ISeB (2006) 4: 187–216
DOI 10.1007/s10257-005-0031-4

ORIGINAL ARTICLE

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Strategic channel alignment: an analysis of the configuration of physical and virtual marketing channels

Published online: 25 February 2006

Abstract Extensive integration of online and offline channels is often described as the most preferable strategy for multi channel retailing. However, empirical findings challenge this assumption by showing that retailers choose a variety of disparate multi channel strategies. Given this variety, we conjecture that there is no single best approach to multi channel retailing, but that, depending on the general marketing strategy, different multi channel strategies can be suitable for retailers. We develop a model of strategic channel alignment and identify four different paths of channel alignment, which we use to reconstruct and interpret multi channel strategies as an alignment of general marketing strategy and online strategy. An application of the model to four prominent and successful cases from the grocery retailing industry shows that although the companies pursue fundamentally different multi channel strategies, they can all be considered as examples of successful alignment and mature multi channel strategies.

Keywords Multi channel management · Strategic alignment
E-commerce · Grocery retailing

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1 Introduction

Over time quite disparate expectations about the success of Internet retailing have been articulated. In the early days of the New Economy, the Internet as a retailing channel was widely considered to be superior to store-based retailing channels. Yet, on the opposite end, some considered the New Economy boom as a mere hype phenomenon without lasting impact on the economy. It was expected that, as soon as the hype was over, the Internet would no longer play an important role. After the New Economy bubble had burst and the dust had settled, a new perspective that had already been proclaimed in early phases of the Internet boom (Steinfield and Klein 1999) gained popularity: the simultaneous use of online and offline channels by retailers, also termed click-and-mortar or multi channel (in the sense of combining physical and virtual channels) retailing. The Internet, and to an increasing extent mobile technologies, continuously inspire visions of seamlessly integrated online and offline channels which support customer channel switching across transaction phases (Rheault and Sheridan 2002; Steinfield et al. 2002). Expectations regarding the profitability of extensive channel integration are high. Consultancies for example claim that multi channel customers are more loyal, spend significantly more money and are two to four times more profitable than single channel customers (Double-click Inc., 2004; OC & C 2002).

Empirical evidence however shows that a vast majority of retailers do not or only to a very limited degree integrate their physical and virtual channels. Even basic online purchasing functionality is only offered by a small number of retailers. Often quoted measures of channel integration such as in-store pick-up or in-store return of goods ordered online have only been implemented by a fraction of retailers (European Commission 2004; Retail Forward 2004; Steinfield 2004). At least in the retailing of physical goods, retailers follow very different multi channel strategies that are reflected in different scopes of online activities and varying degrees of online-offline integration, even within single industries (Müller-Lankenau et al. forthcoming).

The diversity of multi channel strategies suggests that there is no single best strategy for multi channel retailing, despite the promises of the intriguing and, on first sight superior, option of extensive online activities and comprehensive click-and-mortar channel integration. Rather, it appears that retailers diligently choose disparate multi channel strategies. While it has been pointed out that companies should choose their multi channel strategy based on their individual situation (Gulati and Garino 2000), the understanding of the factors underlying companies' individual choices of multi channel strategies is still very limited.

In this paper, we aim to contribute to a better understanding of these choices by focusing on interdependencies between retailers' general marketing strategies and their online activities. It is proposed that the suitability of multi channel strategies depends on a retailer's individual situation, specifically its general marketing strategy. Based on the concepts of strategic alignment and strategic fit (Henderson and Venkatraman 1993;

Henderson et al. 1996; Van de Ven et al. 1985), a model of strategic channel alignment is introduced that understands multi channel strategies as the result of an alignment of general marketing strategy and online strategy. We argue that an alignment or fit between the model's four different domains is achieved during the formation of a mature and suitable multi channel retailing strategy. Based on the model, alignment perspectives that represent different paths to achieving a balance between the model's domains are introduced. They provide a means to reconstruct and analyze multi channel strategies by helping to capture the drivers and impacts of alignment processes.

In order to explore the applicability and explanatory potential of our model, we apply it to four cases from the grocery retail industry. The companies included in the sample are well established players in their respective markets and follow substantially different multi channel strategies. Although only one of the strategies is based on extensive online activities and far-reaching channel integration, all four strategies appear suitable from an alignment perspective. This challenges recommendations to pursue comprehensive multi channel activities irrespective of a retailer's specific situation (Doubleclick Inc., 2004; Görsch 2003).

In Sect. 2, we briefly review different types of multi channel retailing strategies. Interdependencies between retailers' online and offline activities are discussed in Sect. 3. The model of strategic channel alignment and the associated alignment perspectives are introduced in chapter 4. The case analysis can be found in Sect. 5, which is followed by a discussion of case findings and methodological limitations. The final section contains conclusions and an outlook.

2 Different types of multi channel strategies

By reconstructing multi channel strategies from a strategic alignment perspective, this paper aims to contribute to a better understanding of the diversity of multi channel strategies. This section is used to illustrate this diversity by introducing a typology of multi channel strategies. While several different typologies have been developed for multi channel strategies, each highlighting different aspects (Bahn and Fischer 2003; Doolin and McQueen 2003; Gulati and Garino 2000; Venkatesh 1999), we have chosen a conceptually derived typology that distinguishes between four types of multi channel strategies. The typology illustrates basic strategic decisions retailers face when defining their multi channel strategy and distinguishes between the four strategy types which are described in the following (Müller-Lankenau et al. 2004; Müller-Lankenau et al. 2005).

2.1 Offline focused strategy

In an offline focused strategy, the online channel plays a supporting role and is mainly used to increase allocation efficiency of the offline channel. Content of the Web site is often limited to information about in-store offerings and store locations, limited additional services such as after sales information might be offered. Potential motivations for pursuing this strategy are a sophisticated distribution system optimized for providing goods to a network of shops, a differentiation strategy focused on in-store customer consulting services, which cannot be offered on the Web, or contractual restrictions vis-à-vis channel partners.

2.2 Online focused strategy

In online focused strategies, the offline channel is configured to guide customers to a corporate Web site or similar online offerings. Online focused communication and promotion activities in the offline realm and possibly specific incentives such as lower prices or a wider range of products offered online aim to strengthen the online channel. This strategy is typically used to bypass intermediaries or to shift sales volume from a high cost offline channel to the cheaper online channel (which is often the case for digitizable goods). In analogy to offline focused strategies, online-only retailers can also try to get access to offline channel infrastructures in order to increase their online profitability or sales volume.

