

# Principles of Dual-Channel Supply Chain Integration

Hui Ye, Xiaolan Hu\*

School of Business Administration, Wuhan Business University, Wuhan, China

## Abstract

**The ultimate goal of Dual-Channel integration is to improve the synergy between online and offline and enhance customer value. Based on four principles, this paper establishes the guiding ideology of Dual-Channel integration, aiming at coordinating Dual-Channel, integrating value-creating activities through fuzzy channels, maximizing customer demand and corporate interests.**

## Keywords

**Supply Chain; Integration; Dual-Channel.**

## 1. Introduction

In the explosion of Internet information, consumption continues to upgrade, and consumption through a single online channel cannot meet consumers' all-round demand for individuality and quality. Dual-Channel integration aims to provide an efficient integrated system for enterprises that develop online and offline dual channels [1]. The Dual-Channel integration strategy involves the sharing mechanism, individuality mechanism, and interactive decision-making between channels, guides channel selection according to customers' purchase intentions, and provides related services and activities for the ultimate purpose to meet the interactive experience of customers in different channels. Channel integration quality results can be reflected in consumers' buying behavior, because integration quality is the ability of a company to provide customers with a seamless experience through channels[2]. Consumers' most direct evaluation of integration quality comes from their feelings about the service structure and their satisfaction with the interactive experience during the shopping process. The process of online and offline coordination is more about blurring channels, closely combining online and offline activities and sharing benefits. This series of behaviors that can improve the quality of integration are based on customer needs and the principle of customer value maximization.

## 2. The Principle of Channel Fuzzification

Channel fuzzification emphasizes improving the integration of online and offline, as far as possible to dilute the distribution of online and offline sales, and take the improvement of the overall interests of the supply chain as the starting point and performance evaluation point of channel integration[3-4]. Over-emphasis on the comparison between online and offline sales will only intensify the competitiveness of online and offline channels. The purpose of Dual-Channel integration is to optimize the allocation and form an additive effect through the advantages of dual channels, rather than emphasizing the market advantages of one channel alone[5]. Channel fuzzification can urge enterprises to take customers' consumption patterns and habits as the starting point, cultivate and respect customers' consumption habits, and at the same time guide customers' consumption patterns, not to strictly divide customers into channels, but to explore the motivations for different customer channels to choose. According to the motivation of customers to choose different channels, the ultimate goal of Dual-Channel integration is to increase the total number of online and offline channel customers, and to

effectively integrate the two. For example, customers who use online information search need the value of offline experience, and those who use professional consulting services of offline physical stores need the convenience of online cost comparison[6]. In this way, the experience function of retailers' physical stores can be maximized and channel conflicts brought by online channels can be weakened.

From the perspective of supply chain, Dual-Channel supply chain is both a whole and an independent individual. In the market competition environment, Dual-Channel supply chain is a whole externally; Within the supply chain, online and offline channels are independent competitors. Manufacturers open up both online and offline channels at the same time to provide the same and similar products to the market. The benefits of online and offline channels not only depend on their own decisions, but also depend on each other's strategic cooperation. The integration of traditional retail channels and manufacturers' e-commerce channels is the biggest threat to retailers' interests. In order to ensure retailers' interests, reasonable allocation of resources, effective incentive compensation mechanism and sharing mechanism are particularly important[7]. The core enterprises participating in traditional offline channels mainly include suppliers, manufacturers, distributors and retailers, while the e-commerce channels opened by manufacturers include suppliers and manufacturers, and the platform directly delivers products to users. Channel fuzzification takes online customers as offline potential development customers and offline customers as online potential development customers. Therefore, good interactive decisions are needed to promote the seamless link between online and offline through interactive experience, rather than relying solely on a certain channel to achieve the purpose of shopping experience. When online and offline interests become a community and mutual value generation is indispensable, conflicts between channels will be weakened.

### 3. Principle of Win-win Cooperation

The integration of Dual-Channel supply chain is conducive to maximizing the interests of enterprises at each node in the supply chain and achieving a win-win situation. All related activities of enterprises are based on consumers, aiming to meet customer needs and obtain corporate profits at the same time. It is obviously beneficial for enterprises to expand online business on the basis of traditional channels[8]. For the long-term development of enterprises, the implementation of Dual-Channel is a good development strategy that conforms to the trend in the context of the rapid development of the Internet and ubiquitous mobile clients[9]. The addition of channels can form cumulative effect. For enterprises that develop traditional channels, opening up online channels can meet the diverse needs of consumers and increase customer groups. However, the implementation of multi-channel should avoid the loss of interests brought by channel erosion effect. If an enterprise lacks an effective mechanism for the integration of online and offline channels and the channel fit is not high, it will not be able to give full play to the advantages of dual channels.

