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Multichannel marketing in Hungary

- implementation and performance

Abstract

Multichannel marketing is one of the most popular topics among researchers investigating distribution strategies. In frame of a research series, we explored the main factors that can be crucial when implementing a multichannel system in Hungary and revealed many obstacles to overcome. Based on a quantitative survey among Hungarian companies we identified broader groups of different channels and formed clusters of organisations using different combination of them. The results show that companies integrating channels with diverse characteristics possess crucial marketing capabilities at the same time and outperform others in terms of market share and profitability.

Key Words: Multichannel marketing, multichannel customer, holistic approach

1. Introduction and objectives

The appearance of the internet has inspired a number of research schools in international literature, two of which are relevant for marketing studies and they generally deal with the take-off period of the worldwide web. Researchers coming from a background in economics looked at the effect the new channel is having on price levels. Its marketing aspect was made up of assumptions relating to consumers' information supply and search behaviour, suggesting that consumers are able to obtain information needed for their decisions efficiently in the new environment and will make more sensible decisions than ever. Following the ever more widespread use of the internet marketing researchers have been intrigued by another research field, i.e. the efficacy of advertising tools formed in the new communication channels. The dominance of this interest was reflected by the fact that a number of researchers and lecturers studying this particular area started to use the phrase online marketing instead of online communication and slightly overlooked that the internet is not only a medium but a sales channel too at the same time and has to do with other aspects of marketing as well. Putting aside the direction in which the above mentioned research areas have developed and subareas that have meanwhile appeared, in this paper we look at the internet as a potential new sales channel for corporate marketing in order to understand whether it must be integrated into other channels and if so, which are the main challenges key to successful implementation.

Multichannel marketing evolved parallel to the advances of the internet (Gyulavári, 2005). As an increasing number of customers became involved in the online purchase process, companies started to investigate how this new situation should be handled, whether they should adapt the online channel and how to integrate it with the already existing channels. On the other hand, start-up companies first entering the market through exclusively the online interface due to the lower entry barriers have realised the numerous advantages an offline presence has to offer. In this way the question of how they could and should harmonise it with their earlier sales activities also arises. Plus, all of this leads on to a number of managerial challenges.

Researchers were greatly intrigued by those early studies which showed that multichannel customers generate greater business. Myers et al. (2004) quote a study by McKinsey suggesting that customers who use several sales channels when making their purchases spend 20-30% more on average than those who use only one. Kumar and Venkatesan (2005) also

concluded that multichannel customers account for a greater share of all customers spending and so provide companies with higher revenues. Research has also shown that multichannel customers buy products more frequently, purchase more items and spend more on their purchases than their single-channel peers (Kushwaha and Shankar, 2005). The correlation appears even stronger when further differentiated in terms of the number of channels used. Parkin (2008) argues that the value of a customer using three or more channels is one third more than that of a customer using two channels and four times greater than the value of a customer using only one channel. However, relatively few studies have looked for the reasons of this phenomenon and the possible consequences of decisions made within a multichannel marketing framework.

Building up a system of parallel channels may require a considerable investment from the part of companies, particularly if they wish to exploit synergies to their best. We argue therefore that in Hungary, where the number of online purchases and companies offering that option is lower than in more developed countries, potential strategic scenarios should be explored in depth already prior to adapting a new channel in order to bypass steps which later prove to be unnecessary or even dead ends.

This paper sets out to investigate what strategies may be followed by corporate multichannel actors, what challenges they are to face when opting for multichannel marketing as is understood in our definition, and what the key areas and factors of successful implementation are. Another aim of the research to investigate the companies implementing multichannel systems and determine their market and financial performance, as well as, the capabilities they possess.

2. Literature review

2.1. The multichannel concept

Since multichannel marketing has been little studied in Hungarian literature and the concept is not widely known under this name in the practice, its definition seems inevitable before any further analysis. And here one is immediately faced with a dilemma often encountered in international literature, i.e. how the duality and convergence of communication and sales channels should best be handled in the process of creating a definition. Initially the dominant approach suggested that it is merely about a coordinated management of sales channels.