2.3 Isolation strategy

An isolation strategy is pursued when online and offline channels are managed as separate or independent entities, possibly operating under different brand names. Neither communication activities nor incentives or explicit links support or encourage customers to switch between channels. Possible goals driving this strategy are avoiding channel conflicts, targeting different customer segments with, e.g. channel-specific pricing schemes or entering geographical markets online, where a classical market entry is not possible.

2.4 Integration strategy

In integration strategies, the channels are seen as complementary components of a multi channel system that aim to provide a high level of convenience to customers, e.g. through supporting channel hopping in and between transaction phases. Differentiated service portfolios or product offerings across both channels are not the result of strategic decisions favoring one specific channel, but rather reflect technical or organizational restrictions. This form of differentiation strategy might help to charge premium prices, but also incurs extra costs.

A range of benefits that result from implementing an integration strategy have been documented in literature. Spectacular cases are reported in which companies were able to multiply revenue per customer by following this strategy (OC & C 2002). It has even been reported that by adding more than two channels, revenue per customer will increase exponentially (Doubleclick

Inc., 2004). There are also more comprehensive discussions of benefits from click-and-mortar applications that point out various areas of improvement through harmonizing physical and virtual presences (Steinfield et al. 2002). Surveys reveal that consumers prefer extensive multi channel strategies based on far-reaching channel integration (Schramm-Klein 2003). Consequently, extensive on-line activities and channel integration are often considered to be the best approach to multi-channel retailing. It is claimed that these approaches are equally feasible for all retailers, independent of their individual situations (Görsch 2003).

However, as indicated in the introduction, currently only a very limited number of retailers follow this approach. Obviously, extensive channel integration is not the dominant multi channel strategy, and retailers choose rather disparate strategies when combining physical and virtual channels. What has been proposed for electronic commerce in general (Voss 2003) also holds true for the case of multi channel retailing: there might not be a single best approach that fits all retailers. Rather, companies might well choose different approaches to multi channel retailing, since their individual marketing strategy and market context differs from company to company. The next section highlights central aspects that describe these differences.

3 Interdependencies between retailers' offline and online activities

Companies differ widely in their marketing strategies and activities as well as in their specific industry situation. In this section, we discuss a range of interdependent company- and industry-specific factors that describe or contribute to these differences and illustrate how they can influence the scope of suitable online activities or channel integration measures. Based on the core elements of Henderson and Venkatraman's strategic alignment model (1993), the factors are grouped into four categories: business scope, distinctive competencies, governance and technology scope (see Fig. 1).

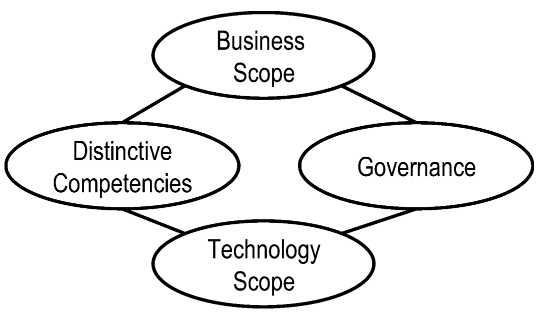

Fig. 1 Interdependent factors influencing the scope of suitable online activities

3.1 Business scope

A company's business scope is defined by decisions where a company will or should compete (Luftman 1996a). With regard to online activities, relevant aspects of business scope are product and service type, customer segmentation and geographical reach.

3.1.1 Product and service type

Consumers base their purchasing decisions on different search practices and information sources, depending on whether they consider search, experience or credence goods (Darby and Karni 1973; Nelson 1970). Experience goods for example often need to be personally inspected or tried before making a purchasing decision; hence they are regarded as less suitable for online selling than search goods (Peterson et al. 1997). Peterson et al. (1997) introduced an alternative classification system for online retailing, which consists of three dimensions: cost and frequency of purchase, value proposition (tangible versus intangible) and degree of differentiation potential. The product and service types contained in the classification do not only differ regarding customer information needs, but also regarding aspects such as distribution systems and costs. These differences make clear that not all products or services are equally well suited for certain aspects of online retailing such as online sales or distribution.

3.1.2 Customer segmentation approach

Major customer or market segmentation approaches are mass marketing, niche marketing, multi segment marketing and one-to-one marketing. Depending on the marketing approach, a company possesses different capabilities regarding customer identification, interaction and catering for the needs of small customer groups or individuals (Adam 2002), which might also influence how it uses the Internet. A mass marketing oriented company for example might develop a less interactive and individualized Web channel. A multi segment oriented company in contrast might decide to refine its segmentation approach in the online channel and implement a multi channel strategy, which aims to exploit the Internet's one-to-one marketing potential.

3.1.3 Geographical reach

Traditional retailers' geographical reach is defined by the extent and density of their store network. Despite the proclaimed "death of distance", geography and physical presence continue to play a role in electronic commerce and might even positively influence success (Steinfield and Klein 1999). When adding an online channel to conventional sales channels, retailers can choose to primarily increase market penetration within the existing geographical boundaries or to enter new geographical markets in which the virtual channel is the only customer touch point. In the first case, physical proximity, a resource that cannot be completely replaced by virtualness can be exploited (Bouwman 1999), e.g. by implementing features supporting customer channel switching within transactions. In the second case, the integration of online and offline channels would only be of use in a small percentage of transactions.

3.2 Distinctive competencies

Distinctive competencies as defined in the context of the strategic alignment model determine why a customer should choose to buy or use a particular company's offerings (Luftman 1996a). Issues influencing the distinctiveness of a company's activities are competitive strategy, competitive environment, and especially in retailing, the established channel system.

3.2.1 Competitive strategy

Competitive strategies comprise cost leader, differentiation and niche strategies (Porter 1985). Retailers following a cost leader strategy might decide not to integrate online and offline channels, since this could require intense coordination and thus incur extra costs. Retailers following a differentiation strategy however might consider an integration approach as a value added service that contributes to differentiation (Steinfield et al. 2002).

For certain product categories (e.g. digital or digitizable goods), the Web and home delivery can be a cost efficient distribution channel, making it an attractive option for cost leaders. For other goods, online sales might be less cost efficient (e.g. for perishable low margin goods) and mainly be offered by companies following a differentiation strategy. As for niche strategies, the Web might on the one hand enable retailers to address small and geographically dispersed market segments in a manner that can hardly be matched by conventional marketing measures. On the other hand, niche strategies potentially lead to less scale advantages of Internet activities, which can have an impact on the strategic calculus.

