Managing Marketing Channel Multiplicity

“Third Thought Leadership Conference Montabaur“

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Abstract

Advances in information technology and changing customer needs for channel service outputs have dramatically impacted the routes to markets in many industries. We propose that these changes have led to significant alterations in how customers interact with firms and consequently to a phenomenon that we dub “channel multiplicity.” Channel multiplicity is characterized by the customer’s reliance on multiple sources of information from independent (and often disparate) channel organizations and increasing demand for a seamless experience throughout the buying process. We identify the new market operating realities driving channel multiplicity and provide an overview of the consequences for channel design and channel management: a broadened view of products and services, channel leadership challenges, alterations in channel structure, and an expanded view of distribution intensity. We also identify issues triggered by these developments, which calls for further research in this field.

Keywords: Multiple channels, channel multiplicity, channel design, channel leadership, distribution intensity
Introduction

During a movie, a consumer admires a cell phone used by the hero on-screen, and “Googles” the make and model of the phone. She discovers that the phone has a camera option, can be used with various calling plans and long distance providers, and is available at several retail locations across the city. A quick Tweet to her “electronics whizkid” friend confirms that the phone is indeed the latest and greatest offering.

The next day, the consumer visits the manufacturer’s retail store and has her many questions about the phone’s features and advantages capably answered by an attentive store employee, who also recommends useful accessories such as a wireless headset and a car charger. The salesperson further informs her that the entire bundle (phone and accessories) is currently on sale at a long distance service provider’s website for an “online only” discount of 25 per cent. She returns home and places the order online with the long distance service provider.

Days later, the cell phone is delivered to her home. One week after her phone activation, she receives a call from the phone manufacturer’s customer support center to verify satisfaction with the purchase, and address any remaining questions or concerns. Over the course of the conversation, the consumer mentions rollover minutes, which prompts the customer service representative to examine her calling history and identify a plan that is a closer fit to her calling needs.

The preceding vignette is by no means atypical. On any given day, at any location, at any moment, thousands of firms face the “make-or-break moment of truth” for the products and services they offer to millions of customers. It is this very proliferation of the channels used to provide information, deliver, and/or facilitate post-purchase satisfaction and retention with respect to the products and services offered that we refer to as channel multiplicity. Our use of this term is meant to cast attention on the unfolding phenomenon, whereby a new breed of
information-empowered customers seeks the fulfillment of needs and wants from multiple independent providers of increasingly fragmented product/service offerings.

In particular, the phenomenon of channel multiplicity is characterized by at least two distinguishing features: (1) the reliance by customers on *multiple* sources of information, and on *multiple* sales and support outlets making available the sought after products and related post-purchase services. Product information and its availability are facilitated by third parties other than the manufacturer or traditional channel intermediary. (2) Customers’ increasing demands for, and expectations of seamless transitions from information provision to transaction fulfillment to post-purchase service provision, across these multiple channel providers (Nunes and Cespedes 2003).

It is worth noting the distinction between channel multiplicity and multichannel management. As defined by Neslin et al. (2006, p. 96) in their seminal review, multichannel customer management refers to “...the design, deployment, coordination, and evaluation of channels to enhance customer value through effective customer acquisition, retention, and development.” Our emphasis in this article is on the emerging phenomenon of customers’ seeking information and demanding products and services from an ever-increasing range of sources. Our contention is that one of the many *consequences* of channel multiplicity is the need for a sound multichannel management strategy. Hence, while the former represents the behavior, the latter reflects the firm’s response to that behavior.¹

The immediate result of channel multiplicity is a sea of change not only in the way firms must design and manage their marketing channels, and coordinate and create incentives for their channel partners (i.e., the *organizational response*), but also in our conceptualization of “products” and “channels” (i.e., the *phenomenon*). Add to this the ever-increasing level of

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¹ We are grateful to an anonymous reviewer for this suggested approach to distinguishing the two constructs.
product and/or service digitization and the corresponding growth in information-based offerings, and the result can be uncontrolled chaos…or unbridled opportunity.