Brassington and Pettitt (2000) refer to multichannel marketing as the practice of linking channels together through which products and services are made available for consumers. Later researchers have increasingly incorporated the communication functions of the channel into the concept, which has led up to the most widely accepted definition, i.e. 'multichannel marketing enables firms to build lasting customer relationships by simultaneously offering their customers and prospects information, products, services, and support' (Rangaswamy and Van Bruggen, 2005:6). Neslin and Shankar (2009:70) extend the definition somewhat to include the approach of management and relationship marketing and so propose that multichannel customer management 'the design, deployment, and evaluation of channels to enhance customer value through effective customer acquisition, retention, and development'. Despite the fact that the understanding of multichannel marketing has started to include communication — not only purchases —, when defining multichannel customers, several authors have differentiated them in terms of purchase transactions. Venkatesan et al. (2007) refer to multichannel shoppers as consumers who carry out purchases in more than one channel during the period of time observed. Others do not confine their definition to the transaction itself but consider anybody a multichannel customer 'who use more than one channel to interact with firms' at any stage of the purchase process (Rangaswamy and Van Bruggen, 2005:5; Neslin and Shankar, 2009). A pro for a more confined understanding of the concept is that it is then easier to identify (and research) those who get in a purchase transaction contact with the company in the individual channels than those who only use them in their search phase. The broader concept does not clearly exclude those classic shoppers from the group of multichannel customers who obtain information through television commercials and buy a product in-store, since both phases are part of the purchase process and they constitute two different channels. This, however, makes it difficult to unambiguously distinguish between the theoretical concept and general marketing issues. In turn, the above mentioned integration of communication and sales processes makes the confined understanding somewhat inefficient, when multichannel activity is looked at from the companies' point of view and the role of the individual channels is not extended to the entire purchase process. Kumar (2010) resolves the conflict by drawing a clear line between the concepts of channel and media, the first being the arena of transactions, the latter that of communication but studies the two together. This, nevertheless, leads us on to the problem of defining communication, whose closer investigation is beyond the scope of this paper.

Synthesising the definition found in the literature and considering the above criticism we refer to multichannel marketing as the company practice in which the company manages different

types of sales points in an integrated manner in order to exploit synergies arising from it with a view to increase customer value. A multichannel customer is understood as a customer initiating interaction with a company with purchase purposes in more than one channel.

2.2. Characteristics of different multichannel strategies

When a company decides to operate two or more channels at the same time, they have a choice to make between two theoretical concepts, the differentiated and the holistic multichannel strategy (table 1), yet in practice almost without exception it is the combination of the two that is realised. The differentiated strategy in this context means that the company, in an effort to cover the entire market, will sell products to different segments in different channels. A provider of financial services for instance may offer its products to its VIP clients in the personal channel, while other segments can contact the company via its branches. This enables the provider to enter the market with differentiated offerings since it can offer different services or financial products to the two segments. Moreover, it can realise a price differentiation to an extent which would not be justified by the differences in services thanks to the two channels remaining appropriately isolated from each other (Gyulavári et al., 2011). The aim of a holistic strategy, on the other hand, is to target the same customer or segment in more than one channel at the same time in order to meet the heterogeneity present in the preferences of the given customer (which are contextually based, most of the time) and also to have a synergistic effect. Customers may, for example, like to have their favourite pizzas in a nice atmospheric restaurant at the weekend but are happy to have it delivered to their home on a tough working day after one click online. Furthermore, it would greatly enhance their commitment if they didn't need to give up all of it in a summer festival they visit, and they would even participate in a special community event, promotion or games organised by the company (e.g. a pizza making competition). This latter strategy thus focuses on meeting various needs depending on various contexts and increasing the quality of service provision through an integrated use of the channels. As a result, the company may achieve higher revenues generated by one single customer and realise additional effects due to its activities. The company certainly does not leave the idea of segmentation behind when it opts for the holistic strategy: it is not about treating all segments the same. This approach is different in that it assumes a certain percentage of online shoppers and a certain percentage of hypermarket shoppers to be present in everybody along with perhaps a degree of need for a personal contact during a purchase process. Yet the actual combination these are relevant to a

given customer and how information flow gets into this process gives ample potential to segmentation, and it is an imperative for the company to exploit it.

