


Market Segmentation

12

Predicting channel transformation

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 Published by Goodfellow Publishers Limited, Woodeaton, Oxford, OX3 9TJ
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Design and setting by P.K. McBride

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Predicting channel transformation

Summary

We live in a time of rapid innovation. Companies have had to learn, and some still need to learn, how to move beyond the continuous, minor innovations at which they are expert towards the step-change innovations now demanded by the business environment.

While product innovation continues apace, with the internet giving many opportunities for providing digitizable products and surrounding services remotely, we believe that a dominant business theme of the next ten years, as it has been over the last ten years, will be innovation in the route to market – the channels by which the customer is communicated with the product delivered. New technologies are forecast to revolutionize both the ‘new age’ channels, such as Web, e-mail, text and mobile voice, and the ‘traditional’ channels of face-to-face and landline voice. Increasing bandwidth, common messaging standards and enhanced network capability for the mobile customer are already contributing to this. Companies such as Direct Line, First Direct, easyJet, eBay, Amazon and IBM all compete by exploiting IT-enabled remote channels to add value, reduce costs, or both.

A reminder: Because there is not a general consensus on the distinction between customers and consumers, this book subsumes both under the title of ‘customer’.

How organizations should respond to the opportunities and threats of these IT-enabled channels and use them to build profitable customer relationships, is the subject of this chapter.¹ Having segmented the market and understood customer needs, we now need to consider such questions as which channels to use for what segments, and how different channels should work together to meet customer needs. A channel strategy will only succeed if it takes into account the needs of the segment it is designed to serve.

This chapter is organized as follows:

- An overview of the process for multichannel strategy formulation
- A discussion about the possible configurations of future market maps

¹ The authors are grateful for the substantial contributions of Professors Elizabeth Daniel, Hugh Wilson, John Ward and Adrian Payne to this thinking on planning for IT-enabled channels.

- Matching channels to the different stages of the customer's purchasing process
- How to assess the value of alternative channels against the needs of different segments
- Channel options and selecting between channel possibilities
- A review of some of the issues that may need to be addressed for the successful implementation of new channel tactics
- A review of the chapter
- Exercises further to help you with future market mapping.

■ Multichannel strategy formulation

The dotcom euphoria and associated stock market bubble of the 20th century, fuelled by the conviction that 'clicks' would readily replace 'bricks', could not carry on indefinitely, and it duly collapsed early in 2000. With it, the prevailing attitude towards channel innovations using this high-profile channel also seemed to change.

Marketing insight

The 'just do it' rhetoric of first-mover advantage, internet years and the new economy in 1999 was supplemented by a rediscovery of the language of profit, customer satisfaction and return on investment, and a recognition of the need to safeguard hard-won brand values from being diluted by rushed channel initiatives.

We face similar challenges today in the second decade of the 21st century. A raft of new channels such as YouTube, iPhone and social networking sites, such as Facebook and Twitter, are encouraging marketers to once again make knee-jerk reactions in response.

If the stagnating dangers of planning based on extrapolation of the past are not to be replaced by fashion-led, highly expensive channel experiments, some kind of synthesis is needed, in a process which endeavours to allow for channel creativity and which is applied flexibly and without dogmatism.

In this chapter, we will address this need by working through a process for '**multichannel**' strategy formulation, shown in Figure 12.1. The following sections describe each stage in the process, and present diagnostic tools for performing the stage.

The process outlined in Figure 12.1 draws extensively on existing planning processes and tools, but differs from them particularly in the following respects:

Definition: ■
Multichannel is the use of a number of routes to market, in an integrated fashion, to provide access to an organization for the customer.

Chapter extract

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