The purpose of this paper is to identify the new operating realities driving the phenomenon of channel multiplicity, and provide an overview of the likely changes in distribution channel design and management that must occur in response to channel multiplicity. Prior related work on multi-channel management (e.g., Ganesan et al. 2009; Neslin et al. 2006; Neslin and Shankar 2009) assumes the deployment of multiple channels as a deliberate, carefully planned, and manufacturer-controlled set of “go to market” decisions (Rangaswamy and Van Bruggen 2005). In contrast, we propose channel multiplicity to be an exogenously determined phenomenon that has culminated in a “perfect storm” of technological and structural environmental changes.

Figure 1 illustrates the overview of our discussion. In this section, we describe the factors that have led to the development of channel multiplicity: (i) the seismic shifts occurring in the firms’ routes to markets and customer interactions, (ii) the accompanying fragmentation of exchange, whereby the consummation of a transaction may consist of a series of individuated channel functions, each of which may be performed capably (and sometimes solely) by distinct independent parties. We then (iii) identify customers’ evolving channel needs as a critical driver of channel multiplicity, and discuss the implications of their information-based empowerment for new approaches to segmentation and value creation.

We propose that channel multiplicity calls for a significant modification and broadening of what we mean by the terms “distribution channel” and “product,” and calls into question current notions of channel leadership and planned distribution structure. Specifically, we consider four key implications for (i) products and services, (ii) channel leadership, (iii) channel structure, and (iv) distribution intensity. The central thesis is that changes to channel
structure are not necessarily a function of carefully, planned deliberations, but rather, a response to market and customer evolution. We conclude with an outline of the challenges and opportunities inherent in channel multiplicity.

The New Market Realities

Direct Relationships with Empowered Customers

Advances in information technology have dramatically changed the way customers interact with firms and consequently, the manner in which these firms (should) design their routes to markets (Wallace, Giese, and Johnson 2004). Before the rise of the Internet, most companies would market their products through indirect channels using independent intermediaries such as wholesalers, distributors, and retailers. Communication would typically take place through mass media such as television advertising and newspaper ads. Customers who needed information could contact companies directly by telephone; however, most communication would occur indirectly through resellers and channel intermediaries. These days, channel functions have become allocated across various members (and non-members) of a marketing channel. The choice of appropriate channel member for a given function is governed by both efficiency and effectiveness concerns. As an example, channel members might try to avoid the duplication of channel functions among multiple intermediaries in the channel. The resulting channel structure would emerge as a compromise between the customers’ channel service demands and the various channel members’ capacities and interests and would serve the needs of either the average or the most important customer group. Within this structure, the various firms become more or less dependent on each other for realizing their goals.

Although the concept of channel functions is by no means new (see Coughlan et al. 2006, and Rosenbloom 2003 for thorough reviews), the increasing granularity with which such
functions may be assigned, observed, and incentivized is a new operating reality. As we point out in this section, an immediate and notable consequence of such granularity is that information about products and service offerings may no longer be under the control of a single firm. We now consider the implications of this change for product- and channel-related viewpoints and understanding.

The rise of the Internet and mobile smartphones have enabled firms to establish and maintain more direct relationships with their customers (Ganesan et al. 2009). Manufacturer websites provide relevant information about their products and services available for (potential) customers. At the same time, customers are frequently interacting with each other through social media platforms like Facebook, Twitter, and online forums. So the traditional marketing channel is no longer the dominant information source for customers; other consumers and individuals across various social networks also play a key role in the process. Manufacturers will need to play a more active and pro-active role in alternative channels. An increasing number of companies have become significant contributors to online forums and use Facebook and Twitter to update their customers with up-to-date information and respond to information requests. In addition to these outlets, manufacturers increasingly have the option to sell and deliver products next to their traditional resellers. Furthermore, the entry barriers for new entrants performing channel functions have become much lower than before. Online retailers, recommendation sites and price comparison sites are examples of such new channel members.

**Increasing Fragmentation of the Transaction**

Along with the growing movement in firm-to-customer and customer-to-customer interactions, we are observing an increasing fragmentation of the transaction and reorganization of key channel functions over the purchase lifecycle. As an example, historically, phones were sold through self-service retail stores or directly through
intermediaries or online channels. However, the rise of smartphones has increased the need for more education support and tactile handling prior to purchase. Hence, what is emerging is the creation of more retail outlets (whether they be manufacturer owned or through intermediaries, either in stores or kiosks) to allow the “touch and feel” of the product, with purchase occurring online or after the result of a web-based multi-vendor search and price comparison. Subsequent product support, such as software updates, technical support, and complementary purchases and applications are also provided online or in independent forums or via software application providers. In this manner, the nature of the channel of distribution has expanded from being focused on the product only, to the provision of valuable support services and customer retention activities.