3.2.2 Established channel system

Retail chains are based on a complex system consisting of people and informational and physical elements. The performance and structure of the existing physical channel is likely to influence decisions regarding the roles of physical and virtual channels, the degree of integration and how the new channel will be used to create value. Consequently, retailers lack the flexibility of pure Internet retailers when defining their Internet activities (Görsch and Pedersen 2000).

3.2.3 Competitive environment

Distinctiveness of a retailer's activities has to be seen relative to competitors' activities. Retailers might define their multi channel strategy in order to offer distinct services that contribute to gaining competitive advantage (Porter 2001) or to simply counter or even copy competitive initiatives (Adam 2002). In both cases, competitor activity is reflected in a retailer's multi channel strategy.

3.3 Governance

Business governance deals with choices that focus on the issue of ownership, but also government regulation and the prioritization of decisions (Luftman 1996a), which all are potentially relevant for multi channel strategies.

3.3.1 Governance of retail outlets

Retail chains consist of a number of stores, which are linked to their headquarters. They might be partly or fully owned subsidiaries of the chain's focal company, or less closely linked to the focal company, as in the case of franchise networks or other cooperative arrangements. When adding an online channel to an existing network of retail outlets, management of the existing outlets might be concerned or opposed to the new channels and conflicts are likely (Frazier 1999). Many companies name channel conflict as the most important issue regarding their online sales strategy (Webb 2002). Depending on the governance of retail outlets, considerations regarding conflict and thus the design of a multi channel system are likely to vary.

3.3.2 External regulation

Retailers defining their multi channel strategies are likely to be influenced by national legislation and e-commerce policies. A cross-country comparison on e-commerce showed that government promotion is one of the key enablers for the development of e-commerce activities. Moreover, legislation can either promote (e.g. legal restrictions on store opening hours) or inhibit (e.g. insufficient privacy or consumer protection laws) development of e-commerce activities (Gibbs et al. 2003).

3.3.3 Organizational structure

The organizational configuration of multi channel activities is another factor that can influence the initial configuration and subsequent evolution of online activities. Gulati and Garino (2000) present alternative configuration dimensions (management, operations and equity) for multi channel activities. In case a retailer's online channel is run by a joint venture or by a separate company, channel integration might be more complex since issues such as the distribution of costs and benefits between separate companies have to be solved.

Due to the online channel's technological basis, IT governance can also have an impact on a retailer's multi channel strategy (Ross and Weill 2002).

The balance of technology and business experts making decisions regarding multi-channel activities is likely to have an impact on their development, performance and success.

3.4 Technology scope

The technology scope describes the critical information technologies that support or shape a firm's new business and marketing strategy initiatives. It can be seen in analogy to business scope, but focuses on technology-related, not market-related issues (Luftman 1996a). In regard to a retailer's online activities, relevant aspects of technology scope are the role of IT in general, the IT systems in use, and a firm's technology competencies.

3.4.1 Role of technology

Depending on the information intensity of products and the value chain, the strategic role of information technology differs across industries (Porter and Millar 1985). Furthermore, companies individually decide whether they use information technology in a rather operational way or to create competitive advantage (Ives and Learmonth 1984). The scope of the considered multi channel strategies might vary depending on the level to which a retailer is willing to transform his business activities through IT usage (Venkatraman 1994).

3.4.2 IT systems

Information technology in general (Porter and Millar 1985) and the Internet in particular (Porter 2001) can be used for a wide range of different purposes within a company's value chain. Raff (2000) provides evidence from the book retailing industry on how existing information technology infrastructures influence future developments of a retailer's activities. Specifically, the development of multi channel strategies is influenced by existing IT systems.

3.4.3 Technology competencies

The role of different information systems resources and competencies has been analyzed by several empirical studies (Wade and Hulland 2004). Numerous different factors such as planning and change management, IS business partnerships, IS technical skills and IS development can play a role in gaining competitive advantage through information systems use. Thus, retailer's technology competencies might influence their choice of a multi channel strategy.

The aim of this section was to illustrate how (retail) companies differ with regard to their business scope, distinctive competencies, governance structures and technology scope, and how these differences can influence the evaluation of alternative multi channel strategies and contribute to strategic diversity in multi channel retailing. The complex interdependencies revealed by this discussion call for a balancing and coordination between online and offline activities. This is the idea underlying the model of strategic channel alignment introduced in the next section.

4 Strategic channel alignment

The above discussion has outlined how differences in retailers' traditional business activities and marketing strategies can have an impact on retailers' choices of multi channel. Based on the strategic alignment model, which has been developed by Henderson and Venkatraman (1993) and further extended and refined by Luftman (1996c, 2003a) and Papp (2001a), we argue that an alignment or fit between a multi channel retailer's online and conventional offline activities is achieved during the formation of a mature and suitable multi channel retailing strategy. After a brief discussion of the original model in Sect. 4.1, the model of strategic channel alignment is introduced in Sect. 4.2.

4.1 The strategic alignment model

Henderson and Venkatraman (1993) developed the strategic alignment model to describe the strategic choices managers face when aligning IT and business. It is based on the distinction between business and information technology as separate areas of management concern. In addition, it distinguishes an external view and an internal view on the former (Fig. 2).

The external view focuses the business arena of the competing firm and encompasses the domains "business strategy" and "IT strategy" (Henderson and Venkatraman 1993). The internal view looks at the institutional, organizational, and infrastructural system, which is installed to steer and enable a company's core business processes. It includes the model's remaining two domains "organizational infrastructure and processes" and "IT infrastructure and processes". Each of the four domains has been further specified by a subset of three components (Luftman 1996a).

