The Issue of Multichannel Integration, a Key Challenge for Service Firms in a Context of Multichannel Services Distribution

Seck Anne Marianne

Correspondence: Seck Anne Marianne, Faculty of Economy and Management, CERGAM-FEG, Aix Marseille University, France. E-mail: Anne-marianne.seck@univ-amu.fr

Received: May 25, 2012 Accepted: June 7, 2012 Online Published: December 31, 2012
doi:10.5539/ibr.v6n2p160 URL: http://dx.doi.org/10.5539/ibr.v6n2p160

Abstract
The multiplication of channels of distribution is no longer in itself today a factor of differentiation for a company. So firms that are opening to multichannel distribution strategy work increasingly on globalizing patterns, on a combined management of all their channels. In particular, multichannel integration has become one of the key issues service firms face. The objective of this paper is to investigate the benefits and challenges of multichannel integration. A qualitative study was conducted in a French retail bank. Results showed that multichannel integration can allow firms to maximize their profitability but also to create more value-adding to customer experience and thus to better satisfy him. Managerial implications and areas for future research are provided.

Keywords: multichannel, integration, service distribution, physical channel, virtual channel

1. Introduction
Multichannel distribution system has become nowadays a standard business model for service firms. With such a system, services are available to the customer through various channels: retail outlets, telephone, automatic teller machines, the Internet. Particularly, adding the Internet to traditional physical channels spells more available services to customers (Van Birgelen, de Jong, & de Ruyter, 2006), more options offered (Hamdouch & Samuelides, 2002), easy access to the service (Lefebure & Venturi, 2005), etc. However, multichannel service distribution is no longer a source of competitive advantage due to its trivialization (Vanheems, 2009). For service firms, the emphasis is increasingly put on a global and combined management of channels offered to the customers. The opening to a multichannel distribution system leads service firms to take account how to effectively manage all these channels. Multichannel integration particularly has become one of the key issues they face (Moriarty & Moran, 1990; Stone, Hobbs, & Khaleeli, 2002; Patricio, Fisk, & Cunha, 2003; Montoya-Weiss, Voss, & Grewal, 2003). Several definitions of the concept of integration can be retained. According to Goersch (2002) “Multichannel integration refers to the simultaneous and consistent employment by a retailing organization of Web sites and physical store-fronts possibly in addition to other channels, such that customers derive a seamless experience when they switch channels during their interaction with the retailer”. Coelho and Easingwood (2003) define channels integration as “the extent to which distribution activities are brought under the management of a single entity”. Along the same lines Vanheems (2009) defines this integration as the assembly of various channels into a single distribution system promoting interchangeability and transfer of customers between channels. Through multichannel distribution strategy, firms are in search of greater profitability but also enhanced customer satisfaction (Montoya-Weiss, Voss, & Grewal, 2003; Sharma & Mehrotra, 2007). In this twofold perspective, channels integration can be a necessity (Stone, Hobbs, & Khaleeli, 2002).

Few studies have examined the question of multichannel integration with the view of optimizing the performance of service firms but also customers satisfaction. The objective of this paper is to investigate the benefits and challenges of multichannel integration.

The paper is structured in two parts. In the first part, we attempt to elucidate how multichannel, through its opportunities and challenge, can constitute a source of competitive advantage for service firms and can lead to benefits for customers. In a second part, we will focus on the case study of benefits and difficulties of integrating multiple channels in a French retail bank.
2. Multichannel Integration: Opportunities and Challenge

Given the business model that multichannel distribution system has become, the emphasis is increasingly put on a global and combined management of channels offered to the customers through the ideas of coordination and integration of channels. Coordination and integration of channels have become key issues for firms. Indeed, as noted by Gazay Xavier, the manager of Customer Relationship Management (CRM) at Accenture (France), in a “Direct Marketing” interview (2002) “the adoption of multichannel was done for a number of firms by addition of successive channels without real global integration”. These companies get in touch with customers via a channel, such as a call centers or the Internet some of them to keep up with times, afterward only, and gradually, they think about channels integration. Few companies have worked on globalizing patterns. So this can so give rise to:

- risks of channel conflict arising from a lack of convergence of roles and coordination between channels (Stone, Hobbs, & Khaleeli, 2002; Payne & Flow, 2004),
- a lack of potential synergies between channels (Coelho & Easingwood, on 2003) leading to additional costs instead of cost-savings,
- a fragmented vision of the customer,
- a relatively long and costly learning period.