**Customers’ Evolving Channel Needs**

The customer’s buying process consists of several stages or phases. In each of these stages the marketing channel plays a role. Customers start with a search for information about products and services and process what they find. This results in the choice of a product and/or service. The product/service will be ordered and when the order is fulfilled a transaction has taken place. Following the transaction, customers may need post-purchase servicing. The intensity with which customers go through the various stages of this buying process depends on the buyer (e.g., experience, time constraint) and the characteristics of the product being purchased (e.g., price, newness, riskiness). Within each stage of the buying process the customer will need the marketing channel to provide certain channel services. Verhoef, Neslin, and Vroomen (2007) find that the optimal channel will often differ for the various stages of the buying process. They identify the research-shopper phenomenon, which is the tendency of customers to use one channel for search and another for purchases. We would further argue that even within the purchasing stage different channels may be preferred
for ordering and delivery. Similarly, customers may prefer different channels for post-purchase activities than the channels for (pre)purchasing activities.

Ideally, marketing channels will be designed in such a way so as to optimally meet customer requirements and the channels that are best at meeting these requirements will emerge as the preferred method for doing so. In the 1960s Bucklin (1966) proposed four basic channel service outputs: spatial convenience, waiting time, lot size, and assortment variety; channels must insure that customers can obtain information and buy products at the place they prefer, at a time which suits them best, and in a quantity they prefer. The channel should also deliver the products and information customers actually want and ideally, offer complementary purchase opportunities. Channels can add value for customers through assortment variety.

By mapping the customer’s buying process and the channel service outputs one can determine the most appropriate channel per phase of the decision process. For each phase in the buying process one has to determine the service outputs requested by the customers and how important these services are. Next, one needs to determine how the various alternative channels available will perform in delivering these channel service outputs per phase of the buying process. From this, emerges the roadmap for the preferred channel.

Following this logic, one can evaluate how well the various available channels perform with respect to the four channel service outputs in each phase of the decision making process. Previous research has mainly focused on the differences between online and offline channels (Verhoef, Neslin, and Vroomen 2007). However, within the online category various platforms are available nowadays (e.g., Corporate Websites, Opinion Platforms, Facebook, Twitter, YouTube), each with their own strengths and weaknesses (Hennig-Thurau et al. 2010); and more research is needed to understand the potential value of these various platforms. One can also determine how important the channel service outputs are to
customers. By combining these importance scores with the attractiveness of the various channel alternatives a preferred channel per phase in the customer buying process can be identified. This preferred channel can differ for different buyers, buying situations, products and so on (Nunes and Cespedes 2003). Research should more systematically identify the strengths and weaknesses of the various available channels and configurations across different buying situations.

It is also possible to develop customer segments (Konus, Verhoef, and Neslin 2008) with similar channel preferences. Channel multiplicity will require suppliers of products to expend more effort in tracking customer segment preferences as they have multiple options for effectively serving these customers. This development means that manufacturers will need to manage a more diverse portfolio of routes-to-market. In some cases the parties’ interests will be aligned, while in other instances they may not. Research should identify the most effective strategies for dealing with coordination issues (e.g., channel conflict, free riding) in various situations.

Implications for Channel Design and Multichannel Management

Broader View of Products and Marketing Channels

Historically, the purpose of channel design and implementation was to reduce transaction costs, exploit contact efficiencies, and leverage specialized functions (Coughlan et al. 2006). However, the emergence of channel multiplicity due to new technologies, changing customer needs and wants, and increased mobility suggests that our view of what a channel comprises must be broadened. In this section, we consider the various formats in which channels might exist and the implications of decoupling functions.

