Original Article

Structure, people and process challenges of multichannel marketing: Insights from marketers

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ABSTRACT The aim of this study was to explore the utility of strategic implementation theory as a guide for dealing with issues marketers face when implementing multichannel marketing. Although marketers attempt to harness the potential of emerging marketing channels, implementation is proving difficult. This is because the complexity of multichannel marketing has implications for existing organisational structures, people and processes. Further, the reliance on external suppliers and vendors in implementing new channels is causing organisational conflict and the development of new management processes. A qualitative research approach using insights from senior marketers of 'Bluechip' organisations was used to identify multichannel marketing implementation difficulties. The major contribution of this article was to show the areas for which strategic implementation theory provides practical implementation guidelines and future research directions.

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The complexity of implementing multichannel marketing requires internal structures, processes and organisational culture to be reconfigured.¹ Some of the multichannel marketing implementation challenges include internal politics when the role of a traditional channel is reduced or modified, understanding synergies when multiple channels provide complementary roles, and, finally, managing the movement of consumers between online and offline modes for different products and/or for different stages of the purchase process.² Although multichannel marketing is being

increasingly used by organisations as a result of its revenue and cost benefits, its implementation is complicated by the diversity of channels.³ Sharma and Mehotra³ suggest that although it is important, organisations are still finding it difficult to achieve the optimal mix of channel types.

Kabadayi *et al*⁴ believe that multichannel marketing implementation problems could be reduced if guiding theoretical frameworks were available. They argue that business strategy has not been linked to multichannel marketing in theory. Kabadayi *et al*⁴ believe that there is theoretical support for the use

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of strategy typologies as guiding frameworks for multichannel marketing implementation.

The contribution of this article to the field of multichannel marketing is to qualitatively explore and evaluate the utility of strategy typologies as guiding frameworks for multichannel marketing implementation. This article recognises that channels are proliferating and evolving, and thus organisations need to integrate the Internet, social networking, mobile marketing, call centres, retail stores, sales force, wikis, blogs and direct mail. However, to address the gap in the channel implementation literature as discussed by Kabadayi *et al*, research must provide multichannel guidelines to marketers.⁴

The benefit of using strategy-type theory⁵ is that it allows a comprehensive and reputable implementation framework to be used. The Miles and Snow Prospector and Defender theory can be used to determine whether possible solutions to implementation problems raised by respondents apply to all companies using multichannel marketing or only to those following a particular strategy.

The following section of the article presents an overview of the channel, multichannel and strategy implementation typology literature. Next, the methodology used to obtain insights into implementation challenges faced by senior marketers is presented. This is followed by the discussion of the findings, and, finally, the article concludes with implications and guidelines for managers and researchers.

MULTICHANNEL MARKETING

Channel strategy needs to address both competitor strategy and customer needs, or organisational performance will suffer as organisations lose competitive advantage. The importance of channels has been recognised long before the onset of multichannel marketing.⁶

In terms of the pervasiveness of multichannel marketing, recent statistics

show that 65 to 70 per cent of consumers are multichannel shoppers.⁷ Marketers thus need to act quickly and make the correct channel design decisions. In business-to-business marketing, multichannel marketing is also having a major impact.⁸

Web applications and wireless devices are the main technologies behind the growth of multichannel marketing.⁹ Customers see benefits of new marketing channels in terms of greater convenience,¹⁰ while Rangaswamy and Van Bruggen⁹ suggest that multichannel marketing appeals to customers, as it allows them to be contacted by channels they prefer at the time and on the day of their choice. The addition of these new channels to traditional channels such as telephone, catalogues, 'bricks and mortar' shop fronts and sales force requires a manager to blend channels into an appropriate channel mix.

Marketers using multichannels have objectives such as increasing customer numbers, cross-selling and enhanced service quality. Multichannel customers spend more money than single channel customers^{1,7}; buy more products than single channel customers¹¹; and are more loyal than single channel customers.¹⁰ This makes it important for marketers to understand how to encourage multiple products and multiple channel links between customer and company. Other benefits of multichannel marketing include being able to offer a number of service tiers, where the service price is matched with service level,⁸ aiding segmentation strategy and allowing profit maximisation with various price points being offered. Furthermore, Internet and call centres can deliver service at lower cost.¹ Marketers can identify customers who prefer low-cost channels such as the Internet, as well as low-value low-volume customers who can be migrated to low-cost channels in order to make their low sales volume profitable. Higher-value customers should be given a channel preference choice.