The basic assumption of the model is that management's ability to achieve a "strategic fit" (vertical relationship in Fig. 2) between the external and internal domains is linked to overall business success (Henderson et al. 1996). Furthermore, the construct of fit is recognized to be dynamic and related to industry and market changes by their implications on the continuing process of strategic and organizational development (Henderson and Venkatraman 1993). Since Henderson and Venkatraman differentiate between business and IT as separate domains, they additionally postulate the need for horizontal inter-domain coordination—here called "functional integration". It describes the recommendation to align choices made in the IT and the business domain on the strategic as well as on the operational level (Nelson 2001). One of the model's main contributions is that it highlights interdependencies between the

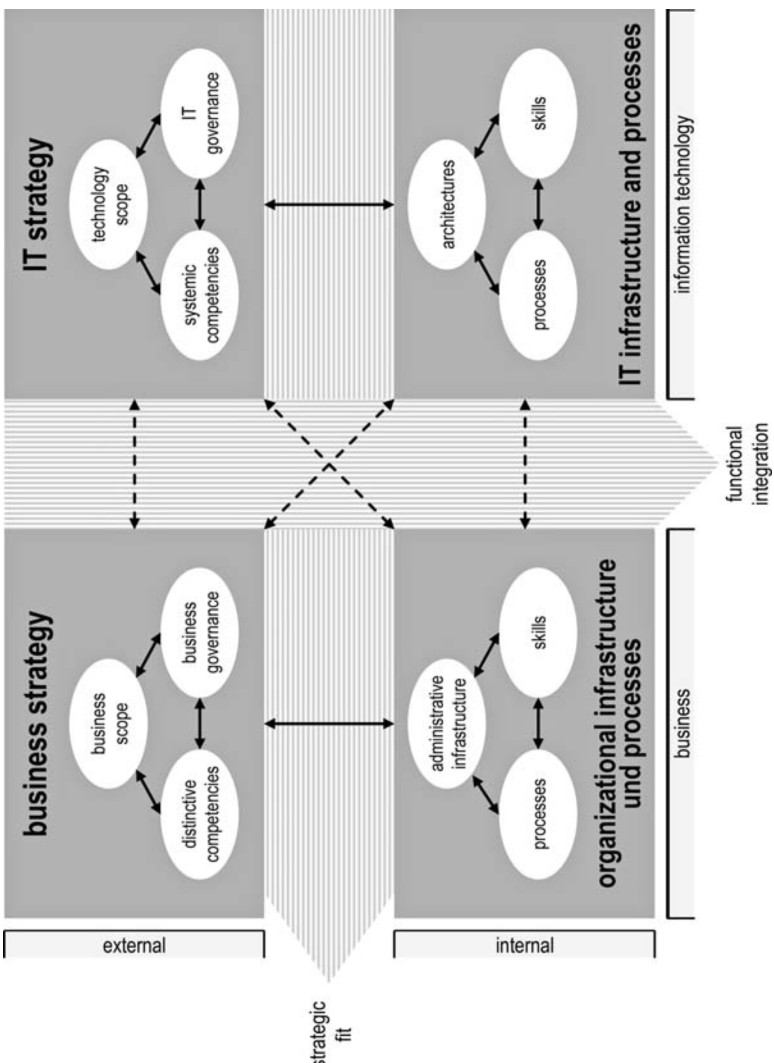

Fig. 2 Strategic alignment model (Henderson and Venkatraman 1993)

business and IT domains on both a strategic and an operational level. By doing so, it provides a framework that can be used to analyze, reconstruct or investigate various issues related to the strategic use of IT (Henderson and Venkatraman 1993; Luftman 1996c, 2003a; Papp 2001a).

4.1.1 Alignment perspectives

The concept of strategic alignment calls for a dynamic balance among all four domains of the model. A bivariate fit between each of the domains appears difficult to achieve because of potential internal inconsistencies and conflicts (Henderson and Venkatraman 1993). Therefore, so called alignment perspectives have been developed, which describe certain "management styles" in linking business and IT strategies and operations. Each perspective comprises at least three domains (Henderson et al. 1996) and a characteristic direction or "path of alignment" that connects these domains.

The management of alignment processes always includes challenges of strategic fit (vertical dimension) as well as functional integration (horizontal dimension) achievement. Luftman further specified the alignment perspectives and elaborated on the specific roles of the three domains that are part of one perspective. Of the three domains the "anchor domain" denotes the first, "pivot domain" the second and "impact domain" the third quadrant (Luftman 1996c; Papp 2001a). Table 1 presents the descriptions of the three following Luftman (1996b).

4.1.2 Previous research on strategic alignment

There has been extensive research based on the strategic alignment model (Luftman 1996c, 2003a). Papp and Luftman (1995) identified additional alignment perspectives and delivered empirical evidence for their existence by associating them with real-world business cases. Furthermore, perspectives have been combined to so-called "fusions" which describe more complex processes with parallel alignment activities (Papp 2001b). The concept of strategic alignment has been applied to a multitude of specific business arenas and functions (Barley 1990; Bauer 2001; Nakayama 2001).

4.2 A model of strategic channel alignment

The strategic alignment model can be adapted to assess specific functional application domains (e.g. marketing) of IT (Luftman 1996a). We follow Luftman's suggestion to apply the model to a specific problem by introducing a model of strategic channel alignment, which focuses on the coordination of conventional marketing strategy and infrastructure and corresponding online strategy and infrastructure. An application of the alignment model to the coordination of multi channel activities requires a modification of the model's elements and a refinement of its scope.

Table 1 Anchor, pivot and impact domain (based on Luftman 1996b)

Anchor domain	Pivot domain	Impact domain
The anchor domain is the catalyst or enabler of the perspective. At times it is the driver of change. It is the starting point of an alignment process and the domain that is usually the most stable. In many cases, it is the area that has most recently been addressed. It is in a strong position to drive the change process.	The pivot domain is usually the area that has the problem or the opportunity that is being addressed. The anchor domain is the catalyst that helps to address the pivot.	The impact domain is the area that is being affected by the change to the pivot. There is a need to understand the implications of the changes to the pivot domain on the impact domain.

4.2.1 Description of the model of strategic channel alignment

The alignment between marketing and online strategy differs from the original ideas of Henderson and Venkatraman to focus on the general business and the IT side of organisational activities. The model of strategic channel alignment (Fig. 3) in contrast does not distinguish between business and information technology as separate areas of management concern, but focuses on the general or conventional business and the online business as the two relevant areas for multi channel strategies.

Marketing strategy refers to those strategic issues that concern all of a company's customer oriented activities taken in the traditional "brick-and-mortar" business. Respectively, online strategy also addresses strategic marketing issues, but deals exclusively with customer oriented activities in and over the electronic online channel. Furthermore, marketing strategy is very closely linked to the overall or conventional business scope. Online strategy can be defined more or less autonomously of, and is not necessarily deeply integrated with, the general marketing strategy. Instead, it can be of more independent nature and define a channel-specific scope of activities.

In the external domain, the challenging management task is the functional integration of marketing and online strategy. Both marketing and online strategy are considered to be broad concepts which each include reflections on the "technology scope" or strategic use of IT, however concentrating on the use of IT in offline or online channels, respectively.