If products are digital representations or experiences, a broader view of the channel demands that all digital conduits could potentially represent a channel of distribution,
including but not limited to mobile phones, kiosks, and any user generated phenomena such as blogging sites, social networks (i.e., Facebook, Twitter, LinkedIn, etc.), video sites (YouTube.com, Hulu.com) and games as well as all other branded formats such as retailers, brand fans, user groups, and catalogs. This is because multiple channels are often prevalent in fast changing market environments; if the product market matured more slowly, the channel structure would have time to adapt to changing customer demands (Anderson, Day, and Rangan 1997). Thus, we must rethink not only how channels are designed, managed, and coordinated, but also how products, pricing, and promotion should be re-configured. One of the most important consequences of the digitization of products is the drastic reduction of the marginal costs of reproduction and product distribution, which can result in significant production-side economies of scale and the emergence of network externalities (i.e., the goods become more valuable as their market share increases). As an example, America Online or Google can successfully aggregate thousands of news articles, stock reports, chat rooms, health tips, horoscopes, and scores for consumption. While this may seem straightforward, the difficulty arises for firms who must manage both online and offline distribution channels simultaneously. An example of this might be Dow Jones, or Consumer Reports, which must make content available both online and offline and their pricing, communication, and product offering strategies must also be coordinated across these very different channel formats. Bakos and Brynjolfsson (2000) provide an analytical framework for these effects, including how to manage upstream and downstream competition for such goods, bundling strategies, and their effects on competitive strategy, innovation, and market dynamics. However, more work is needed that empirically investigates these possibilities on multichannel management design and evolution.

As channel functions become increasingly decoupled from organizations, one implication is that they are completely disconnected and managed altogether by alternative organizations.
that can perform the function more effectively. As an example, when the view of the channel was the distribution of physical products, information provision was often part and parcel of a coordinated channel. However, under a broader view of the channel, the information function might be completely independent of the coordinated channel -- i.e., owned and operated by an independent firm -- or even user generated.

Consider the travel services industry as an example. It used to be that travel agents, providers, or firms would provide information about hotel accommodations, points of interest, etc. However, this information always had the potential to be somewhat biased, as many of these firms may have arrangements with these points of interest that motivate their information sharing. Now, such information is candidly offered through user generated content sites such as Tripadvisor.com, where past visitors to these locations will post their comments and pictures of their experiences. For the consumer, this offers an unbiased (i.e., not from any specific brand perspective, but from other consumers) sources of information to be considered, although it introduces new risks, i.e., content credibility, and user relevance (may no longer be completely customized). Another example of the unbundling (and total management) of the information unbundling function is WebMD.com in the health care industry. This site tries to educate consumers on their health options and the tradeoffs associated with their choices. Google is another example of how information has become unbundled and resourced to a completely different company altogether. The search capabilities that it provides is much more efficient, thorough, and less biased than the viewpoint of any particular firm.

In turbulent or fast changing market environments the existence of multiple channels is necessary. However, Anderson, Day, and Rangan (1997) caution that the value of proliferating channels does not increase at infinitum. Instead, channel diversity is only valuable as long as the firm treats such arrangements as options that allow the firm to
persevere and provide some semblance of stability in a rapidly changing environment. By viewing channels as bundled options, the firm gains flexibility while it explores various directions. However, over time, these authors would predict that as the environment stabilizes, the number of channel arrangements should be fewer, more stable, and part of a larger coherent channel strategy. Since then, we have witnessed a partial fulfillment of this prediction. On one hand, we have seen an increase in the number of channels by which the firm now goes to market (Jindal et al. 2007), and this has led to several papers that model the consumer’s channel adoption and usage as a function of individual customer characteristics, time trends, and marketing actions (i.e., price discounts and communication efforts) (Ansari, Mela, and Neslin 2008, Thomas and Sullivan 2005, Venkatesan et al. 2007). Research from the firm’s perspective considers the overlap of a firm’s sales force with other channel services providers (Dutta, Heide, and Bergen 1999) and the use of the firm’s own channels concurrent with other independent channel intermediaries (Vinhas and Anderson 2005). On the other hand, this multiple channel approach does appear to be a stable, long-term equilibrium.

In particular, the remaining puzzle is how channel multiplicity and its implications for channel management converge to support a more coherent and strategic multichannel strategy. How do consumers interact with various channel formats and for what functions? How do these patterns change over time as the consumer becomes more loyal and develops a greater understanding of the firm and its products? As an example, we might witness consumers engaging in more freeloading across channels of competing firms (such as the physical examination of a book in a Borders store, but order placement at Amazon.com). Initially, but over time, they may forego the retail format altogether and go straight to purchase at a website. From the firm’s perspective, how should the “touch points” of various channels be coordinated so as to create a “singular” product or service experience for the customer? As digital technologies become increasingly pervasive, in the customer’s mind,
there may no longer be an “online or offline” version of the firm, but just the firm, with ongoing interactions through a web browser, mobile phone, or local internet connection.

