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Implementation processes of online and offline channel conflict management strategies in manufacturing enterprises: A resource orchestration perspective

Yiwei Du[a], Miao Cui[b,*], Jingqin Su[c]

[a] Dalian University of Technology, Room B 1604, Innovation Park, 2# Linggong Road, Gaoxin District, Dalian City, Liaoning Province, China
[b] Room 622, Faculty of Management and Economics, Dalian University of Technology, 2# Linggong Road, Dalian City, 116024, China
[c] Dalian University of Technology, Room C 303, Science Park, 2# Linggong Road, Gaoxin District, Dalian City, Liaoning Province, China

A R T I C L E I N F O

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A B S T R A C T

The rapid development of e-commerce is driving many traditional manufacturing enterprises to establish online channels. This typically leads to online and offline channel conflicts for these enterprises. Existing studies on channel conflict management primarily focus on describing the conflicts and discussing the types of strategies. Utilizing the case study method and taking the resource orchestration perspective as the theoretical lens, this study examines the implementation processes of online and offline channel integration and segmentation strategies in two Chinese manufacturing enterprises. The findings reveal the prerequisite to select online and offline integration and segmentation strategies, and specific resource orchestration actions and capabilities generated under the guidance of the integration and segmentation strategies. This study has theoretical implications to the online and offline channel conflict management strategies by extending the "what" question to the "how" question. In addition, this study also provides references to practitioners for selecting and implementing appropriate online and offline channel conflict management strategies.

1. Introduction

The rapid development of e-commerce is driving many traditional manufacturing enterprises to establish online channels in order to meet consumers' needs and reduce costs. Nevertheless, it has resulted in and intensified online and offline channel conflicts (Choi, Chen, & Chung, 2017; Montoya-Weiss, Voss, & Grewal, 2003; Webb & Hogan, 2002;) due to the channel architecture of per channel management (Verhoef, Kannan & Inman, 2015), leading to lower channel efficiency, higher error rates, and lower satisfaction of channel members (Brown, Lusch, & Smith, 2016; Duarte & Davies, 2003; Geyskens & Kumar, 1999; Rosenbloom, 2006; Vasanth, Mousumi, & Krishna, 2012). Although the development of omni-channel may pave the way to solve online and offline channel conflicts by integrating all channels and forming cross-channel objectives, coexistence of online and offline channels, as the last development stage of omni-channel, may inevitably lead to channel conflicts (Verhoef et al., 2015). There are many cases in which enterprises engage in e-commerce initiatives without deriving any benefits because of channel conflicts (Martinsons & Martinsons, 2002). For example, when Estee Lauder plans to sell its flagship Clinique brand directly on the Internet, it squarely placed itself to online and offline channel competition with department stores whose cosmetics counters feature its products so prominently (Tsay & Agrawal, 2004). Similar conflicts have been reported in IBM, Mattel (Bannon, 2000) and others. On the contrary, some companies have effectively managed channel conflicts and achieved superior multi-channel performance (Brown & Dant, 2014). For example, Haier Group (Haier) was reported as a successful example in channel conflict management by Daxue Consulting, a consulting enterprise in China. Therefore, it is important to investigate how manufacturing enterprises successfully solve online and offline channel conflicts.

The adoption of new channels will also affect competitive strategies since the new channels will break down old barriers such as geography and consumer ignorance (Verhoef et al., 2015). Hence, it is critical for manufacturing enterprises to rethink their channel conflict management strategies (Brynjolfsson, Hu, & Rahman, 2013). Existing studies have paid attention to channel conflict management strategies, including channel segmentation and integration strategies. Such studies throw light on channel conflict management by answering "what can be done" to solve the conflicts. Several studies further emphasize the important roles of resources to support the strategies (Crook, Ketchen, Combs, & Todd, 2008; Vasanth et al., 2012). However, existing studies

* Corresponding author.
E-mail addresses: duyiwei0815@gmail.com (Y. Du), cuimiao@dlut.edu.cn (M. Cui), jingqin@dlut.edu.cn (J. Su).

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have not further explained the "how" question (i.e., "how do enterprises implement these strategies?") due to their lack of attention on the implementation processes (Bucklin, Thomas-Graham, & Webster, 1997; Bliemel, 2001; El-Ansary & Stern, 1992). Therefore, it is necessary to investigate *how* enterprises implement online and offline channel integration and segmentation strategies.

Although resource-based theory (RBT) (Barney, Ketchen, & Wright, 2011) provides a solid foundation for studying online and offline channel conflict management, recent research trends in RBT throw light on a new direction. To be specific, researchers suggest that to gain an advantage, the role of managers' resource-focused actions matters as least on the same footing as that of resources (Holcomb, Ireland, Holmes, & Hitt, 2009; Kraaijenbrink, Spender, & Groen, 2010; Sirmon, Hitt, Ireland, & Gilbert, 2011). Simultaneously focusing on resources and actions on resources can explain why two given enterprises achieve different performance levels, although they may possess same or similar resources. Thus, Sirmon et al. (2011) propose the term "resource orchestration" to illustrate how managers orchestrate resources to achieve competitive advantages (Sirmon, Hitt, Ireland, & Gilbert, 2011).