The internal domain is not based on Henderson and Venkatraman's business/IT-duality either, but on a differentiation between the general brick-and-mortar and the specific online channel infrastructure and processes. Both domains include IT architecture and the already known subdomains of the original strategic alignment model. A functional integration in the internal domain would therefore involve the task of coordinating processes, administration and human factors as well as the alignment of the IT-architecture and information systems used in the offline and online channel. It is important to note that a high level of functional integration between online and general business infrastructure and processes is not imperative, even in cases where online and offline activities are closely linked regarding managerial governance.

The model of strategic channel alignment offers a new perspective on the coordination of online and offline activities pursued by an individual firm or a network of companies. The achievement of functional integration and strategic fit is far from trivial. We relax the original model's recommendation to strive for a maximum of alignment and integration and postulate a more flexible application of our model. Constellations of online/offline channel alignment should be examined with regard to a company's individual situation and the numerous constraints that emerge from the core strategy of the traditional business, the limited financial, technical or human ressources or other influence factors. As in general strategic alignment, a bivariate fit between the four domains seems hard to achieve. The alignment perspectives introduced below describe four paths of strategic channel alignment, which differ regarding the roles of the model's domains in alignment processes.

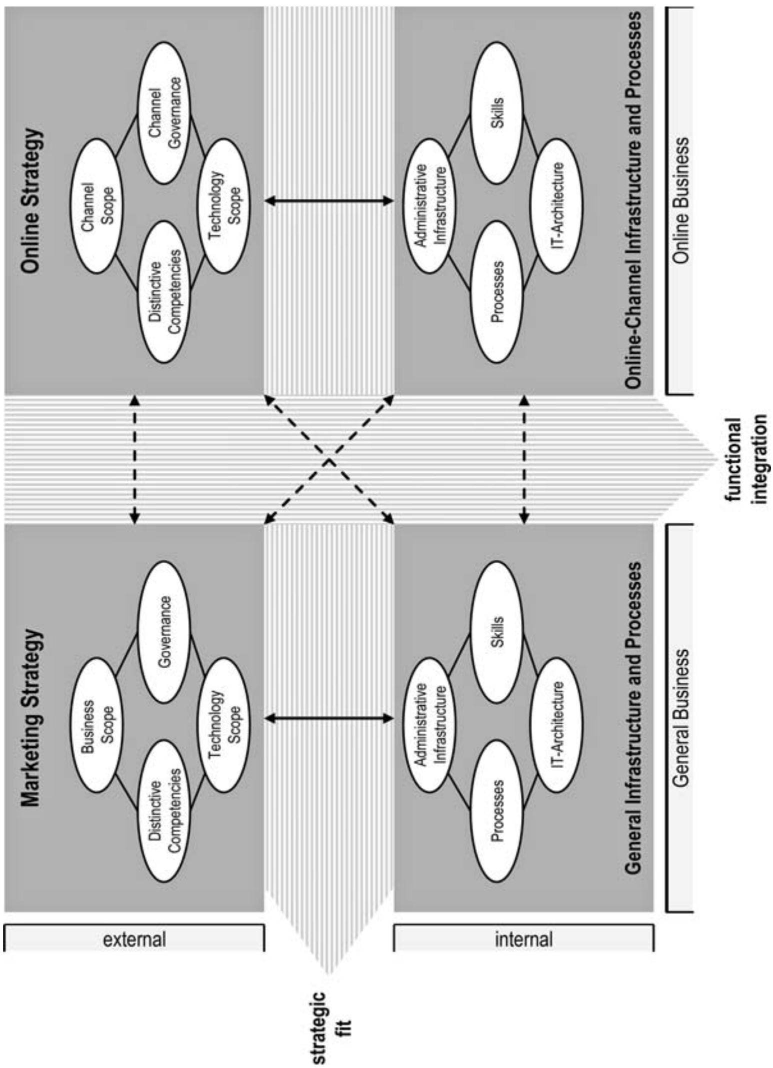

Fig. 3 Model of strategic channel alignment

4.2.2 *Perspectives for strategic channel alignment*

Based on the work of Luftman (1996b), we have developed four different alignment perspectives (see Sect. 4.1.1), which represent different approaches to achieving a state of alignment. The perspectives, which are depicted in Fig. 4 are named similar to the original four perspectives (Henderson and Venkatraman 1993) and are explained below.

Marketing strategy execution perspective In the marketing strategy execution perspective (see Fig. 4) the (brick and mortar) marketing strategy is the driver of the design of general infrastructure and processes which then determines the configuration of the online channel's infrastructure and processes. Henderson et al. see their version of this perspective as a mirror of the classic hierarchical view of strategic management (Henderson et al. 1996). A marketing strategy, often with a strong focus on the distinctive competencies and a clearly described business scope of the traditional business,

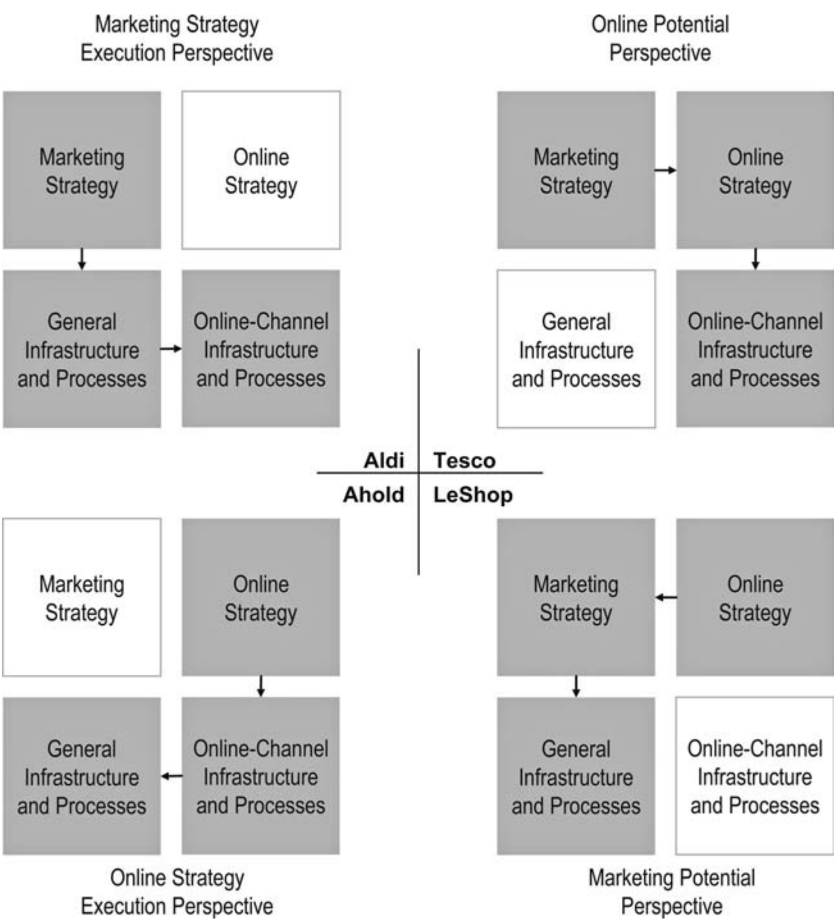

Fig. 4 Alignment perspectives

strictly confines the use of the online channel. An extensive online strategy is not likely to exist. Opportunities of the online channel are only exploited to a limited extent, which is predefined by the general marketing strategy.