The fragmentation of channel structures and outsourcing of function ownerships to alternative firms and customer groups may potentially create a dark side as well. If consumers are no longer dependent on the coordinating channel firm for information provision, or various aspects of the product (e.g., the hotel accommodation, touring schedules, transportation) are outsourced to multiple independent firms, then the coordinating firm loses a significant level of influence and control over the consumer experience, as the necessary functions it provides diminishes. While this creates an "empowered consumer," who is better able to manage the coordination of these channel functions, it may also facilitate the customer's movement away from the firm.

Collectively, this suggests a broader view of the "channel" as we know it. Historically, the channel might have been comprised of a series of firms, typically chosen, designed, and coordinated by a single firm. If the purpose of the channel is to deliver the right product at the right place and time, and an independent intermediary such as an information provider enables this, then shouldn't this provider also be viewed as part of the "channel?" We would argue that it should. One implication of this approach is that we should no longer view the channel according to its ownership (i.e., by a single or multiple firms), but instead view the channel as a series of value-adding functions and/or services that combine together to create enhanced customer experiences (e.g., more choice and competitive comparisons, as well as greater objectivity, independent advice, and trustworthiness.) This represents a significant departure in perspective from the literature. In the past, we viewed degrees of ownership, vertical integration, and franchising arrangements as critical determinants of channel performance. Under this new approach, our perspective might better be expanded by considering more explicitly the value-added functions and services provided by various
channel outlets and more importantly, how the combination or redistribution of the functions and services provided by these outlets impact customer satisfaction as a whole.

Another key aspect to be considered is the additional costs incurred by adding more routes to market. How to combine “bricks and clicks” approaches along with sales force efforts and reverse channels (for both store and online returns) in a cost-effective manner has yet to be investigated.

**Challenges to Channel Leadership**

An additional key concern in channel coordination is the issue of leadership, or which firms becomes the primary “captain” of the distribution system’s activities. Historically, the perspective on channels has been that the manufacturer is the critical linchpin, directing, designing, and determining which intermediaries to include in their efforts to reach the downstream customer. This approach may no longer be optimal in today’s marketplace. If channel forms are becoming increasingly decoupled and spun out to independent firms, this creates an environment that favors specialist firms (e.g., fewer routines and narrow operations) at the expense of generalists (e.g., coverage of more domains). However, it also raises the thorny issue of coordination as each firm follows its own agenda and goals and may not see itself as part of a larger, value-adding channel. Finally, channel multiplicity also raises important questions such as: Who now owns the channel, various functions, or the customer? What happens without a channel leader?

In the past, channels with a proliferation of specialists still had a dominant lead on whom all downstream specialists and generalists would depend for adding value (Raju and Zhang 2005). As an example, in the computer industry, a computer manufacturer such as Dell or IBM produces the computer that then moves along a value-added chain of various value-added resellers and distributors before reaching the customer. These intermediaries are dependent on the computer manufacturer for their existence and role -- i.e., without a
computer, there would be nothing to add value to or enhance. But as we return to our travel industry or healthcare example, intermediaries such as TripAdvisor or WebMD may provide valuable information to customers, but they do not rely on the existence of any one airline, hotel, or travel agency in order to add value. In fact, the purpose of these organizations may in fact be to enhance the sales and revenues all such firms in the industry.

One implication of this is that without channel leadership, the consumer's experience can no longer be seamless. A counter argument to this is that over time, we might observe some form of organic evolution such that each firm and intermediary realizes the incremental value that they bring to a larger experience (an entire vacation experience) as opposed to their own individual profit position. If firms realize that coordination could lead to enhanced individual positions, they might then willingly engage in a coordinated experience. Amazon.com, for example, offers intermediaries to sell products on their website. Amazon takes over all functions (display, invoice or payment), except shipping which has to be done by the intermediaries, to offer a seamless experience to the customer buying from their website. Although this configuration is not entirely novel – retailers sometimes invite specific brands to set up, staff, and supply their own area (e.g., a Ralph Lauren “store” or boutique within Macy's). Amazon’s approach is extremely decoupled; it would be analogous to Macy’s allowing the vast majority of its departments to be completely run by outsourced vendors. Most retailers would be reluctant to give up such merchandising and sourcing influence within their store’s footprint. An alternative (and bleaker) scenario to the evolution of a more complex and more organic channel is the devolution of the channel participants into dysfunctional competition.