Firms are now increasingly wondering how to integrate multiple channels (Moriarty & Moran, 1990; Stone, Hobbs, & Khaleeli, 2002; Patrcio, Fisk, & Cunha, 2003; Montoya-Weiss, Voss, & Grewal, 2003).

2.1 Multichannel Integration: Towards Cost Savings and Greater Profitability

Adopting a multichannel distribution strategy responds to the desire of firms to maximize their profitability (Dabholkar, 1996). The choice of “click and mortar” strategy, with the addition of the Internet to physical channels, gives them this opportunity. They can now make their products and information available anytime, anywhere at a lower cost including lower distribution and transaction costs. However, the use of multiple channels of distribution has led firms to organize and manage every channel, develop strategies, invest in technologies and processes, constitute customer databases (Neslin & Shankar, 2009; Seck, 2010), etc. All this implies heavy investments and force firms to think about ways to make this multichannel distribution system as efficient and effective as possible. The search for synergies and complementarities between channels has become pivotal for firms. Multichannel integration is a means to achieve this aim (Payne & Flow, 2004; Neslin & Shankar, 2009; Seck, 2010; Seck & Philippe, 2013). Indeed, the process of integration is often associated to the concept of synergy particularly in the strategic and marketing approach (Poirel & Bonet Fernandez, 2008).

Synergies may appear in two forms: the achievement of economies of scale and additional income. Firstly, through sharing the same processes, technology, marketing and communication—policies, …multichannel integration allows firms to benefit from the effect of synergy and complementarity between channels through which economies of scale can be achieved (Stone, Hobbs, & Khaleeli, 2002; Payne & Flow, 2004). Today, for example, retail banks take advantage of complementarity between branch and telephone banking for relieving agency’s advisers from low value-added activities to enable them to focus on high value-added activities such as consulting and sales. On the other hand, multichannel integration by enabling the sharing of customer data between channels, allows firms reach a vast majority of customer segments and therefore to maximize sales opportunities for greater profitability (Collart & Lejeune, 2001, Stone, Hobbs, & Khaleeli, 2002; Payne & Flow, 2004). Moreover, multichannel integration, through a more coordinated management and a more global vision of all the channels, allows a better perception of the real profitability of each channel (Seck, 2010). It enables a more effective and efficient allocation of resources within and between channels (Stone, Hobbs, & Khaleeli, 2002) with a faster return on investment. Finally, a relationship is established between integration and performance. Researches in logistics (Fabbe-Costes & Jahre, 2008; Fabbe-Costes, 2010) showed a positive impact of logistic integration on five categories:

- Logistic performance: control/reduction of the logistic costs, respect and speed of deadlines, etc.
- Commercial performance: Fast answers to a client request, increased sales & market share, etc.
- Financial performance: Increased margins, profitability, improved cash-flow, etc.
- Strategic performance: competitiveness, flexibility, adaptability.
- Performance in sustainable development: ecological plan, social plan, etc.

Although successful multichannel integration results in cost savings and greater profitability, this cannot be achieved without having to face a certain number of challenges. Thus, as pointed out by Stone, Hobbs, and
Khaleeli (2002) this means overcoming a number of issues such as:
- Unifying different systems with very different data models,
- assembling and standardizing data resulting from multi-interactions between channels and the customer,
- invest heavily in technologies and strategies which we don’t necessarily see the benefits,
- from reducing or abolishing certain organizational barriers.