In summary, the new channels change the way traditional channels are used and the roles each traditional channel is most suited to, as they offer new strengths and weaknesses. They allow synergies to be achieved provided they can be integrated successfully with traditional channels. If implemented successfully, competitive advantage and customer satisfaction can be achieved.

IMPLEMENTATION CHALLENGES OF MULTICHANNEL MARKETING

Coelho *et al* state that organisations changing from an emphasis on either single or dual channels to multiple channels results in channel design decisions becoming more complex.¹² The increase in digital channels generally does not reduce the number of traditional channels being used, thus resulting in a greater number of channels to manage.¹³ The introduction of Internet and other digital channels increases the chances of making strategic errors and losing competitive advantage. This is because of increasing implementation complexity. On the other hand, multichannel marketing represents an opportunity for organisations that ‘get it right’.

Multichannel marketing is harder to achieve than it might appear.¹ This means that the current channel decision-making processes used by managers may not be appropriate, and new guidelines are required. One reason for the complexity of multichannel marketing is that consumers move between channels at different stages of purchase process.² Rosenbloom⁸ lists a range of challenges marketers face in implementing multichannel marketing. The challenging issues include integrating traditional and emerging channels; obtaining synergies across the channel mix; and finding the optimal channel mix.

The challenges of multichannel marketing suggest a need for a decision-making framework to enhance the chances of successfully implementing multichannel

marketing. Rosenbloom⁸ argues that poorly integrated channels will result in customer loss. Marketers must understand consumer motivations for choosing channels.² If they do not, they will deliver the wrong value, and either over or under invest in particular channels and lose market share or squander resources.

STRATEGY IMPLEMENTATION TYPOLOGIES

One early channel implementation model proposed that channel implementation decisions can be made bureaucratically or organically.⁶ However, recent researchers have proposed business strategy typologies as a more advanced channel decision-making model. Kabadayi *et al*⁴ propose that the role of channels within a multichannel approach is contingent on business strategy. They found that the Porter strategy¹⁴ types, such as Differentiator and Cost Leader, were related to channel strategy characteristics, and that the various multiple channels interact with both strategy and environment in effecting organisational performance.

Porter’s strategy¹⁴ typology (that is, Differentiator, Cost leader and so on) is from a group of typology frameworks that can be used to guide implementation decisions. The two most commonly used by implementation researchers are those of Miles and Snow⁵ and Porter.¹⁴ These are based on contingency theory that proposes that success is contingent on implementation matching or being congruent with strategic and environmental context. For example, participatory decision-making will lead to high performance for organisation A but will not be optimal for organisation B, as organisation B is in a different strategic and environmental context. Organisation B may be best suited to top down or bureaucratic decision-making as it is in a stable, predictable external environment in which efficiency is more important. In contrast, organisation A faces a turbulent and dynamic external environment.

According to Vorhies and Morgan,¹⁵ strategy typologies, such as the Porter¹⁴ and the Miles and Snow¹⁴ models, assume that 'fit' between strategy and organisational characteristics result in higher organisational performance. Strategy-type theory would suggest that implementing multichannel marketing would require different approaches according to an organisation's strategy and environment. Kabadayi *et al*⁴ used Porters typology of Differentiation versus Cost leadership strategy to examine differences in approaches to multichannel marketing.¹⁴ The Porter¹⁴ typology was used instead of the Miles and Snow⁵ typology of Prospectors and Defenders. However, the Miles and Snow⁵ typology has had far more use and support in terms of implementation research than the Porter¹⁴ typology. It should be noted that strategy implementation typology guidelines have had mixed empirical findings.^{16,17}

Sharma and Mehotra³ state that it is important and yet difficult for organisations to achieve the optimal mix of channel types. This suggests that new implementation frameworks should be explored as decision-making guides.

In summary, to address the concerns of multichannel marketing researchers such as Van Dijk *et al*² and Rosenbloom,⁸ new theoretical implementation frameworks are required. Otherwise, the potential of multichannel marketing will not fulfil its promise. A theory that addresses the structure, people and process implementation issues that managers face when integrating channels is required.

Kabadayi *et al*⁴ state that although business strategy has not been previously linked to multichannel marketing in theory yet, it has theoretical potential. On the basis of the foregoing discussion, the underlying research question is posed:

To what degree does the Miles and Snow strategy implementation typology provide guidance for multichannel marketing implementation?

The next section presents the methodology used to obtain multichannel implementation insights from senior marketers in terms of this research question. Through this process, the potential utility of strategy-type theory for multichannel marketing implementation can be evaluated.