Finally, since the customer experience and needs are also fragmented, the channel captain becomes whoever has the greatest impact on product value or who is the chief designer of the product experience. Returning to the travel channel example, if the chief purchase is an
airline ticket or airline vacation package, the airline becomes the channel captain and TripAdvisor might then be used to provide additional information on the destination or package experience. Or perhaps the firm that initially facilitates the exchange becomes the channel captain. So, if the airline ticket or vacation package is paid for by redeemed miles or at the airline's website, then that firm becomes the channel leader. In all of these scenarios, the "leader" is more loosely defined than our historical view of the channel leader or captain. The channel leader in today's marketplace is the chief value provider of the consumer defined product, but may not directly coordinate with or incent additional channel intermediaries to act on its behalf. In other words, the channel leader becomes occasion specific and user defined. This represents an important innovation in our perspective of channel leadership and coordination.

**Evolving versus Planned Channel Structure**

Another consequence of channel multiplicity is its evolutionary impact on channel structure. As an example, let's consider how technological advancements have impacted the travel industry. Historically, travel agencies were the chief providers of various travel functions, such as information provision, assortment building, consulting, transaction execution, delivery of tickets, and ancillary services such as insurance. In the current environment, these functions have fragmented, with consumers now taking over some of these functions (e.g., information collection, decision-making). Moreover, these tasks are made even more efficient by the available technologies. As an example, some online travel sites allow users to sort hotel recommendations by the profile of the recommender such as single traveler, couple, or family with young children. This kind of service was virtually impossible for traditional agencies to provide. Thus, new levels of value creation are possible due to emerging technologies (Hennig-Thurau et al. 2010)
The opposite case exists as well. Consider the case of Fenwick forklift trucks. Today, all forklift trucks are equipped with IT technology that monitors many functions and activities of each truck, such as the number of starts, average usage duration, drive time vs. lift time, idle time, etc. The data are remotely transmitted to the manufacturer who uses the data to make recommendations to the user about more efficient types of trucks (or better usage of chosen trucks) for their given task (Reinartz and Ulaga 2008). Since traditional wholesalers lack the technology and knowledge of managing and using such complex data, channel structures change insofar that the manufacturer takes back certain channel functions such as after-sales-support or even sales for certain customers.

Thus, new technologies can impact both the user and the product supplier, although, we concede that the modal impact is most likely to be intermediation -- i.e., the adding in of additional channel functions and/or channel players, as in the travel industry example. This is because new (online) technologies enable existing or new members of the channel system to provide better information to the customer -- be it pre-sale, during, or post-sale. As a result, the decoupling of information exchange functions from typical product handling functions is to result in the evolution of more specialized entities whose sole function is to provide information and do so in a manner that is more sophisticated and granular than past information provision channel functions. This is consistent with the Transaction Cost Economics argument that predicts a more efficient operation of the specialized outsourced channel participant. The split in channel functions among different organizations in the same channel is akin to the notion of “hybrid channels,” (Anderson and Coughlan 2002). However, a key difference between our concept of channel multiplicity and hybrid channels is that the latter is typically the result of the manufacturer’s volition regarding: (a) the ownership of the channel (vertically integrated or not), and if not owned, (b) the structure and composition of the channel. In the era of channel multiplicity, there is less volitional control over the
ownership, structure, and composition of the channel. Stated differently, firms are increasingly unable to control the channel structure as new information-based organizations take over the information-provision function and provide this function more efficiently and effectively than the “designated or chosen” organizations in the past.

To this end, we observe that consumers rely increasingly on user generated content sites and product rating sites for information about electronic products rather than on a retailer’s sales clerks. The possibility to leverage the actual experience of thousands of other consumers is much more powerful than the potentially biased opinion of one sales associate. This idea is also consistent with our premise that channels are re-configuring as to better adapt to what the customer actually does, rather than structured around anticipation of what the consumer might do (in other words, from “push” to “pull”). Thus, traditional channel members are increasingly becoming bystanders while the structure of their channel system is being re-constructed and disintegrated around them. This phenomenon is novel and deserves further attention in the academic literature.

