

## From Pure Play to Multi-Channel

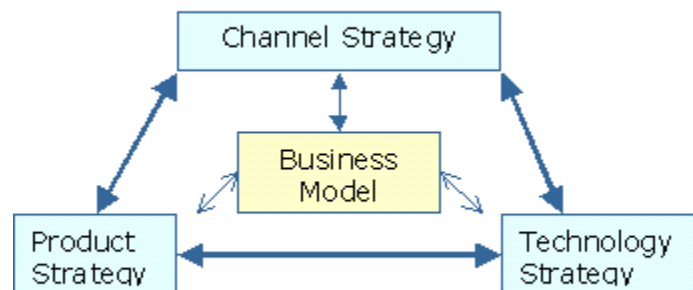
Chris Voss

In the early days of e-business, the focus mostly was on stand alone or pure play dot.coms, whether start-ups or separate internet-based businesses set up by larger organisations. In the second generation this position is now reversed. Today, with the exception of one or two sectors such as books (dominated by Amazon) and collectibles (dominated by eBay), in most sectors the majority of e-Business is performed by multi channel firms. Take, for example, groceries. In the early days the prime movers were pure play organisations such as Peapod in the US. Even before Peapod's demise, Tesco - the major UK retailer - became the world's largest on-line grocery retailer.. Another example is online banking. In the UK, for example, the Egg bank - a pure play operation - has been very successful in gaining a large number of customers. But most of the market is composed of either banks that have integrated online banking into their existing business and brands or existing banks that have set up a parallel e-brand.

The benefits of such integration are great - customer acquisition costs are a fraction of those of a pure play operation and existing brands, IT systems and logistics can be effectively utilised. However managing integration in a multi-channel business is not easy; it has become one of the main managerial challenges of today.

Operating in a multi-channel environment involves first the development of a clear channel strategy. There are many channels available including store, on-line, mail order, digital TV etc.. Channels must be matched to products/services and customer segments. It is not enough to just offer existing products through new channels or to develop a set of unique products for the web. New products may need to be designed for multi-channel delivery - for example the Woolwich Bank's Open Plan banking product. Channel strategy and product strategy need to be managed interdependently.

### Multi-Channel Choices



Channel and product integration in organisations is bringing the age-old problem of channel conflict to the front again. This conflict exists externally with incumbent distributors as many computer companies have found. It also exists internally when new channels threaten to cannibalise the old. Moving from

cannibalisation to channel reinforcement is a key move in the successful multi-channel business.

Technology strategy is crucial in e-Business. Unlike pure-play start-ups, incumbents have extensive legacy systems and are faced with difficult choices as to how to integrate the new channel with these. Solutions such as middleware are increasingly being used.

Finally, multi-channel businesses must develop new business models that do not just exploit the capabilities of the web channel, but also add value for customers and the business as a whole. If a new channel adds similar services to existing channels, but at lower prices, then there is a risk of both cannibalisation and lower margins, not just for the new channel, but for the business as a whole. The leaders in multi-channel business have business models that exploit customers' use of different channels to build increased customer loyalty and with subsequent long-term benefits.

In today's second generation environment, the companies that are succeeding are those that are creating new business models for a multi-channel environment, and that are exploiting the benefits of integration, thereby increasing net revenue for the whole organisation.