Online potential perspective The online potential perspective (see Fig. 4) involves developing an extensive online strategy that comprehensively mirrors or extends general marketing strategy. The formulation of the online strategy defines the required online channel infrastructure and processes. Key characteristic of this perspective is a sophisticated marketing strategy that explicitly defines requirements for its extension into the online channel. The online strategy is closely linked to and a fully integrated subset of general marketing strategy. This is often reflected in a complex service portfolio that spans across several marketing channels. The online channel's potential to offer advanced customer service or CRM features, is leveraged to improve or complement previous activities in these areas. Online channel infrastructure and processes are subsequently affected by the implementation of the online strategy. The focus is on the functional integration of the external domains, aligning conventional business and online channel scope and competencies on a strategic level. Strategic fit is primarily aimed at on the online business side. However, a succeeding functional integration of online and general infrastructure and processes might appear in highly integrated multi channel systems.

Online strategy execution perspective In the online strategy execution perspective (see Fig. 4), online strategy is the anchor and driver of change in online channel infrastructure and processes. This presumes that an online strategy is formulated and passed for implementation. With the aim to achieve a strategic fit between online strategy and online channel infrastructure and processes, management tries to create the desired fundament of online activities. So far, the classic hierarchical view of strategic management applies again—however, in the subdomain of online strategy. This perspective's impact domain are the organizational infrastructure and processes of the conventional brick and mortar business. The online channel activities influence to some extent operations in offline channels. An example is the use of the existing infrastructure (e.g., retail outlets) for the fulfillment of online orders.

Marketing potential perspective The marketing potential perspective (see Fig. 4) deals with the exploitation of online channel opportunities to impact the general strategic orientation of a company. New distinctive competencies might be created and new forms of business relationships and governance structures can emerge. These changes in traditional structure and strategy then lead to a redesign of general infrastructure and processes. Companies, which show this path of alignment typically have flexible structures and a commitment to change and learning, as an exploitation of the opportunities created by e-commerce and online marketing leads to a redefinition of the general way business is done. Online strategy is not only an instrument or extension the conventional marketing strategy, but is anchor and driver of change. Innovations in online strategy then have a mediated impact on general (physical) infrastructure and processes which are adopted or modified to suit the online strategy's requirements.

5 Application of the model: four cases from grocery retailing

In this section the applicability and explanatory potential of the model of strategic channel alignment is explored by applying it to four cases from the grocery retail industry. The cases were chosen based on an instrumental sampling approach and are used for exploratory and illustrative purpose (Stake 1994). Each of the cases represents one of the aforementioned alignment perspectives, so that examples of different combinations of anchors, pivot and impact domain are given. Furthermore, the case companies' multi channel strategies represent different strategy types according to the typology discussed in Sect. 2 (for a classification of the cases based on the typology see Müller-Lankenau et al. 2004, 2005). This enables us to explore the conjecture that, depending on retailers' specific situations and general marketing strategies, different types of multi channel strategies are suitable. The case companies are all prominent players within their markets with mature business models and marketing strategies. Hence, we assume that their multi channel strategies are beyond a stage of pure experimentation.

Information on the cases was collected between January 2004 and January 2005 from sources such as press releases and other corporate publications, as well as business-press and academic articles. The online activities were evaluated based on a Web-site analysis focusing on multi channel related issues and functionality (Müller-Lankenau et al. 2004, 2005).

5.1 The case of Aldi (marketing strategy execution perspective)

Aldi operates more than 5,000 stores in 13 different countries on three continents. It has a widespread network of stores all over Germany, its core market. Consistently and vigorously pursuing a discount strategy, Aldi focuses on providing a limited assortment of private label products of good quality and at low prices. In addition to a core range of standard groceries and non-food household items, "Special Buys", mostly non-food products that change once or twice a week are offered (overall less than 1,000 items). Aldi's business model has proven to be highly successful: by sales, Aldi holds rank 18 of the world's largest retailers (n.a. 2003).

5.1.1 Aldi's multi channel activities

Aldi's Web sites (http://www.aldi.com, http://www.aldi.de|fr|nl|...) comprise a store locator, general information on the company and new products in the permanent assortment. The main function of the Web sites, however, is to present information on the Special Buys. Placing orders online is not possible. Community building measures do not exist, as the only online marketing tool is a weekly e-mail newsletter. Thus, the Internet is mainly used as promotion channel. It supports the information phase aims to increase efficiency of the traditional distribution channel. The Internet presence reflects only a small subset of the offline assortment and is scarce in content. It has no significant influence on processes or transactions in the physical outlets, but is increasingly promoted in Aldi's marketing communications as a source for updated information or for details on nearest stores.

5.1.2 Discussion of the alignment perspective

Aidi's case is an example for the marketing strategy execution perspective (Fig. 4). Aidi's strong and successful discount strategy is consequently implemented and executed in all operatational areas, which results in limited online activities. The resulting path of alignment is summarized in Table 2. The path of alignment is described in Table 2.

5.2 The case of Tesco (online potential perspective)

Tesco is UK's leading grocery chain and was ranked 8th by sales of the world's largest retailers in 2002 (n.a. 2003). In early 2003, Tesco operated 2,291 stores in ten different countries and employed 296,000 people (Maddali 2003). After struggling in a severe price competition in its British home market in the early 1990s, Tesco was successful in relying on sales of non-food items and international expansion. The strategy was redefined to a customer centric approach with the core purpose of creating value for their customers to earn their lifetime loyalty (Tesco 2003). Tesco's loyalty scheme "Clubcard" has become an inter-industry benchmark for customer profiling and CRM (McKelvey 2003).

