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Cross–Channel Cooperation

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INTRODUCTION

The rapid growth of Internet technologies induced a structural change in both social and economic spheres. Digital channels have become an integral part of daily life, and their influence on the transfer of information has become ubiquitous. An entirely new business dimension that may be referred to as the *Net economy* has emerged. Internet-based *e-ventures* that are operating at this electronic trade level are based on innovative and promising online business models (Kollmann, 2006). But also traditional enterprises that are operating at the physical trade level (*real economy*) increasingly utilize digital channels to improve their business processes and to reach new customer segments.

With the Internet, the cooperation between enterprises reached a new level of quality. The wide, open, and cost-effective infrastructure allows a simple, fast exchange of data and thus a synchronization of business processes over large distances. Particularly for e-ventures introducing their new business ideas, *online cooperation* is a promising strategy as it enables the partners to create more attractive product offers and represents a basis for more efficiently and effectively communicating and distributing their product offers (Kollmann, 2004; Volkmann & Tokarski, 2006). Online cooperation, however, does not incorporate off-line channels such as print media, stores, or sales forces.

For the combined management of online and off-line channels, cooperation can be expected to hold an outstanding potential. Partnering with companies from the Net economy may help traditional enterprises to reach new market segments without extending themselves beyond their core competencies—and vice versa. In this context, cross-channel cooperation can be defined as

> *the collaborative integration of online and offline business models aiming at attaining positive synergetic effects for the involved partners by a complement of competencies.* (Kollmann & Häsel, 2006, p. 3)

Cross-channel cooperation can be regarded a new management task that is worthwhile to be examined in more detail. Although researchers have broadly covered the area of online cooperation, a comprehensive study on cross-channel cooperation has not been undertaken up to now. Particularly the question arises, which cooperation forms represent feasible strategies for both e-ventures and traditional enterprises. Besides its contribution to literature, this article is intended to assist practitioners in evaluating the benefits of cross-channel cooperation for their own businesses.

COOPERATION DRIVERS

The pervasiveness of digital technologies and changes in customer behavior are increasingly blurring the boundaries between real and Net economy. Considering the ongoing integration of online and off-line business activities of both companies and individuals, enterprises operating at the electronic and physical trade level inevitably need to *approach* each other. In many industries, integrated business concepts have become a prerequisite for achieving customer loyalty. For companies that lack specialized marketing departments and large marketing budgets, however, the requirements implicated by such strategies often go well beyond own means. Against this background, a cooperative inter-firm integration of online and off-line business models seems to be a feasible way of sustaining competitive advantage. The motivation for such strategies may be broken down to two main drivers: technology innovation and customer behavior.

Technology Innovation

The technological advance has enabled companies to utilize new and innovative channels, such as the Internet, call centers, interactive television, and mobile telecommunication. These channels are more interactive and can be used anyplace and anytime. Moreover, virtual channels such as the Internet contemporaneously provide communication, distribution, and service functions. As a consequence of these benefits, especially real economy retailers have implemented *clicks-and-mortar* strategies that combine online and off-line offers (Armbruster, 2002; Gulati & Garino, 2000; Müller-Lankenau & Wehmeyer, 2004).

However, when adding an online channel to their existing off-line channel portfolio, traditional firms are faced with quality shortcomings since the management of online channels requires very different skills (Müller-Lankenau & Wehmeyer, 2004; Webb, 2002). Assumedly, this applies to e-ventures adding off-line channels to their portfolio mutatis mutandis. Moreover, the complexity of a firm's channel portfolio increases exponentially with the integration of a new channel, because the service quality provided across channels must be kept consistent (Voss, 2004). In this context, cooperative arrangements with enterprises that are specialized on a specific kind of channel can help to control and utilize the quantity of channels available.

Customer Behavior

A fundamental motivation behind cross-channel strategies is the increase in customer expectations and demands. The changes result from an increased need for individualization, mobility, convenience, and self-determination. Customers nowadays use online and off-line channels *complementarily*; they browse in one channel and purchase in another, reflecting their goal to find the best selection, services, and prices. They even expect that they may choose which kind of channel they use to inform themselves about a product, to contact a retailer, to buy, or to exchange a product. For every buying decision, such *hybrid customers* assemble an individual channel mix for the respective presales, sales, and after sales processes. Research even suggests that hybrid customers are more loyal than others (Connell, 2001).

Changes in customer behavior implicate that the simultaneous utilization of online and off-line channels will become a driving force in many industries. Porter (2001) states that, "The old economy of established companies and the new economy of dot-coms are merging, and it will soon be difficult to distinguish them" (p. 78). An important issue, however, is that customers who are used to a particular scope and quality of service in one channel, tend to expect the same quality in other channels. It also can be hypothesized that a company's activities in one channel influence a customer's decision on using another channel. In order to avoid a spill over of expectations and its negative implications, various companies have established separate brands representing their online channels (Voss, 2004). Similarly, cross-channel cooperation is a feasible strategy as it may either leverage the partner's capabilities, or mitigate risk by keeping apart online and off-line channels.