Table 1:
A description of possible strategic approaches in multichannel marketing

	DIFFERENTIATED APPROACH	HOLISTIC APPROACH
The basis of segmentation	Enduring and permanent variables affecting channel preference (income, demography, attitude)	Context and purchase process
Target group	Different segments via each channel	The same customer in each channel
Product/service	Homogeneous within the target group, as different for each channel as possible	A great deal of overlap in the offerings of channels but containing unique offers and services
Brand	May deploy different brands for channels	The same across all channels
Price	Potential for price differentiation	Maximum in to a degree thought fair by customers
Communication	Different contents and style across channels	Efforts to tailor-made communication and as many types of contacts as possible

Source: Gyulavári (2010)

The multichannel marketing studied in literature primarily corresponds to the holistic strategy out of the approaches outlined above therefore this will be the basis of our further studies on putting it into practice.

3. Method

Besides a review of relevant literature we have conducted qualitative and quantitative research, as well. Because of the field remained unrevealed in Hungary, we explored the most important dimensions of this activity and the obstacles to be handled with help qualitative techniques. We carried out four expert interviews with managers of companies having gained experience in implementing and pursuing multichannel marketing in Hungary. In this way we were able to get a deeper insight into the factors leading to success in the financial, telecommunications, publishing and ICT industries. In the research we made an effort to identify generalizable factors as well as the unique features of these industries. However, all of the companies represented by our interviewees sell directly to customers, without applying intermediaries. Consequently, an important area of multichannel systems, i.e. the conflict within the business and between individual channels receives less emphasis in the qualitative results than actors of other industries may encounter. Another similarity of the companies taking part in the qualitative phase is that their channels include the online and in-store channels, which they operate parallel to each other, and serve individual consumers in both cases. The companies share one more similarity, i.e. they had their offline basis prior to extending it towards the online channel, launching their multichannel system in this way.

Consequently, the qualitative analysis focuses on how the online channel has been integrated into their previously existing system and describes the experiences of that process.

In the quantitative phase of the research we aimed to compare companies with different channel strategy and marketing tools applied by segments. In frame of a wider research series we had the opportunity to analyse a sample of 231 companies from Hungary. The questionnaire-based interviews were conducted with the CEOs or the marketing executives within the organisations. The data collection was carried out between May and November 2009 with a response rate of 13%. Two thirds of the sample consisted of companies with more than 50 employees since some of the research questions were only relevant for them. The characteristics of companies interviewed can be found in the Table 2.

Table 2:
The characteristics of companies in the sample

	%	
Performance groups	Companies lagging behind	23%
	Average performers	42%
	Leaders	35%
	Total	100.0%

Company Size	Small	75%
	Medium	21%
	Large	4%
	Total	100.0%
Ownership	Majorly domestic state ownership	8%
	Majorly domestic private ownership	78%
	Majorly foreign ownership	14%
	Total	100.0%
Export orientation	No export activity at all	50%
	Low level of export	27%
	Medium level of export	14%
	High level of export	9%
	Total	100.0%
Reaction to market changes	Following changes with difficulty	12%
	Reacting to changes with delay	42%
	Preparing for changes	37%
	Being able to influence changes	9%
	Total	100.0%
Market concentration	Concentrated market	31%
	Moderately concentrated market	41%
	Fragmented market	28%
	Total	100.0%

4. Findings

4.1. Exploring success factors and obstacles of implementation

Multichannel marketing goals in practice

When a company decides to invest in a multichannel marketing system, the first thing to be clearly defined is what it expects from the new channel and has to make a choice out of the approaches outlined above. The experiences of companies interviewed suggest this is not always done in an entirely conscious manner. Companies seem to have recognised they had to act so they launched an online channel besides existing channels due to market pressure and thought that a more serious business model might as well evolve out of it as a bonus.

