is therefore important for businesses, especially in the retail industry, to favour cross-channel management through a combined vision of traditional and digital channels. Particularly in the trade

sector, Web sites have become an essential tool for managing customer relationships, rather than just a marketing channel in support of traditional channels. By means of its interactivity, the integration of a Web site in the company's overall offer is likely to create value and sustainable customer capture. However, it is essential to pursue a deliberate strategy, which is far from being the case for example in the banking industry. The challenge is to *harmonise* the different components of multi-channel, rather than *homogenise* the offer.

Promoting a cross-functional multi-channel strategy

For companies, cross-channel management becomes a key challenge over and above the technological issues, to the extent that it requires a set of changes at strategic and organisational levels. Yet, there is a high risk to continuing with vertical management, without the involvement and true interaction of all channels in any issues linked to it. For example, a large retailer implementing a *drive* logistical system, based on the picking of products in store, must ensure sure that the store is not disrupted by orders made on the Internet. Cross-functional work needs to be carried out to coordinate actions, beyond the famous functional silos of Fordist companies. To this end, it is essential that the key functions concerned and the managers of relevant marketing channels work together. The aim should be for each of the actors to develop a "multi-channel reflex" that will homogenise the consumer's vision of its global experience across the various channels.

The latter element seems essential. Indeed, when facing all the channels at the company's disposal, improving the use of the full range of channels is crucial. The company must not limit itself simply to raising awareness of the existence of the channels; it must prove how it can meet the needs and advantages sought in the most efficient manner. Only a consumer perception that is based on multi-channel coherence, which stems from powerful integrative processes, can achieve this. Moreover, sales personnel should be a component of these integrative processes. The coherence will depend on the degree to which the consumer perceives there to be uniformity of information through the company's various channels. The consumer's awareness of the available channels and their functionalities is likely to help guide its choice and positively impact its satisfaction.

It remains to be seen whether the sales force should be placed at the centre of cross-channel management strategy. This seems to be the case for Fnac and, to a lesser extent, for King Jouet. As the sales force holds an increasingly important role in service recovery, it must have real time data available regarding flows passing in logistical networks. These data enable the seller to react quickly to problems by offering acceptable replacement solutions to the consumer (e.g. the replacement of a defective product ordered via the Internet by a product available in a warehouse and delivered to the home within 24 h). Companies must therefore facilitate access to logistical information for sales forces, and this implies an organisational interaction between marketing and the supply chain activities. The usual analysis of the sales force is done based on marketing and human resource management studies, in particular by studying the implications for sales staff. There is a need to widen this narrow vision. Indeed, when it has logistical data available regarding product flows, the sales force can increase customer satisfaction, for each of the distribution channels and for all channels. This will be a major challenge for large retailers in the coming years.

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