5.2.1 Tesco's multi channel activities

Tesco launched its online channel Tesco Direct in 1996. Until 2000 the offer was limited to groceries and only run on a regional basis. Since then, Tesco has moved beyond online grocery retailing and additionally offers a wide variety of products on their Web site http://www.tesco.com, which was simultaneously established as brand name for Tesco's online activities. Shortly after, Tesco was already considered the world's largest and most profitable Internet grocer (Seybold 2001). What differentiates tesco.com from other online retailers is the fact that it does not use its warehouses for the fulfillment of online orders, but enables customers to buy online from their local Tesco store. Each store's pricing and inventory system is linked directly to tesco.com, so that customers can select from the familiar line of goods with prices they are used to. The orders are picked and packed in the local stores and delivered by tesco.com vans in a customer defined 2-hour delivery window (Seybold 2001). Online customers are charged GBP 5 (EUR 7.43) for delivery, which indicates the fact that their price-sensitivity is rather low compared to the average shopper. The channel integration at Tesco is complemented by the Clubcard loyalty scheme. Customer shopping behavior can be recorded in both channels and is used to optimize personalized marketing activities.

Table 2 Marketing strategy execution—the case of Aldi

Aldi	Anchor domain	Pivot domain	Impact domain
Marketing strategy execution perspective	Marketing strategy	General infrastructure and processes	Online-channel infrastructure and processes
	Aldi succesfully follows a no frills, cost leader marketing strategy addressing anonymous customers. Aldi's activities consequently follow the "Aldi principles", which include the guideline to avoid all "frills" or activities that would lead to price increases.	Aldi's infrastructural focus is on the retail outlets. The physical channel design is highly streamlined and follows the strict marketing strategy. Aldi makes limited use of conventional communication measures to promote the weekly special buys. The opportunity addressed by the described alignment process is to complement these activities with online advertising which has relatively high reach at low cost.	The resulting online channel infrastructure and processes are of very limited scope and highly focused, with purely instrumental character. High investments and maintenance costs were avoided by restricting online content to advertisements for a few products that need to be updated once it twice a week.

5.2.2 *Discussion of the alignment perspective*

Tesco's marketing strategy focuses on building customer loyalty by delivering personalized and value-adding services in addition to selling online. Tesco integrates physical and online channels in a synchronized system that serves customers on several touch points. The online strategy complements and extends the conventional marketing strategy, making Tesco an example for the online potential perspective (Fig. 4). The resulting alignment path is summarized in Table 3.

5.3 The case of Ahold (online strategy execution perspective)

Ahold is the largest food retailer in The Netherlands. It has operations on four continents and is the third largest retailer worldwide. In 2002, it achieved sales of almost US$ 60,000 Mio (EUR 49,200 Mio) (Ahold 2004b; n.a. 2003) and operated 5,606 stores, 60% of them supermarkets, through its consolidated subsidiaries. The US based activities include six traditional retail companies with regional foci in eastern and southern states. The integration and consolidation of Ahold USA is a major part of the recently announced strategy plan called "Road to Recovery" (Ahold 2004b).

5.3.1 *Ahold's multi channel activities*

Ahold USA heads six traditional retail companies and Peapod, an Internet supermarket. Peapod is a separate company with its own brand and Web presence (http://www.peapod.com). Ahold gained control over Peapod in June 2000 and made it a wholly owned subsidiary by July 2001. Peapod's sales in 2002 reached US$ 117 Mio (EUR 96 Mio) and were already up to US$ 107 Mio (EUR 87.7 Mio) by the third quarter of 2003 (Ahold 2004a). The company provides online grocery shopping and delivery services in five metropolitan areas in the US (Peapod 2004). In the Chicago region, Peapod operates its own infrastructure, including warehouses and distribution centers. In other regions, Peapod cooperates with Ahold's Stop and Shop or Giant Food markets. It thus pursues a hybrid model in which stand-alone distribution centers as well as Ahold's chain stores are used as infrastructure for home delivery. This leads to lower costs for online distribution and, at the same time, to an expansion of Peapod's geographical reach. Stop and Shop and Giant both link to Peapod's online shop on their Web sites. Ahold USA uses Peapod's brand and expertise in online retailing to extend their traditional business into the online channel and therefore prevents its regional chains from operating their own online retailing activities.

5.3.2 *Discussion of the alignment perspective*

Ahold's case is an example the online strategy execution perspective (Fig. 4). The driver of the process is a separate online strategy which is

Table 3 Online potential perspective—the case of Tesco

Tesco	Anchor domain	Pivot domain	Impact domain
Online potential perspective	Marketing strategy	Online strategy	Online-channel infrastructure and processes
	Tesco's customer-centric marketing strategy that stresses creating value for customer's and gaining their loyalty is the catalyst of the process described here. Even before the launch of Tesco Direct, customers were addressed individually based on the Club Card scheme which allowed Tesco to identify customers and collect extensive data.	Tesco uses the online potential by following a sophisticated online strategy that makes comprehensive use of the opportunity to complement and enhance its marketing strategy. The online channel is used to offer an extended scope of services, and customer data is used in an integrated manner comprising both the physical and the virtual channel.	The online strategy results in a highly complex infrastructure that comprises advanced information systems and logistics activities plus the required operational activities. System integration is high and a synchronization and close coordination with offline channel infrastructure required.

not integrated with any of the retail chains' marketing strategies. Strategy execution lead to the acquisition of Peapod. The subsequent expansion of Peapod's geographical reach had an impact on offline channel operations (see Table 4).

5.4 The case of LeShop (marketing potential perspective)

Founded in 1997, LeShop was Switzerland's first online supermarket offering home delivery all over the country. After a promising take-off, it was close to being shut down in December 2002 when majority stock holder Bon appétit Group decided to disinvest (LeShop.ch 2004). However, LeShop's management was able to find a group of private investors and enthusiastic clients—ShoppingNet Holding SA—and succeeded to continue all activities (Bon appétit Group 2003). LeShop's turnover is growing continually and reached CHF 14.7 Mio (EUR 9.5 Mio) in 2003. It claims to have a client base of 16,000 regular customers at present (LeShop.ch 2004).