The fit degree of Dual-Channel supply chain requires all enterprises to participate in the value creation process of the supply chain, maximize their own advantages and resources, and form a good strategic cooperative relationship with other members of the Dual-Channel supply chain. The integration of Dual-Channel supply chain requires a strong sense of cooperation among participating enterprises. Information sharing and knowledge sharing can effectively prevent free-riding and ensure the overall interests of Dual-Channel supply chain[10]. The value creation process after the integration of Dual-Channel supply chain is a complex value chain system, in which online and offline channels have independent value chains, and each participating enterprise has its own value chain. Through the integration of dual channels, the original value creation activities are re-coordinated, and the value creation activities are

selected from the perspective of the overall value creation of the supply chain. Therefore, all participating enterprises are required to cooperate with each other. In order to maximize the overall interests of the Dual-Channel supply chain, they should actively participate in resource integration and cooperate with other enterprises in the process of value creation to achieve a win-win situation[11].

#### **4. The Principle of Value Chain Appreciation**

There are industrial value chains and industry value chains between node enterprises on the supply chain, and enterprise value chains exist between business units within a node enterprise. The value activities that constitute the value chain are in dynamic balance, and each value activity has the most direct influence on how much value the whole enterprise finally realizes. Value-added activities are the effective guarantee of corporate profits and consumer value, which constitute the evaluation criteria of consumers for enterprises and products. Competition between enterprises is not a form of competition among enterprises, but the competition of all value activities.

Dual-Channel integration is an activity that manufacturers in the same supply chain add e-commerce channels on the basis of traditional offline channels and effectively integrate the two channels. Strictly speaking, online and offline channels each have a value chain, one is the traditional value chain and the other is the e-commerce value chain. Each link of Dual-Channel operation has its own value-creating activities, but in the process of online and offline integration, after the channels are blurred, each value-creating activity is not only subordinate to the original value chain, but may be the original value-creating activities. No more value is created after the integration, or a new combination of activities creates new value[12]. Therefore, the process of integration is a process of reorganizing value activities. It adheres to the principle of value-added value chain, combines the actual situation of Dual-Channel operation after integration, and optimizes resources for activities that create corporate value after integration.

Individuation demand is a prominent consumer demand in the era of network economy, and individuation is inevitably a "minority" production mode. Traditional mass production is a manufacturer-led "push" value chain[13]. Products are pushed hierarchically into the hands of users, and the level of information integration between enterprises is very low. Individualized demand determines the evolution of the value chain into a "traction type", that is, the production enterprise is driven by the needs of downstream end users, the information interacts in both directions in the supply chain, and the value chain has a high degree of integration. In the process of Dual-Channel integration, it is necessary to take the demand of end customers as the direction of enterprise activities, and transfer the customer demand in the reverse supply chain, and guide the optimization of enterprise value creation activities.

#### **5. The Principle of Diversification of Customer Needs**

The Internet era is an era in which information economy, network economy and experience economy are integrated. In the fierce market competition environment, meeting customer needs has become the starting point of all activities of the company. The era of network economy is also an era of personalization, and it is also an era of pursuit of personal experience[14]. Diversity of customer needs leads to the individuation of products and the distinctiveness of services. The integration process is not a process of innovation, but a process of reassembly objectively. The integration process is a process in which online and offline channels continue to find suitable points and constantly run in. Therefore, in the process of integration, the diversification of customer needs should be respected, and the factors and

content that form the diversification of customer needs should be dispersed into the content of Dual-Channel integration in detail, so as to balance the customers among the channels.

Whether customer demand is satisfied or not is the decisive factor of customer's perceived value. Customer perceived value is the unity of the comparison between customer's subjective feeling and objective behavior. All sensory feelings and experience value in the process of consumption experience are important components of customer perceived value. Customer perceived value is the key factor of whether customers choose channels, whether to choose channels again, and how to cultivate consumer channel loyalty[15]. Therefore, in order to improve customers' perceived value, it is necessary to start from the diversity of consumers' demands in the process of online and offline integration, improve online and offline interaction experience and enhance customer value in the whole purchase process, so as to provide guidance for consumers to choose channels.

## 6. Conclusion

The principle of integration is the core guiding ideology that guides the coordination of dual channels. To create a consumer-centric Dual-Channel collaboration system, the first step is to blur channel boundaries and improve channel integration. The ultimate purpose of adopting Dual-Channel is to better cater to the purchasing motivation of different consumers. By providing consumers with multi-channel choices, it can create healthy competition, increase customer base and improve consumer loyalty. The final effect of the integration is to realize the optimization of Dual-Channel resources and maximize customer demand and corporate interests.

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