Respondents suggested that the issue of returns was not based on a comprehensive strategy, either, but it was surrounded with a considerable amount of uncertainty. The strategy was mostly influenced by general efficiency considerations rather than marketing principles. The myth of a business without store, operating with lower costs made companies serve their current clientele using fewer resources and thus increase their efficiency.

Coelho et al (2003) studied financial institutions in their paper and found that although multichannel companies did realize higher revenues, their profits were lower. Interviewees tended to share the opinion that is not easy to find the successful business model in the multichannel system and that it takes effort to exploit synergistic effects, too. A well-working strategy always seems to require a bulkier and more conscious investment than companies usually plan, therefore initially, returns may not necessarily be taken for granted. Further, online business is an area full of uncertainty, possible byways, thus it takes time for companies to learn how to make a profit out of it.

Relating to the deployment of the two strategies the role of market competition arises. The differentiated strategy, where a new channel means the potential acquisition of new customer groups is more efficient if the market has potential for growth and gaps not covered. When, nevertheless, the focus of marketing strategy shifts onto retaining customers and providing them with higher quality service, it may be more advantageous to use the holistic approach with all its extra services offered.

The challenges of multichannel marketing

In this section we look at the possible ways in which the holistic approach may be realised. If the two strategies are considered to be the two extremes of a scale, the companies represented by our interviewees are currently closer to it than to the differentiated one.

The greatest challenge in pursuing multichannel marketing is the measurement of efficiency. It would be highly useful for companies to know what returns they could anticipate already before they make a decision about adapting a new channel. In reality, however, it is difficult to define the contribution of individual channels to corporate efficiency even during operations, since the parallel usage of channels makes it difficult to pin down the different effects. It is particularly true when sales activities closely intertwine with promotion activities, and we want to identify the components of the synergy created by the service mix including both communication and sales and measure their efficiency respectively. Our interviewees pointed out that all of this should be done in an extremely dynamic business environment,

which is almost a *mission impossible*. What they are able to do for the time being is to show the cross-effects of individual special offers but are sceptical about system level measurements. To sum it up, the following factors can be view as barriers of implementation in case of a holistic approach:

- Measurement; defining the contribution of each channel (ROI, halo effect)
- Retention of customers already served, handling free-riders
- Cross-channel customer service (e.g. handling purchases and returned goods in different channels)
- Cross-channel procedure planning (tracking orders, registering cross-promotions etc.)
- Assortment allocation

It is interesting to look at how customer loyalty is affected by the higher service quality ensured by multichannel service. The literature offers various research results in connection with this. Wallace et al. (2004) for instance argue that the higher value perceived while using several channels at the same time results in satisfaction and loyalty. As opposed to that, Wright (2002) suggests that new technologies may weaken earlier personal bonds, e.g. in the bank clerk-client relationship, resulting in a higher willingness to switch.

The managers interviewed remark concerning the online channel that it may stimulate comparisons and provider switches. Return on investment may be a particularly sensitive issue if a customer uses competitors' channels in different phases for different purposes during a purchase process and while one is providing a service, another will obtain the revenue.

The most harmful of all for a company is when a customer uses its more resource intensive channels for search but decides to buy the product from a competitor. Online auctions have for example produced a customer behaviour pattern when a customer looks at a product and tries it out in a store, makes use of personal advice but makes the actual purchase on an auction homepage ensuring a considerable price advantage entirely independent of the offline company, e.g. on eBay.

Another challenge of multichannel marketing for companies is cross-channel procedure planning and systemic service based on this. Customers experience a close relationship if the purchase process continues where they stopped it at any point where they contact a company and they do not have to "queue" again. It means being able to track the route of a product online too, even if they ordered it in-store, or, if they ordered it online but do not like the

product, they can return it to the store; if they make a complaint to the call centre and receive a promise of compensation, then other channels will know about it etc.