2.2 Multichannel Integration from Customer Perspective: Customer Satisfaction and Loyalty

In a context of multichannel distribution, given the mix of channels available to them, customers increasingly adopt a multichannel behavior (Belvaux, 2006) by combining or alternating traditional channels and alternative channels depending on their needs. For example, the adoption by firms to a “click-and-mortar” strategy brings multichannel customers to move from the store (or the physical selling point) to the website and vice versa during the different stages of their decision-making process. This behavior allows the customer to benefit from the advantages of every channel (Patricio, Fisk, & Cunha, 2003). By opting for such a strategy, firms significantly increase customers’ perception of the value of service. Indeed, adding the Internet to traditional physical channels spells more available services to customers (Van Birgelen, de Jong, & de Ruyter, 2006), more options offered (Hamdouch & Samuelides, 2002), easy access to the service (Lefebure & Venturi, 2005), etc. Similarly, the coupling of channels such as the Internet and call-centers are highly convenience for customers who can proceed to all operations from their computer (Patricio, Fisk, & Cunha, 2003). The customer thus benefits from the complementarity and the existing synergies between traditional channels and virtual channels. Potentialities offered by technology channels such as the Internet “exacerbate the need of integration and coordination” between channels (Monnoyer-Longé & Lapassouse Madrid, 2007). Multichannel integration aims at providing customer with a consistent and seamless service experience as he easily shifts to another (Montoya-Weiss, Voss, & Grewal, 2003) which is likely to lead to a higher level of customer satisfaction (Sousa & Voss, 2006; Rosenbloom & al., 2007) promoting a long term relationship (Payne & Flow, 2004) based on trust. Perception of higher level of integration is associated with better service levels (Sousa & Voss, 2006). Besides, multichannel integration, particularly to technological level, provides to the service firm with increased knowledge of multichannel customer behavior by allowing the tracing of the customers path across the different channels. This allows firms to propose offers more adapted to the needs of the customer, or even to anticipate the latter’s needs. Multichannel integration is thus a crucial element of customer relationship management (Peppard, 2000).

In distribution research, a positive relationship is established between the economic value of customer and its multichannel behavior. Similarly, studies by researchers as well as practitioners in the financial services sector as well as in the retail sector, demonstrate that the customers using multiple channels spend more and that they are much more profitable than mono-channel customers (Stone, Hobbs, & Khaleeli, 2002; Dholakia, Zhao, & Dholakia, 2005; Venkatescen & Kumar, 2005). The multichannel customer is potentially a more attractive, a more active and even a more faithful customer. A study by Vanheems (2009) shows that multichannel customers shopping in store and website of “click and Mortar” company spend more time on the Internet (51.91 hours per month) than those shopping only in the store (36.01 hours per month). In addition, these customers have a higher purchase frequency (once a month against a little more than once per quarter for customers remaining faithful to the store). As customers increasingly adopt a multichannel behaviour and considering their economic value, the interest of firms is thus, to focus on making multichannel customers service experience as an uniform and satisfactory experience.

2.3 How to Integrate Channels?

If the opportunities offered by multichannel integration are commonly accepted, little is known about how to get there (Goersch, 2002). Firms are forced to move from one strategy to another. Goersch (2002) points out to six elements necessary for multi-channel integration that provide with customers more confidence, convenience, control, assistance and greater customization as well as a perception of a sense of safety:

- **Integration of branding across channels:** using the same brand name, logo, slogans and colors and images, etc., can increase customer perception of the association between channels, this entailing for a greater confidence.

- **Integration through cross-promotions between channels** in order to facilitate and enhance the customers’ perception of the association between channels. For example, in the bank sector, the branch, through advisers, is the most effective channel to inform and encourage customers to use remote channels such as online banking. Also with online banking, the customer should be able to find information concerning alternative channels.
Integration through consistency across all channels at the level of the selection of available products, price policies, promotions, customer assistance, etc.

Logistic integration: it appeals for example through the possibility given to the customer to return to the store a product purchased online or to be able to cancel a service subscription made online in physical channel. Logistic integration also provides multichannel customer with more convenience and a greater sense of control. Logistic integration “is motivated by the need to streamline the management of operations and to successfully provide quality service to customers” (Fabbe-Costes, 2010).

Channel-specific capacities: In multichannel distribution context, each of the channels used by the customer can be a source of added value for the latter. The value added by technologies such as the Internet especially lies in their accessibility and convenience. On the other hand, the value-added by traditional physical channels consist of advice, contact personnel availability and customer focus. The integration of the specific capacities of channels is tantamount to capitalizing on the various strengths of every channel to provide each customer segment, depending to his or her favorite channels, an overall satisfactory experience.

Information management: Each customer contact though channel allows the company to collect information on the latter. Integrating all this information allows the enterprise to learn more about customer behavior, to have a single consolidated view of customers in order to offer the right product or service, to the right customer segment, at the right time and via the right channel. Integration of the information collected will ultimately improve channels profitability and products or services offered. Effective management of information plays an essential role in the customer relationship management (Peppard, 2000).