In this paper, the resource orchestration perspective is adopted as the theoretical lens to address the question, "*How do enterprises implement the online and offline channel integration and segmentation strategies through resource orchestration*?" The appropriateness of the resource orchestration perspective for supporting and explaining the implement processes of online and offline channel integration and segmentation strategies lies in two facts. On the one hand, it is widely believed that any marketing strategies aim to effectively and efficiently allocate and use organizational resources to attain objectives (Chang & Gotcher, 2010; Rose & Shoham, 2004). Therefore, it is imperative to investigate related resource-focused actions, one focus of the resource orchestration perspective, to demonstrate how to "effectively and efficiently allocate and use organizational resources". On the other hand, due to resource scarcities, the essence of online and offline channel conflicts is competition for resources (Vasanth et al., 2012), including both external consumer resources and internal organizational resources, e.g. products, personnel, logistics, services and information, among channels (Zhuang, Xi, & Tsang, 2010). Resource orchestration provides an effective means to achieve goals under resource constraint (Salunke, Weerawardena, & McColl-Kennedy, 2013; Wales, Patel, parida, & Kreiser, 2013). We utilize a paired case study of Haier, one of the largest white goods manufacturers in the world, and Supor Sanitary Ware Co., Ltd (Supor), a sanitary ware product manufacturer and subsidiary company of Supor Group, the second largest cooking utensil manufacturer in the world.

This paper is structured as follows. The next section offers a literature review of channel conflict management strategies and the resource orchestration perspective. The third section presents an outline of the research method. The fourth section describes a paired case study of the implementation processes of online and offline channel integration and segmentation strategies in Haier and Supor. The fifth section presents the results of empirical findings of the two cases. Finally, we conclude the paper, and discuss the theoretical and practical implications and future research of this study.

2. Literature review

2.1. Channel conflict management strategy

Channel conflicts are defined as a situation that arises when a channel stakeholder perceives that the actions of another channel show a committed behavior in preventing or not allowing the accomplishment of its proper goals or the effective performance of its standards of behavior (Coughlan et al., 2001; Stern et al., 1996; Webb & Hogan, 2002). There are three types of channel conflicts: (1) horizontal, which happens among members of the same level; (2) vertical, which is conflict between the dealers and manufacturers in the upstream of the channel or secondary wholesalers or retailers in the downstream; and (3) multi-channel, which happens when manufacturers set up two or more types of channels (Vasanth et al., 2012; Xia, 2004). Multiple-channel conflicts also mean new channels competing with the existing ones (Balasubramanian, 1998).

With the development of e-commerce, when traditional manufacturing enterprises regard sales through Internet as a new channel and introduce online channels in addition to existing distribution systems, they face channel conflicts between the Internet and traditional channels (Webb, 2002; Brown & Dant, 2014). An additional channel may partly cannibalize the sales of existing channels, rather than increasing total sales (Abdelsalam & El-Tagy, 2015; Choi et al., 2017). Consequently, conflicts may arise between channels (Brown et al., 2016; Tsay and Agrawal, 2004). Therefore, managing the overall portfolio, rather than individual channels, is the key in multi-channeling. When designing a multi-channel system, an enterprise needs to achieve a trade-off between process integration and separation across multiple channels (Agatz, Fleischmann, & Van Nunen, 2008). Understanding the interplay between multiple channels is essential for understanding Internet fulfillment (Agatz, Fleischmann, & Van Nunen, 2008).

Researchers usually regard performance and satisfaction as the two most important outcome variables of multi-channel conflicts (Brown et al., 2016; Cronin & Baker, 1993). Conflicts have often been measured empirically by the frequency and intensity of disagreements and have been weighted by the importance of the issue (Brown et al., 2016; Magrath & Hardy, 1988; Vasanth et al., 2012). Multi-channel conflicts can have a positive or negative effect on channel performance (Coughlan et al., 2001). On one hand, some channel conflicts motivate channel members to be creative and seize new opportunities and improve channel performance (Bucklin et al., 1997; Rosenbloom & Larsen, 2003; Vasanth et al., 2012). On the other hand, most of the researches reveal that channel conflicts cause negative effects on channel performance, for example, lower customer satisfaction (Bucklin et al., 1997; Brown et al., 2016; Duarte & Davies, 2003; Geyskens & Kumar, 1999; Rosenbloom & Larsen, 2003).

Adding clicks to bricks has proved to be an enduring challenge. However, when managed appropriately, implementing an online channel can yield positive results (Gilbert & Bacheldor, 2000; Gensler, Leeflang, & Skiera, 2012). This question inevitably draws attention from both practitioners and scholars. Scholars have proposed a few channel conflict management strategies, which can be categorized into channel segmentation and integration strategies (Bucklin et al., 1997; Bliemel, 2001; El-Ansary & Stern, 1992).

2.1.1. Channel integration strategy

It focuses on internal enterprise and requires channel members to work closely. Webb and Lambe (2007) propose three multi-channel integration strategies based on three causes of channel conflicts (Vasanth et al., 2012), including targeting superordinate goals, promoting effective internal coordination among channel coalitions, and promoting effective internal communication. Superordinate goals refer to goals that are urgent and require the resources and efforts of more than one group to achieve. Hunger & Stern (1976) suggest that targeting superordinate goals is the most effective means to reduce conflict. Promoting effective internal coordination among channel coalitions involves developing a formal document to address the salient issues and instituting a group to manage the strategies and tactics of various channels (Webb and Lambe, 2007). Internal communication can help channel coalitions better align perceptions. Also, it enhances channel coordination and facilitates improved outcomes (Möller & Rajala 1999).

2.1.2. Channel segmentation strategy

Gassenheimer et al. (2007) apply Burt's (1992, 2004) "structural