Efficient operation means a need for fine-tuned organisation. How existing stocks are allocated to each point is highly important in order to ensure the quality of both the logistics and the service. It is not only relevant for physical products but also for services: companies must define where they place more human resources.

Finally, it is not entirely obvious how wide assortment customers should be offered in each channel. Following the holistic strategy, companies should be offering the same assortment in all of the channels. However, one of the advantages of online sales is that a number of product variants with low turnover may be in “virtual stock” since it has no actual cost of storage, i.e. it pays off to offer products online which would make a loss in an offline store environment. This is the advantage the company misses if it wishes to offer a uniform assortment in all its channels. On the other hand, not being able to obtain the same product in all the channels may result in dissatisfaction from the customer’s part.

Factors of successful multichannel marketing

We have collected Companies the following principles to put in practice that are key for success when conducting sales activities in parallel channels, i.e. following the holistic approach:

- Comprehensive and targeted definition of goals
- Appropriately assessed resource needs
- Flexible and innovative corporate culture
- Well-selected partners to make up for missing capabilities
- Joint database for different channels
- Cross-channel promotion activities reinforcing one another
- Contact with customers which is
 - a) of as many types as possible
 - b) appropriately timed
 - c) of appropriate frequency
- Appropriate levels of automation

First of all sales — and communication — channels managed by the company should be operated in a harmonised way, a joint strategy should be drawn up concerning them; the

functions the individual channels carry out in the system and what advantages they offer for customers and for the company must be pinned down in as much detail as possible. Relating to this, resource must be assessed thoroughly. A company not properly supporting a comprehensive strategy with resources may have to put up with negative effects.

Since multichannel marketing has highly complex modes of action, planning and realising campaigns, programmes and cross-promotions exponentially increases the potentials and tasks, which assumes a relatively flexible, fast reacting and innovative company. Due to the complexity involved certain capabilities may only be accessed from outside the organisation. In this case partnerships should be built carefully. All this assumes the existence of a professional and highly experienced management.

The system is hard to conceive of without a thoroughly planned IT structure: the customer must be followed in the company's information system where besides the purchase process and relating communication activities and reactions are registered. It is certainly no easy task.

The more contact is established with customers, the more commitment towards the relationship develops in them. Using promotions, either direct offers or games built on affective elements, or VIP services makes it easy to mobilise customers through the different channels depending on the effect we wish to make. With online vouchers for instance they can be lured into stores where they can be more efficiently offered some complementary products.

The relationship may be reinforced by communication activity but too intensive interactions may frighten off customers and so make an adverse effect.

Another important factor is automation, which may be different across customers and channels. The right balance should be struck, but it is challenging to define which customers require more personal contact types and who are the ones appreciating a more efficient but less personal reaction more.

4.2. Investigating capabilities and performance

The distinction between single and multichannel strategy is almost theoretical in Hungary because only 11,4% of companies use only one channel to distribute its product or services to the customers. As a consequence, we run a principle component analysis to identify the main channel types and analysis was carried out by comparing companies using more than one group of channels or a special combination of them (Gyulavári et al., 2012).

The most dominant factor of the four channel-groups we finally extracted, which explains the most of the variance, incorporates non-physical channels, namely telemarketing, internet and catalogue services. Beside of the other direct channel, the own shop/office, the classic wholesaler and retailer channel formed one factor and the representatives of personal selling (external, internal) were added into another group.