The consequence is that existing firms (e.g., manufacturers or distributors) who are offering the entire set of channel functions will be less competitive with respect to the new information based intermediaries. Such firms will need to actively combat or adapt to this new reality or risk being relegated into a position to simply offer the lowest priced products -- a situation that might be far from their intended strategy. Thus the impact of these new online technologies and platforms is not only on channel structures but on firm strategy as well. Anecdotal evidence of this exists in the U.S. travel industry. With the exception of American Express, past channel leaders (e.g., Rosenbluth) are no longer major players or have ceased to exist. Instead, the industry landscape is now punctuated with firms such as Expedia, Travelocity, Orbitz, all of which did not exist 15 years ago.
For the new information player, the challenge will be to extract the required revenues from potential buyers for the information offering. Given the open availability of information and pervasiveness of user generated content sites, this has become a challenging issue in many industries. For the legacy channel organization, the challenge is to find the segments that still value the entire set of channel functions from a single source.

**Broadened View of Distribution Intensity**

“When consumer demand is varied and complex, distribution channels will be varied as well. (Bucklin 1966)”

While theory suggests that a firm should adopt only a limited variety of routes to market because of the concept of “channel conflict,” (both within firms for direct sellers as well as across channels for outsourced distribution) (Coughlan et al. 2006), we argue that the kind of relatively simple channel configurations that used to exist will be untenable in the future given the already described external forces. What Bucklin stated back in 1966 is particularly relevant in today’s environments of severe channel multiplicity. Many if not most organizations deploy multiple simultaneous channels such as, for example, owned or outsourced sales forces, retailers, company-owned outlets, call centers, catalogs, and web stores. Customers use these channels through which they select, purchase, order, and receive a product or a service (Frazier and Shervani 1992).

Since multichannel distribution systems have practically become the norm in today’s environments, the question arises of how intensively firms would like to be present in *each* of the chosen channels? This channel presence, or *intensity*, refers to the number of intermediaries used by a manufacturer within its trade areas (Bonoma and Kosnik 1990; Corey, Cespedes, and Rangan 1989); hence, intensive distribution occurs when a product is available in a maximum number of outlets within a given geographic area (Kotler and Keller 2006). The ideal distribution intensity would make a brand available widely enough to
satisfy, but not exceed, target customers' needs, because oversaturation increases marketing costs without providing benefits. The issue of what the optimal distribution intensity should be in an environment of severe channel multiplicity is a critical area of inquiry that deserves more attention.

The realities of channel multiplicity would also imply that we may need to expand our view of distribution intensity from one dimension (i.e., presence per channel) to two dimensions (i.e., presence per *multiple* channels) (see Figure 2). This expanded view of distribution intensity more clearly differentiates between the number of channels that a firm is deploying and the (conditional) intensity of using that particular channel. This construct expansion should not only account for multiple channels, but should also reflect the reality that the nature of intensity should now be viewed more broadly to describe the state of intensity both within channels as well as *across* channels. As an example, a firm might use many routes to market with a token presence in each. Or it could use limited channels with significant presence and investments in each. The firm could also use some channels very intensively and others to a lesser degree. Thus, an expanded view of distribution intensity better reflects the reality that firms have many more degrees of freedom in how they operationalize their paths and the structure of these paths to market and raises intriguing new questions for future research such as: how to best determine what the optimal level of distribution intensity is for each channel? What multichannel and channel-function combinations are best to achieve the goal efficiently and effectively? Which channels should be treated independently (e.g., Internet versus showroom), and which channels are substitutable (e.g., retail sale versus online sale). How can one best measure the firm’s distribution intensity? Frazier and Lassar (1996) use a 4-item rating scale to measure intensity to reflect the selectivity of retail choice within a given area. However, how should this scale be expanded to now account for an environment of channel multiplicity? Although past
research considers the number of channels (Jindal et al. 2007), no work to date has looked at both dimensions simultaneously. And, since information-focused channels (Internet, telephone, Fax, email) have little or no reference to a physical dimension, how do these channels fit into an expanded view of distribution intensity? Finally, since many of these channels provide a key information function, should we now also distinguish between information vs. transaction functions in an expanded view of distribution intensity? These questions and more await represent exciting directions for additional research.