The importance given to each of these requirements will depend on market conditions, organizational capacities, the type of products or services sold, etc. The multichannel integration often requires from companies significant revisions at a strategic and organizational level. As noted by Fabbe-Costes (2010), integration may involve several interrelated components: flows (financial, physical and informational), processes (operational, project management, support), systems and technologies, organization actors (interaction, coordination, collaboration, cooperation between individuals, teams, functions of the organization), etc.

3. Multi-channel Integration in a French Bank

3.1 Methodology

To improve our understanding of the concept of multi-channel integration, its opportunities and challenges for the company, we shall study an iconic sector of multi-channel distribution: the banking sector. Banking sector remains the post advanced industry in the implementation of multi-channel system (Seck, 2010). A field study was conducted in a French retail bank.

Semi-structured interviews were first conducted with experts from the bank (12 experts in total) involved in multi-channel distribution of banking services, followed by interviews with clients using multiple channels in their relationship with the bank (15 customers in total comprising 8 men and 7 women aged between 25 to 45 years). Each interview was fully transcribed. We then performed content analysis with the data collected.

The results that emerge from this field study are presented below.

3.2 Results

3.2.1 Multichannel Offer of Banking Services

According to experts interviewed “a channel can be defined as a means (human or technical) ensure an interactive relation Bank /client-prospect, with a certain level of skills or features, and with means or resources (tools and IT processing, premises, procedures, media of communication), allowing to concretize a provision of a service “. If we retain the definition proposed by the bank, we can distinguish a variety of channels of distribution available to the customers: branch networks, online banking, telephone banking, ATM, etc. These channels play an intermediary role in the relationship bank /customer and use different media (face-to-face, physical, paper ...) and media (voice, SMS, site Web, email, mail, etc.).

3.2.2 Steps towards Multi-channel Integration

Under the threat of cannibalization between channels, of the higher cost functional channels, of the requirements of profitability and customer satisfaction, the issue of the bank is to look for synergy and complementarity between channels.

✓ An integration of the various channels at the level of the “customer financial information”
The opportunity given to customers to receive the service through several entrances or channels brings about the need for effective management of the information that passes through the different channels. It appears from our interviews that all service distribution channels are connected to a common database that centralizes all the information running through each channel. All channels have the same information about the customer at the financial level. Branch and telephone advisers also share the same work tool named EMACO: a customer relationship tool. EMACO is “a client commercial database that includes commercial information about customer used and shared in real time by all employees of the bank who interact with customers in face-to-face or by telephone”. It is a commercial relationship management tool that allows tracing of customer sales (eg: commercial propositions made to the customer, sold products), reasons for contact, etc.

✓ A certain synergy between channels

As underlined by one of the experts interviewed, “the profitability of channels cannot be achieved without the search of synergies and complementarities between channels”. So at a technological and logistic level, the bank is willing to integrate the different channels in order to benefit from complementarities and synergies between channels.

So at the level of the functioning and of organization of channels, there is a certain synergy between:

- The bank’s phone platform and branch: whenever branch advisers are overwhelmed, the phone platform relieves them by taking over their call. This allows the advisers to focus on their commercial activity. Thus, the platform has online the schedule of branch’s advisers to take down customers’ appointments.

- Online banking and phone platform: the bank can now remote handle subscriptions of product and services totally thanks to a good interaction and coordination between these two technological channels.

3.2.3 Customers and Multi-channel Integration

According to questioned customers, the importance of the multichannel integration in their global satisfaction is apparent. This integration in a customer perspective is perceptible through:

▪ The overall consistency between channels at an informational, a transactional and the communication level around channels.

It refers to the customers’ perception of logical harmony between the different channels. This coherence can be reflected in various manners: through the degree in which the customers perceive the uniformity of the information received through channels, their perception of the good communication made by the bank around channels, etc. The knowledge of channels available to them and their functionality are most likely to guide customers’ choices according to their needs, which will positively impact satisfaction. As Poirel & Bonnet Fernandez (2008) noted, consumers are winners when they become informed users of the various existing channels.

▪ Choice of channels

This refers for customers to the width and the freedom of choice of channels. Customers expect to obtain the desired service at any point of contact. Constraints in the choice of channels affect the uniform vision that multi-channel customers have of their global experience through channels (Helfer & Michel, 2006).