COOPERATION FORMS

Cooperation results from the possibility of getting access to valuable resources of the partner, that "cannot be efficiently obtained through market exchanges" (Das & Teng, 2000, p. 37). Looking at the resources and capabilities of traditional enterprises and e-ventures, one can identify significant *cross-channel complementarities*. Cross-channel cooperation may thus leverage an e-venture's unique skills with the specialized resources of traditional firms to create a more potent force in the marketplace. For competing in a distinctive way, that is, delivering a real value that earns an attractive price from customers, enterprises increasingly need to "create strategies that involve new, hybrid value chains, bringing together virtual and physical activities in unique configurations" (Porter, 2001, p. 76).

In this context, five subsets of cross-channel cooperation may be derived from the types of resources contributed by the partners. These subsets of cross-channel cooperation are not intended to be seen exclusively. In practice, the partners will rather be confronted with hybrid forms, since cooperation usually aims at synergies resulting from more than one of the generic forms that are presented in the following paragraphs.

Cross-Media Communication

Successful online marketers have found that the strategic combination of online and print methods optimizes advertising efforts (Jones & Spiegel, 2003). Online channels feature fast and comprehensive possibilities for customer interaction, whereas print media achieve attention and quicken interests. Obviously, an intensive cross-media communication integrating online and traditional media has significant advantages. When implementing such a strategy, the utilization of the partner's channels is connected with substantially lower costs than the use of traditional mass media channels such as print media or television. Whereas the e-venture may profit from advertising spaces in mailings, on buildings and vehicles, or in point-of-sale magazines of the off-line partner, traditional firms may advertise on their partner's Internet platform.

Product and Service Bundling

The objective of bundling virtual and physical products and/or services is the enhancement of the own offer to create a higher customer value and to be able to meet the requirements implicated by the abovementioned hybrid customers. A product can be divided into layers (Kotler, 2002). Customer value may already be increased by enhancing the *actual* product that is expected by the customer. For instance, an e-venture selling travels on the Internet may cooperate with a car rental agency and thus allow the customer to hire a car for the holiday resort in the same transaction. Furthermore, customer expectations may be even exceeded on the *augmented* product level, for instance by establishing a new service channel that is set up on an existing channel made available by the respective partner (such as an Internet service portal or a delivery service).

Whilst the first partner usually aims at enhancing his or her own core product, the second partner may aim at gaining access to additional distribution channels in order to reach customers that would be out of scope otherwise. Such *cross-selling* offers usually represent an independent service provided by the partner and aim at selling appropriate products to existing customers.

Cross-Channel Brand Alliances

When introducing cross-channel product bundles, brand image and publicity of both partners may be increased by featuring their brands together in the respective advertisements. Research suggests that an overall elevation of the perceived quality can be observed when online and off-line brands are aligned in such arrangements (Levin, Levin, & Heath, 2003). Advertising alliances are especially important for new brands or established brands entering new markets. In both cases, they can be used to increase brand awareness and brand knowledge by leveraging the strengths of the partners and sharing costs (Samu, Krishnan, & Smith, 1999). A win-win situation might thus be given when an e-venture introducing its innovative product or service partners with an established real economy brand to build a stronger off-line market presence, and/or a traditional firm wants to expand into an online market segment where it has a weak brand presence by partnering with a Net economy partner that already serves that segment. As e-ventures often lack a pronounced buyer-seller trust, trust into the off-line partner may furthermore compensate missing experiences and information (Kollmann, 2004).

Cross-Channel Customer Relationship Management (CRM)

Developments in information technology have changed the manner in which competitive advantages are achieved today. The development of digital information channels in the framework of the Net economy will further lead to the widespread economic use of information as a production factor (Weiber & Kollmann, 1998). Information about the customer influences the basic dimensions of the competitive advantage viewed from the point of efficiency and effectiveness (Day & Wensley, 1988; Drucker, 1973). Database marketing becomes fundamental for many operative and strategic decisions. Cross-channel cooperation may support these by combining the information and knowledge resources of the partners to a common customer database that helps to solve the overall "customer puzzle" by integrating data from both the virtual and the real world.

CRM can be regarded as a "management approach that combines both IT and business concepts for process optimization at customer touch points" (Hippner, 2005, p. 133). "The Internet makes it easy to determine what users visit what sites" and thus allows e-ventures to generate high quality profiles in a short time that enable them to create an individually shaped relationship to their customers (Wiedmann, Buxel, & Walsh, 2002, p. 171). Conversely, for effectively collecting customer-individual data, traditional retailers need to overcome a *media discontinuity* between the physical and the virtual world. A common possibility to do so is a joint *loyalty program* supported by plastic cards or coupons that enable customer identification.

Maximizing customer value implies that the customer becomes an integral part of the value-creating process and has significant influence on it. On this basis, Pine, Peppers, and Rogers (1995) define the concept of mass customization as follows: "Customization means manufacturing a product or delivering a service in response to a particular customer's needs, and mass customization means doing it in a cost-effective way" (p. 105). With the growing relevance of the Internet, new potentials for mass customization are made accessible. Partnering with Internet players offers traditional firms a way of accessing these potentials. In order to achieve a permanent, customer-individual problem solution with a high customer value, a *trilateral* collaboration between online partner, off-line partner, and customer is feasible. Thereby the customer contributes the information that is required to recognize and solve the problem, whereas the e-venture contributes the Internet technology that enables the customer to individually configure the physical product in an efficient way. The product or service is then produced and delivered by the real economy partner (Kollmann & Häsel, 2006).