Opportunities and Challenges in Managing Marketing Channel Multiplicity

In this paper we have described how changes in technology and in customer needs have had major implications for the way companies interact with their customers and for the design of their routes to markets. In Table 1 we summarize the important research issues that result from these developments. The challenges of designing channels for today’s customers are the need for flexibility and adaptability, thus allowing consumers to navigate across channels in a seamless manner. This contrasts with the design challenges of traditional channels, which have historically been organized for managing transactional efficiencies. To create a seamless customer experience, organizations will need to insure that their information technology capabilities and support systems enable the necessary functions and customer interactions across various channel formats.

The reality of channel multiplicity suggests that systematic interdependencies may exist and should be considered across multiple channels. One approach that we have advanced here is to recognize that some channels may be more preferred than others. However, designing an appropriate channel structure is not trivial as it requires not only the thoughtful coordination

--- INSERT TABLE 1 ABOUT HERE ---

2 We are grateful to an anonymous reviewer for providing us with this insight.
of functions but also the need to better share the payoffs for multiple channel members who may now compete for the same margin.

The decoupling of channel flows and activities and the involvement of an increasing number of organizations in channel activities also raises the issues of how to manage free riding behavior as customers can easily search for information in one channel and purchase the products in a second channel, of their choice -- as opposed to the manufacturer’s coordinated set of channel members. In the past, when there was a single channel leader, channel members could *cross-subsidize* certain activities (e.g., information provision) by other activities (e.g., selling products) and revenues could be shared. With channel multiplicity, each organization is independent and must manage their own compensation for delivering channel service outputs. Perhaps these members should create a pricing scheme to subsidize the value of the information that they provide or find other mechanisms for cross-subsidization so as to mitigate the risks of free-riding across channels.

Finally, in moving towards new equilibria in channel systems, competition and tensions between various parties involved will appear, likely leading to channel conflicts. The emergence of channel multiplicity needs not necessarily lead to conflict if the channel members and functions can be configured so as to improve the overall performance of the channel *system*, as opposed to any one channel format alone. Ultimately, it is customer need that should be the guiding criterion in the allocation of channel functions across channel members. Without the ability to provide these customers the right products at the right place and time, the notion of channel management is moot.
### Table 1
Summary of Channel Multiplicity Research Issues

<table>
<thead>
<tr>
<th>Channel Design &amp; Multichannel Management Implications for:</th>
<th>Major Research Questions</th>
</tr>
</thead>
</table>
| 1. View of Products and Marketing Channels                | 1. How do customers interact with various channel formats and for what functions?  
2. How do these patterns change over time?  
3. How to combine “bricks and clicks” approaches along with sales force efforts and reverse channels (for both store and online returns) in a cost-effective manner? |
| 2. Channel Leadership                                     | 1. What are the antecedents of channel leadership?  
2. What happens without a channel leader? |
| 3. Channel Structure                                       | 1. How does the position and role of traditional members evolve when channel systems are re-constructed?  
2. How do information players in channel systems extract revenues from customers?  
3. What are characteristics of customer segments that still value the entire set of channel functions from a single source? |
| 4. Distribution Intensity                                  | 1. How can one best measure a firm’s distribution intensity?  
2. What is the optimal distribution intensity in an environment of severe channel multiplicity?  
3. What multichannel and channel-function combinations are best to achieve the goals efficiently and effectively?  
4. Which channels should be treated independently and which channels are substitutable? |
Figure 1:
Conceptual Overview of Channel Multiplicity

New Market Operating Realities

- Empowered Customers and Direct Relationships
- Increasing Transaction Fragmentation
- Customers’ Evolving Channel Needs

Channel Multiplicity
- Multiple information sources and outlets
- Seamless experiences

Implications for Channel Design & Multichannel Management

- Broader View of Products and Services
- Challenges to “Channel Leadership”
- Evolving vs. Planned Channel Structure
- Broadened View of “Distribution Intensity”
Figure 2:
Distribution Intensity in a Multi-Channel Environment

- New perspective
- Traditional perspective

# of channels

Intensity of usage
References


Bios

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