3.3 Discussion: Bank Challenges

In the context of bank shifting to multichannel distribution, a number of issues were raised by experts and their customers interviewed mainly revolving around issues of integration and coordination of all channels.

▪ The need to ensure continuity of service across channels

Interviews reveal non integration of channels at informational level in other words not all information is readily available in all channels. The integration of distribution channel is harder to implement than the integration of financial information channel is. For example bank advisers cannot monitor whether a customer has made an online credit simulation. A customer who has taken an online subscription has to finalize the dealing at his branch by filling in a whole new form which tantamounts to saying online subscriptions are a complete waste of time.

Considering the behavioral evolutions of the customer and the weaknesses of the communication systems, the challenges banks are facing are many:

- There is the need for more confidentiality, identification, customization, advice and interactivity in online banking system.
- There is a need to acquire equipment, infrastructure and information technology allowing to foster the link between the Internet channel and the agency and to take greater advantage of the synergy effect between these two channels.

**The necessity of a multi-channel global vision downstream the organization**

We also note at the level of the decision-making functions (marketing, communication function, etc.) that branch network employees suffer from a lack of multi-channel global vision. For example in a commercial plan of action all the existing channels are not necessarily taken into account. As noted by a person in charge of the channel “the bank actors have more the reflex of face-to-face encounter than the other channels”. With such organization, only a separate vision of channels is made, which makes difficult the coordination of channels. Some drawbacks are underlined by a contact personal of bank (advisers) as “customers who inform themselves their adviser of a promotional offer received by another channels”, or “the fact that for key commercial actions, all the channels do not relay the information”.

The multichannel integration cannot be implemented without organizational changes. For any action (marketing, commercial, communicational, etc.), workers of all department have to work together. This is likely to bring each actor to have a multichannel reflex for more coordinated and thus more efficient actions across channels, which will give the customer a coherent view of supply and therefore a consistent overall multi-channel experience across channels.

- **Branch: vector of multi-channel integration**

Given the complexity of use the channels and variety of channels, services firms have to teach customers how to use them properly. Advertising the existence of channels is not enough, they have to be shown how these channels can response their needs in the most effective and the most efficient way. The tutoring of customers is carried out by contact personnel in branches. Contact personnel, as “crossing point”, “welcome point”, “place of the council” (Seck & Philippe, 2013), act as the bridge between the client and the other channels and help clarifying the client’s role in the use of virtual channels.

Thus, in a context of multi-channel distribution, personal contact in the traditional physical channels may play a pivotal role as a “vector of channels integration” (Vanheems, 2009).

4. Conclusion

In this article, after attempting to define the concept of multichannel integration, we have highlighted the opportunities and challenges of multichannel integration, building on the literature review and a qualitative study on multichannel integration in a retail French bank. In a multichannel context, firms, in search of more profitability and factors of differentiation, work more and more on a global vision of multichannel management. Multichannel integration consists in considering channels of distribution available to the customer not as separate or parallel entities, but as a unique entity that must interact and work for the same purpose: the profitability of the company and the satisfaction of the customer. In this sense, this article has showed that multichannel integration is a means to reach this means. Multichannel integration can be source of competitive advantages by enabling the firm to benefit from the effect of synergies, and complementarities between channels leading to economies of scale and greater profitability. Furthermore, multichannel integration creates value for the customer who has a coherent, uniform and continuous vision of its experience across all channels. Multichannel integration thus can become the guarantee of a greater customer satisfaction and may promote customer retention. For service firms identifying the elements that create value for the customer to increase his satisfaction and retain him constitutes a major challenge for enterprises.

Multichannel integration can be carried out in different ways and through a number of changes in organization both upstream (at strategic, logistical, financial, internal organization level, channels conception, information system, etc.) and downstream (in communicational, technological, marketing level, etc.). In spite of the many difficulties (implementation, technological, organizational, of cost, etc.), the multichannel integration has become a necessity for service firms because the benefits has proven.

This article focused on the opportunities and challenge posed by multichannel integration and on the case study of a French retail bank. The impact of multichannel integration and the way of implementing it, are not the same depending on business sector, organizational form (integrated network vs. contractual or franchise network), organizational capacity. Considering these various parameters and given the relatively small number of studies on this subject, this research point to the prospect of further studies on the interaction between channels and their impact on the optimization of firm performance and customer satisfaction.
References