Point-of-Sale Activities

Due to the growing market concentration and internationalization, as well as the growing relevance of mail-order distribution channels, the *point-of-sale* is increasingly under stress of competition. Traditional retailers should therefore implement clicks-and-mortar business models and utilize the interconnectivity of electronic markets to cross-market their products or services (Amit & Zott, 2001). This also includes the use of *interactive kiosks* that enable retailers to leverage the power of the Internet by providing cross-channel customer care capabilities and giving customers self-service access to products and services. Similarly, the deployment of interactive kiosks at the point-of-sale enables e-ventures to extend their Web sites to the physical store level where the e-venture's innovative services may represent an added value for the customer.

In contrast to media channels, institutional channels such as stores and sales forces enable traditional retailers to offer their customers *personal* support in face-to-face meetings. Research from Amit and Zott (2001) suggests that off-line assets should be applied to complement online offerings as "customers who buy products over the Internet value the possibility of getting after sales service offered through bricks-and-mortar retail outlets," such as maintenance and repair services or the possibility of exchanging a good that has been bought online (p. 505). Consequently, the partner's point-of-sale may also be leveraged to offer face-to-face channel functions in the presales, sales, and after sales phase of an e-venture's customer life cycle.

Common loyalty programs may include the possibility of point collection and redemption at the respective partner company, including electronic price discounts at in-store kiosks and printable Web coupons that need to be delivered at the physical cash point. Mutatis mutandis, the off-line partner can give out "e-coupons" with unique identification codes that the customer enters at the virtual cash point.

FUTURE TRENDS

As integrated business concepts are increasingly becoming a prerequisite for achieving a sustainable competitive advantage, cross-channel cooperation can be expected to gain importance. With the proliferation of digital television and third generation mobile technologies, novel and innovative online business models can be expected to emerge. Due to the significance of Internet-based technologies, the boundaries between mobile services and the "stationary" Web will increasingly become blurred. This will enable Internet-based business models to span multiple channels and become a pervasive part of daily life. Particularly in this context, the emergence of cross-channel cooperation can be expected, as customers will increasingly use online and off-line channels contemporaneously. Will customers in the future browse Web-based catalogs in order to create digital shopping lists that are then used in connection with a mobile phone to guide the customer through the physical retail store? Similarly, television has begun to turn into an interactive online channel incorporating distribution and service potentials going much beyond spot advertisements. For companies having a partner that is specialized on a specific channel, tapping the full potentials of the developments of the future will be much easier.

CONCLUSION

The pervasiveness of digital technologies and changes in customer behavior are increasingly blurring the borders between electronic and physical trade levels. In order to be successful on the long run, both e-ventures and traditional enterprises need to incorporate cross-channel concepts in their corporate strategies. This article aimed at identifying feasible cooperation strategies to do so. Based on the kind of resources contributed by the partners, five generic cooperation forms have been outlined. For future research, these cooperation forms may build a foundation for a more sophisticated research framework that elaborates on the benefits of cross-channel cooperation on a qualitative or quantitative level. For practitioners, the concepts presented in this article highlighted how cross-channel marketing strategies can be applied with collaborative and integrative approaches. It should have become apparent that creative projects between e-ventures and traditional enterprises offer a wide range of opportunities and help to face up to a technological and societal development that is irresistible. To fully exploit the potentials of cross-channel cooperation, however, entrepreneurs and managers need to approach cross-channel cooperation in a systematic and precautious way that is backed by sound strategy, and never as an end in itself.

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KEY TERMS

Business Model: An abstract description of how a business generates revenue and profits. It includes descriptions of the firm's organization, its strategy, its products and services, its customer markets, its business processes, as well as the dependencies between these aspects.

Channel: A structured connection to the customer. One may differentiate between media channels (like the Internet, television, and magazines) or institutional channels (such as stores, call centers, or sales forces). Channels differ regarding their functional suitability for communication, distribution, and customer service purposes.

E-Venture: A recently founded and thus young e-business (startup). An e-venture results from a company foundation in the Net economy.

Electronic Trade Level: A business dimension resulting from the proliferation of digital data networks and thus a new possibility of doing business in the so-called Net economy, apart from the existing economy of physical products and services.

Electronic Value Creation: Refers to the creation of an added value by the means of a digital information product in the framework of the Net economy. Electronic value is commonly created through value-adding activities such as the collection, processing, and transfer of information.

Interactive Kiosk: Computer-like device that enables a retailer to offer innovative information, communication, and transaction processes at the point-of-sale. Kiosk systems are placed in key store locations and leverage the power of the Internet for retailers by providing cross-channel customer care capabilities and giving customers self-service access to products and services.

Net Economy: Refers to the economically utilized part of digital data networks (such as the Internet) that allow carrying out information, communication, and transaction processes (and thus an electronic value creation) via different electronic platforms.