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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.

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