METHODOLOGY

Qualitative research methodology was used to identify the implementation issues that managers experienced in terms of multichannel marketing.¹⁸ Other researchers have also used qualitative research methodologies to develop channel theory.^{19–21} To ensure the highest level of knowledge about channel marketing, senior managers and marketers were approached as potential respondents. In the majority of the instances, these managers were directly responsible for distribution or channel strategy. The participants can hence be considered 'experts' and highly relevant to the research objectives.

Following Gilly²² and Wolfenbarger, and Ramaseshan and Pitt,²³ qualitative responses were collected individually from senior marketers. The recruitment was based on contact through the agency of breakfast roundtables on marketing issues that the researcher has run for 7 years. Of the 45 people who attend either the breakfast groups regularly or irregularly, 40 took part in the survey. Forty managers from a cross-section of industry sectors were e-mailed with the following statement in the area of multichannel marketing:

Please indicate in no more than 75 words what you consider to be the major one or two key challenges you face in the area of multichannel marketing.

Respondents from a cross-section of industrial sectors were approached for this study to provide a diversity of industries to obtain a more comprehensive and general understanding of the key challenges in multichannel marketing.

The potential respondents were asked to share their perspective on the statement in approximately 75 words. This word limit was provided to the respondents so that while their responses were moderately comprehensive, consideration was also given to the tight time schedules of the senior marketers. Of the initial 40 marketers approached, 31 supplied a response to the question, 27 via e-mail and four through a telephone call. These responses were received over a 3-month period, with a reminder e-mail every 3 weeks from September to November 2006.

Each respondent was given the option to receive a copy of the final report summarising the study's findings. As a result of the sensitive nature of the channel implementation issues raised in the study, anonymity of both respondent and organisation was promised in return for participation. Accordingly, only representative de-identified responses have been included in this article.

DISCUSSION OF THE FINDINGS

Of the 31 respondents, the most common job titles were 'Marketing Manager', 'General Manager Marketing' and 'Head of Marketing'. Other job titles varied from 'Chief Executive Officer', 'Operations Manager', 'Communication Manager' to 'Internet Director'. The respondents represented a broad range of industry sectors with emphasis on Insurance, Communications and Business Services. On the other hand, government, manufacturing and transport sectors had only one respondent each. A diversity of sectors ensured that a broad range of issues were identified.

A total of 63 multichannel challenges resulted from the 31 respondents. These challenges were manually coded into three themes under the headings of strategic, implementation and measurement. If a

challenge contained two or more sub-points applying to more than one of these themes, each component was allocated to the relevant section. This article focuses on the 'implementation' responses. The implementation responses were further classified into implementation themes. These were (a) *culture and motivation*, (b) *structure and control*, (c) *conflict and cohesion*, and (d) *external relationships*.

Please note that the indented paragraph content in the findings section are the implementation issues in the senior marketers' own words. To protect the identity of the respondents and their organisations, any identifiable information has been removed from the discussion.

THEME 1: CULTURE AND MOTIVATION

This implementation theme addressed aspects of human resources. The comments covered rewards, culture and motivation. One representative response by a senior marketer was:

How do you 'stay connected' and continue to motivate a remote sales force?

With an increasingly diverse workforce in terms of gender, age and ethnicity, the achievement of a balance between financial versus non-financial rewards becomes more complex. It appears that employers need to develop recruitment procedures, as well as an empathy with employees to avoid a demotivated workforce. Unfortunately, a demotivated workforce is likely to lead to service inconsistency and hinder smooth transitions of customers between different marketing channels when an alternate channel is more appropriate. High levels of service quality within channels are likely to lead to competitive advantage for organisations that reward employees most appropriately. Effective rewards are needed, as sales and service

employees require increasing skills in advising customers on the most appropriate of the many channels for the customers' needs. On the other hand, some salespeople are demotivated as their roles are less satisfying because of extensive consumer pre-purchase information search. Demotivation and reduced job satisfaction of salespeople occurs, as these days customers arrive at 'bricks and mortar' retail outlets after performing Internet searches. Thus, they do not rely on the salesperson for expertise, and in some cases have greater expertise regarding the product. Often these customers only need the retail outlet to pay and pick up the product. One way of addressing this motivation issue is to communicate and clarify the need for sales people to adapt to new roles. Although the salespeople are now less the 'powerful expert', they can still take a useful role in explaining any hidden dangers of the purchase, and even play 'devils advocate' to help the customer confirm that the product they have chosen over the web is right for the customer. This is worthwhile as not all web sites offering advice are credible or unbiased. As one marketer's response below highlights, one way to motivate sales and service employees is through internal communications:

What methods do you use to communicate objectives and information to the various channels to ensure achievement of service consistency? Does each channel utilise a different method or can a 'one size fits all' approach be utilised?