Table 3:
Factor solution for channels applied by Hungarian companies

Factors	Channels	Components			
		1	2	3	4
Non-physical channels	<i>Telemarketing</i>	0.859			
	<i>Internet</i>	0.833			
	<i>Direct catalogue services</i>	0.810			
Agents	<i>Sales representative (internal)</i>		0.874		
	<i>Sales representative (external)</i>		0.785		
Classic channel	<i>Retailer</i>			0.889	
	<i>Wholesaler</i>			0.682	
Independent channel	<i>Own shop/office</i>				0.948
KMO			0.785		
Variance explained (after rotation)		30.0%	19.5%	16.8%	14.7%

Original questions: To what extent do your company apply this kind of channels? (1 - not at all, 5 - to full extent)

Based on the results of the principal component analysis we applied cluster analysis to identify groups using different combination of distribution channels. Finally, the 5-cluster solution proved to be the best solution. The characteristics of these segments of companies can be found in the Table 4.

Table 4:
Classification of companies based on the channel strategy

		Mean of factor scores	St. deviation
Cluster 1 (43 companies)	Non-physical channels	-0.76	0.52
	Agents	1.28	0.77
	Classic channel	-0.25	0.94
	Independent channel	-0.33	0.82
Cluster 2 (54 companies)	Non-physical channels	-0.22	0.64
	Agents	-0.75	0.43
	Classic channel	0.12	0.90
	Independent channel	-1.23	0.55
Cluster 3 (47 companies)	Non-physical channels	1.56	0.59
	Agents	0.66	0.67
	Classic channel	0.26	0.76
	Independent channel	0.07	0.55
Cluster 4 (46 companies)	Non-physical channels	-0.46	0.67
	Agents	-0.49	0.64
	Classic channel	0.89	0.67
	Independent channel	0.84	0.59
Cluster 5 (41 companies)	Non-physical channels	-0.18	0.41
	Agents	-0.57	0.50
	Classic channel	-1.20	0.21
	Independent channel	0.94	0.16

Hierarchical cluster analysis, Ward method with Squared Euclidean distance

The result of our cluster analysis led to five, more or less equal groups of companies which statistically provide good opportunity for further analysis meeting requirements regarding minimum respondents per cells.

To compare the usage of channels across clusters, one can see that three of the five ones use only one group of channels, so, from this point of view, only two clusters are really multichannel operators. Cluster 3 relies on all types of channel-group above the average, especially on non-physical channels and heavily uses agents, too. Cluster 4 applies classical channels (wholesalers and retailers) and also sales products via own shops/offices. In the next sections we focus on these two clusters and compare their activities to the other three ones.

We investigated the marketing capabilities of the companies belonging to different clusters. Within resources, capabilities help run assets and systems of assets (Day, 1994). They refer to skills and knowledge accumulated by an organisation which surface in corporate processes. Gyulavári and Kenesei (2012) and Kolos et al. (2006) revealed that marketing capabilities play significant role in market success in Hungary. As we can see in the Table 5, the most of capabilities investigated associate with the classification of companies based on their channel usage. The strongest relationships were identified in case of forecasting market changes, implementation innovative sales promotion campaigns and launch of new products. The flexible customization, however, was not correlated with the clusters and the short and reliable delivery showed weak associations, too.

Marketing capabilities

In case of the capabilities investigated only the cluster 1 and the cluster 3 was ranked in the first place as best performers. The former, whose companies more intensively distribute products and services via agents, are the most flexible in customisation and best performer in short and reliable delivery. The flexible customisation does not indicate correlation and the other two capabilities also seem to be slightly connected with the channel strategy. The companies in cluster 3, on the other hand, are very strong in capability factors that are highly correlated with channel usage. They can forecast the market trends and are more successful in product launch than their competitors. As they serve the market through many channels they are capable to implement innovative sales promotion campaign, as well. A bit surprising result that they are not the more flexible in customisation but they reached the second largest mean and the personal selling applied by companies in cluster 1 provide more opportunity in this field. Another factor that can be interesting for companies following multichannel strategy is the cost efficiency. The cluster 3 seems to be the best in this area, too, but the association is statistically not significant. The result can be attributed to the fact that they

integrate the online channel the most and the cost effectiveness of this channel can leads to competitive advantage for the firms.