5.4.1 LeShop's multi channel activities

Changes during 2003 make LeShop an interesting case for multi channel issues. In September 2003, it announced a strategic alliance with Migros, a large Swiss group of cooperatives ranked 47th by sales in 2002 of the world's largest retailers (n.a. 2003). The strategic alliance led to a fusion of Migros' and LeShop's online shops. Both Web sites, http://www.migros-shop.ch and http://www.leshop.ch, now give access to the same online supermarket. LeShop's distribution partner ExpressPost guarantees next day delivery all over Switzerland at a price of CHF 12 (EUR 7.7). Migros' infrastructure is combined with LeShop's proprietary distribution center. The new shop went online on January 19, 2004, offering a large range of products (6,000 items). The very successful launch even forced LeShop to limit the number of orders per day because capacities were fully used. Customers had to be stopped temporarily from placing new orders. Migros and LeShop jointly promote the new online shop. LeShop benefits from Migros' strong brand in the traditional retail market (LeShop.ch 2004).

5.4.2 Discussion of the alignment perspective

LeShop was founded as a pure online grocery retailer with no physical outlets. The online strategy focused on providing online grocery delivery services to the Swiss market. As financial problems arose, a redefinition and extension of the strategy became necessary. New forms of governance and advanced (physical) presence was needed. The cooperation with Migros on the external as well as the internal level makes LeShop a special case of the marketing potential perspective (Fig. 4). Table 5 shows an explanation of the domains involved.

Table 4 Online strategy execution—the case of Ahold

Ahold	Anchor domain	Pivot domain	Impact domain
Online strategy execution perspective	Online strategy The catalyst of the change process is an autonomous online strategy that is defined independently of the corporation's retail chains and does not affect their conventional marketing strategies and activities. The strategic decision to enter the online grocery retailling market is realized through the acquisition of Peapod, an established online grocer.	Online-channel infrastructure and processes Online strategy execution resulted in the acquisition of Peapod. This provided the opportunity to gain instant access to a nature and comprehensive online grocery retail infrastructure that can be leveraged by using Ahold's industry knowledge, capabilities and experience in the grocery retail industry.	General infrastructure and processes Impacts on the conventional businesses' infrastructure result from using Giant's and Stop-and-Shop's store chains as an infrastructure for Peapod's logistics, thus expanding Peapod's reach in an efficient way that exploits synergy effects.

Table 5 Marketing potential perspective—the case of LeShop

LeShop	Anchor domain	Pivot domain	Impact domain
Marketing potential perspective	Online strategy LeShop started as a pure online grocer with no own or affiliated physical stores. Without conventional offline business activities, LeShop's online strategy is the core of its activities and the catalyst and enabler of the alignment process analyzed here.	Marketing strategy LeShop needed to redefine and expand its narrow scope and limited competencies in order to respond to the problems it faced as a relatively small, pure online grocer. By partnering with Migros, LeShop realized the marketing potential resulting from the cooperation through aspects such as in-store co-branding, an extension of assortment, access to an expanded customer base and Migro's infrastructure.	General infrastructure and processes General infrastructure and processes have been subject to change through joint activities such as promotions, the redefinition of the online assortment and the use of Migros' warehouse infrastructure for fulfilling online orders. All these activities require a adaptation or integration of processes and information systems.

6 Discussion and methodological limitations

The application of the alignment perspectives also illustrates how the roles of the model's domains can differ between cases. In the cases of Aldi and Tesco, the main driver was the traditional business marketing strategy that put the companies in very different but strong competitive positions. Aldi leveraged its low-cost and discount-oriented strategy by exploiting the Internet's potential to better communicate in-store special offers, which results in very limited and focused online services. Tesco instead defined an extensive and comprehensive online-strategy, which aims to support and extend its customer-oriented service offerings. In the two other cases, Ahold and LeShop, separate online strategies were the driver of the alignment processes. Ahold follows a separate online strategy that is defined independently from its store chain strategies, leading to links mainly on the infrastructure level between offline and online activities. LeShop uses the collaboration with Migros to get an extended marketing presence in the offline realm, to extend its product portfolio and to get better infrastructure scale effects.

Although the results from the case analysis support our propositions and provide evidence for the model's applicability, the results have to be seen in light of a number of methodological limitations. The first obvious limitation of our approach is the sampling. We looked for case-based evidence of different approaches in multi channel retailing to illustrate diverse modes of aligning conventional offline and online channel activities and thus followed an instrumental sampling approach. The four cases were selected to represent the four alignment perspectives and also different multi channel strategy types. In order to increase validity, the model of strategic channel alignment needs to be applied to more cases and to different industries.

Second, the strategic alignment model itself has drawn substantial criticism; in particular as its empirical basis is quite weak and the implications appear to be equivocal. Although work has been done on the operationalization of the model (Luftman 2003b), its high level of abstraction still turns the application into a subjective interpretive task. To mitigate this problem, case interpretations were cross-checked amongst the authors. Since, so far, we have only used openly available information, interviews with representatives of the case companies would be the next step to verify our interpretations.

Ciborra claims that many cases of successful management seem to show that tinkering, not conscious alignment, leads to successfully aligned domains of management concern (Ciborra 1997). However, his critique does not apply to our descriptive use of the alignment model. We have reconstructed the channel alignment based on freely available information, but do not make any claims regarding the nature of the strategy formation processes, which have lead to the observed strategies. While the case descriptions suggest that the state of channel alignment is advantageous, we do not claim that a planned alignment process is the only adequate way to a successful multi channel strategy.

7 Conclusions and outlook

Our analysis is based on the fact that extensive channel integration is only one option of multi channel strategy and—in contrast to widely held claims in the literature—does not reflect the empirically observed diversity. In an attempt to classify the complex relationships between online and offline strategies which range from integration or close coupling to independence, we propose that combinations of online and offline strategies are not arbitrary but can be interpreted as variations of four basic strategy types. Moreover, we conjecture that the notion of alignment is a powerful heuristic to address issues of fit, coordination and dynamic adjustment between different strategy domains. It pinpoints the need for a holistic approach, as much as it acknowledges and partly explains diversity in channel strategies. The different alignment perspectives help to identify and describe drivers and approaches in strategy formulation and implementation.

More research is needed to explore the explanatory power of the alignment model in other industries and with respect to the impact of multi channel strategies. Can different levels of alignment be found and related to metrics of business success?

While we have studied alignment from an external perspective, it appears promising to complement the external view with a reconstruction of the actual strategy development processes. As strategic alignment is a dynamic process, further research could also explore companies' response to changing customer behavior in the use and combination of channels.

Acknowledgments This publication is based on work done within the research cluster "Internet Economy" at the University of Münster. The authors wish to thank the German Federal Ministry of Education and Research (BMBF) for financial support (grant number 01 AK 704).

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