Rewards systems must integrate with internal communications to be effective. Strategic implementation theory^{5,14} would suggest that organisations, who are Prospectors, who target new markets with new products, will need to differentiate rewards systems and internal communications messages to a greater degree than will Defenders in a multichannel system. The sales people within Prospector organisations in a

multichannel environment will be least effective, relative to Defenders, with, as the marketing manager states in the quote above, '*... a one size fits all approach ...*' towards rewards and internal communications.

THEME 2: STRUCTURE AND CONTROL

This multichannel implementation theme covers organisational structure, authority and information technology. These organisational characteristics are normally considered part of organisational theory. In contrast, Theme 1 was more closely related to strategic human resource management theory. In the following comment, a manager highlights a structural issue regarding the location of channel authority:

Separate or integrated? What works best for successful customer experience within different channels?

Although each channel has different capabilities and each channel requires a different skill set, the outcome of decision-making authority being fragmented across channels mitigates against a coherent and consistent customer experience. In order to move customers between channels according to their needs, cooperation between different channels is required. Unfortunately, in some organisations, where channel managers are unaware of the totality of consumer needs and unaware of the features of other channels, a 'silo view' prevails. As discussed below, where channels compete against each other for prestige and power because of politics, this is likely to lead to customers not moving between channels smoothly and possibly being serviced by an inappropriate channel. A related issue is raised by another respondent in the following response:

What type and level of influence/control should marketing have on channel costs

which directly impact product/segment profitability?

The comment suggests that channels are often located in operational areas where marketers do not have responsibility. This requires organisations to define both the marketer's role and marketer's key performance indicators (KPIs) as either (a) strategic, (b) operational, or (c) some mix of both.

Strategic implementation theory suggests that Defenders are best suited to centralised structures, and Prospectors best suited to decentralised structures. This means that Prospectors have broader and lower levels of decision-making autonomy within their structure. Decentralised structure is better suited to the dynamic change coming from many directions that is inherent in their strategy. On the other hand, Defenders have less need to adapt to change with slower change to new products and new markets, and can afford to use a slower 'top down' hierarchy of decision making. This will take a longer time to respond to external change. However, this centralised structure is suitable, as there are less external challenges to be faced and a simpler structure will suffice.

The qualitative findings mean that this aspect of strategy implementation theory is challenged, as it is likely that all organisations pursuing multichannel marketing will need to decentralise to deal with the wide range of dynamic issues they face. This is because of the complexity that has been highlighted in the earlier literature. Decentralisation of authority to multiple channels reduces the chances of a consistent service quality standard being taken, as each area (that is, call centre or sales force or retail channel and so on) may develop its own service quality mission with service consistency even more elusive. This finding contradicts both Miles and Snow⁵ and Porter's¹⁴ strategy implementation model, as discussed above regarding centralised versus decentralised organisational authority.

THEME 3: CONFLICT AND COHESION

This theme covers political conflict and the need for alignment processes to be put in place that can (a) provide cohesive and consistent service experience both across and between channels, and (b) leverage an individual customer interaction as an opportunity to provide a profitable sales or service encounter. As mentioned above, political conflict is likely to hinder matching the most appropriate channel to customer need. One marketer made the following comment about politics:

The old versus the new: How best to resolve conflict between the traditional terrestrial retail channel and the emerging market channel of 'online any time'?

It is possible that an alignment of people, technology and processes can reduce conflict and enhance cohesion. Alignment can aid in overcoming these implementation problems, assuming that customer value and customer preferences are used to determine policies and practices. A marketer made the following related response that recognised the importance of the implementation process:

In a time when multiple access channels (call centre, online, retail, sales force) are being used interchangeably by customers for service and sales enquiries, how are organisations developing information systems, business processes and staff behaviours to recognise and leverage previous customer contact?

The importance of process as an implementation facilitator as opposed to the previously discussed themes in which structure or human resources initiatives were provided is highlighted in this comment. The comment suggests that technology may provide a solution with its ability to capture customer behaviour and inform the customer of an appropriate offer, based on previous customer interactions. Customer Relationship Management

Technology can indicate the most suitable channels (and products) for the customer. Technology can inform the customer directly in the case of an Internet application, or alternately, technology can provide information to a call centre employee or a sales person to pass to the customer in the sales or service encounter. Technology would be integrated in a process with people, and structure.

Strategic-type theory^{5,14} does not provide strong guidelines for process design. These two typology models provide relatively 'static recommendations' regarding human resource and organisation theory, as opposed to other strategic management models that emphasise process.²⁴

THEME 4: EXTERNAL RELATIONSHIPS

This theme covers external relationships that were the most frequent implementation issue raised by the marketers. One marketer posed the following question:

How should channel conflict between direct versus intermediary channels be managed?