Table 5:
Marketing capabilities of companies using different channels

	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	<i>Total</i>
	Mean scores					
New product lunch **	3.00	3.29	3.45	2.93	2.76	<i>3.11</i>
Flexible customisation	4.05	3.66	3.88	3.83	3.59	<i>3.80</i>
Cost efficiency	3.18	3.19	3.33	3.21	3.03	<i>3.19</i>
Short delivery time *	3.80	3.63	3.52	3.41	3.26	<i>3.54</i>
Reliable delivery *	3.93	3.53	3.86	3.71	3.56	<i>3.72</i>
Implementation of innovative sales promotions campaigns ***	3.14	2.89	3.81	3.20	3.06	<i>3.22</i>
Forecasting market changes ***	3.13	3.07	3.62	3.00	3.00	<i>3,18</i>

Analysis of variance (ANOVA); * $p < 0.1$; ** $p < 0.5$; *** $p < 0,01$;

scale: 1 – much worse than the main competitor; 5 – much better than the main competitor (self-evaluation)

Market and financial performance

After investigation of the association between marketing capabilities and channel strategy we inquired the market and financial performance of the companies in different clusters. We had the same data based on self-evaluation relative to the main competitors, as in case of capabilities.

The results show that companies in cluster 3 outperform the others in terms of market share and profitability. Previous research revealed that in general the reliable and short time delivery are key factors to acquire and retain customers in Hungary (Gyulavári, 2011) but the

results indicate that in multichannel context different combinations of channels imply distinct resources to be possessed.

Table 6:
Market and financial performance of companies using different channels

	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5	<i>Total</i>
	Mean scores					
Market share	2,98	2,87	3,29	3,02	2,6	2,96
Profitability	3,28	3,05	3,49	3,12	3,13	3,22

Analysis of variance (ANOVA); * $p < 0.1$; ** $p < 0.5$; *** $p < 0,01$;

scale: 1 – much worse than the main competitor; 5 – much better than the main competitor (self-evaluation)

5. Discussion

Multichannel marketing aiming at serving customers at several sales points adapted to different contexts results in higher revenues and may greatly increase customer commitment and loyalty. Its management, however, can present numerous challenges for managers and requires highly complex skills, in order for the company to exploit its potential efficiently and profitably. A flexible and innovative corporate culture and a business willing to commit itself to permanent learning is essential for this, particularly in these days when the online are advancing in such a fast pace and there are unforeseeable technological developments underway.

This paper aimed at summarising the challenges and key factors which a company must meet, if it is to enjoy the advantages that a multichannel system is able to offer and wants to ensure the return of resources invested in the operation of the individual channels. Another scope of this paper is to investigate whether companies using different channels to distribute products and services also possess different capabilities as well, and whether all of this leads to better market and/or financial performance.

The results show that almost all of the Hungarian companies rely on different distribution channels but only 40% of them use channels whose usage is uncommon. Among these

companies, especially that one performs better who is able to integrate online channels with other types of distribution forms.

6. Limitations

The generalizability of the outcomes of the research has many limitations. The conclusions of the qualitative phase based on four interviews, all of them from retail sector. The aim of this exploring investigation was to identify the relevant issues concerning multichannel marketing in Hungary and not to reveal general mechanism.

In case of quantitative research we could obtain data from a broader research series, and the questions applied provide indirect way to describe the channel strategy and the performance of companies. Another limitation of this section was that the measures implemented in frame of the research was relative to the competitors and based on the interviewees' subjective evaluation instead of exact data.

The quantitative data collected from different type of sectors representing the Hungarian business organizations with 50 employees or higher. To investigate different industries can lead to less quantifiable results but more insights about the operation and the valid effects of them.

7. Further research

The implementation of multichannel strategies implies many challenges and, as it could have seen above, the companies made many mistakes in the early phase of the operation and focused mainly on the strategy level. The reaction of customers, however, not precisely identified and there are many questions concerning how to refine the system to the needs of the market.

The relationships between the capabilities and the channel strategy have been determined but the causality remains unrevealed.

Industry factors should also be identified for control variables for later quantitative projects.

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