Newer channels, especially those in which direct relationships between the organisation and customers are formed, threaten traditional channels and reduce their relative importance. This means that marketers need to trade off the gains from using new channels as new ways to market, with the risks and downsides of losing external channel support and coverage. Organisations must explore 'win-win' outcomes with external channels. Further, should external channel relationships breakdown irretrievably, one option for companies is to become exclusively direct to the consumer. The other implementation issue raised by the external marketers regarding external relationships involved the outsourcing of customer contact, as one response showed:

What is the ideal model/mix of insourcing and outsourcing service and sales channels?

Is the appropriate mix dependent on strategic direction or industry type?

Another aspect of external relationships that was proving a challenge with marketers was the struggle with cost benefit analysis of outsourcing, which has short-term and long-term implications to take into account.

Strategic-type theory^{5,14} does not provide guidelines for managing external relationships. Both of these typology theories are more concerned with internal organisational configurations than external relationships.

CONCLUSIONS AND LIMITATIONS

The main aim of this article was to evaluate the utility of strategy typologies in providing implementation guidance for issues raised by senior marketers. Strategy-type theory, such as that proposed by Kabadayi *et al.*,⁴ found relationships between the Porter¹⁴ strategy typology and multichannel marketing. However, strategy-type theory provided only moderate theoretical and practical guidance for the four multichannel implementation themes identified in this study.

Culture and motivation – This appears to be a problem in multichannel marketing implementation, as it results in staff not adhering to policies and procedures that ensure customers are matched with the most appropriate channel and/or service level. This was also raised as an issue, as managers struggle to develop appropriate reward systems for employee tasks that varied according to job satisfaction and task richness in alternative channels.

Structure and control – A mismatch between authority and responsibility occurs when inappropriate structure and control measures are used. This reduces the effectiveness of marketing planning and hinders accurate assessment of the performance of both the marketer and the channel or operations manager. As a result,

channel implementation and performance suffer.

Conflict and cohesion – When conflict occurs between channels, service consistency and cohesion among processes, people and technology do not occur. This results in a mismatch between channel and customer, and also results in lost opportunities to leverage customer interactions.

External relationships – The most commonly cited issue showed that marketers were attempting to restructure links with both existing and new external organisations in order to seize the new opportunities provided by multichannel marketing. Restructuring external relationships requires new skills and provides new risks.

In summary, the findings of this study support Coelho *et al.*¹² According to Coelho *et al.*¹² multichannel marketing is very complex, and thus a clear theory will be difficult to develop. This is supported by these findings, as strategy typologies appeared to offer guidance for only one of the four themes, that is, culture and motivation. There does not seem much scope for strategy typologies to offer implementation guidance for the remaining three themes of structure and control, conflict and cohesion or external relationships. Within these implementation areas, there appear to be generic challenges faced by all organisations, not just organisations of a particular strategy type, that is, Prospectors or Defenders.⁵

There were two main study limitations. First, there was a single respondent from each organisation, and the researchers were unable to probe the respondents beyond their initial response regarding their particular implementation challenge. Second, contextual details of each respondent company, for example, details of the market share leadership, training, reward systems, culture and structure have not been included in this article. Nevertheless, the study included responses from very senior,

knowledgeable respondents from large and prestigious organisations. A further strength was the industry diversity that facilitated broad exploratory identification of multichannel marketing implementation challenges.

IMPLICATIONS FOR RESEARCHERS AND PRACTITIONERS

Other human resource, organisation structure and process variables, which were not identified by the senior marketers, should be included in future studies. These could include salary structure, recruitment, promotion, training, job design and leadership. A future quantitative study would need to consider control variables such as number of channels used, market share, the role of the channels, degree of outsourcing, organisational size, marketing manager characteristics, external environment and competitors. These variables may change the implementation approach required for a given organisation.

Advice to practitioners regarding the implementation challenges identified is as follows. As most of the implementation challenges relate to the difficulty of managing, integrating and motivating a proliferation of internal and external channels, often where no line of control exists, a mix of structural and process mechanisms is required. This is necessary to achieve cohesion and avoid internal and/or external channel conflict within a complex implementation system. Cohesion can be delivered through technology, structure, people and process redesign. The great danger is that if service consistency is not achieved and/or the ability to leverage a customer interaction into future business is not developed, an organisation's share of the 65 to 70 per cent of consumers who are multichannel shoppers⁷ will be lost to competitors.

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