CRM Chapter 6   Communication and multichannels

6.1 Multichannels defined

6.1.1 Confusion of concepts
- 'Multichannels' term leads to confusion between communication and distribution channel.
- However, communication channels such as telephone and Internet are also utilised for distribution function such as closing transactions, executing payments and delivering information products.

6.1.2 Description of the concept
- Peelen (2005) suggested that multichannels involve communication channels, whereby information is exchanged in contact.
- This describes multichannelling as the contact processes between a customer and a channel participant (producer or retailer).

6.2 The channels

6.2.1 Channel description

Independent of time and place
- Communication channels can be divided into 'one-to-many' and 'one-to-one' continuum (range) example: websites, email and the telephone.
- These channels can reach large group of people at a relatively low cost because they are supported by IT.
- This means, the channels are fairly independent of time and place. They can be utilised at the most varied locations and at any given time.

IMAGE

6.2.2 Communication power

Lombard and Ditton, 1997 suggested that communication power of various channels can be identified according to the following dimension:
1. The degree of interactivity
2. The degree of personality
3. The number of senses stimulated by a channel

1. The degree of interactivity
   - The response received from the communication channel – prompt, delayed, or no response.
   - Establishing contact: In order to achieve contact, it is important to know who 'must go to whom'' in order to achieve contact. This will determine the degree of interactivity.
   - Information pace: Who dictates the speed at which the information is transferred?

2. The degree of personality
   - One-to-one (face-to-face) contact or one-to-many contact makes different in the degree of communication power.
   - A channel is more personalised when there is human intervention in the communication process. Example: Direct conversion with customer on the phone helps to personalised services based on customer's preferences.
   - The more personalised the channel, the closer it gets to the customer. This means the power of communication is stronger.

3. The number of senses stimulated by a channel:
   - Accuracy of information also plays important role to determine the power of communication.
   - Besides that, the capability of conveying messages to customers shows that the company are able to stimulate senses of information.
   - For example, in order to convey the concept of the icy coolness of Mount Everest, the company could play a dynamic image of mountains and snow complete with flash text (words such as icy, cold, frosty) and sound (energetic music, intense winter wind). This would bring Mount Everest near to reality to the viewer.

6.2.2.1 IT based communication channels
   - Mobility. Can interact at any time, any place.
   - Example: email, websites, video conferencing, etc.
   - Low cost, effective, can reach large group of people.

6.2.2.2 Mass media
   - Mass media is a communication channel that is designed to meet a very large audience (usually covers whole population of the nation).
   - Example: Newspaper (a publication containing news and information and advertising, usually printed on low-cost paper called newsprint), television, radio, etc.
   - Physical duplication technologies such as printing, record pressing and film duplication allowed the duplication of books, newspapers and movies at low prices to huge audiences.
   - For example, publication of newspaper is usually printed on low-cost paper called newsprint. The publication contains news, information and advertising.

6.2.2.3 Personal contact
- Personal contact remains the most important way of communication for most companies despite the ease of IT based and mass media communication channel.
- Face to face conversations promote two ways communication in a more effective way. Customers may express their feelings and receive real time feedbacks from the company.
- However, personal contact is a difficult and costly channel to manage.
- For example, it is difficult for account managers, relationship manager, service engineer, etc having conversations and discussions with customers to report everything. Therefore, the company has to invest to set up call centres that specifically focus to entertain client's enquiries and feedback.

6.2.3 Interweave (link) of channels
- It is important to integrate multichannels with one another to form a network of contact or touchpoints.
- The channel integration includes IT supported channels, mass media, and direct mail (printing on demand).
- For example: Current news can be received via Internet (websites) or phone SMS (text messaging), mass media (newspaper), and direct mail (newsletter) at a time. The integration of multichannels will form a network of contact. This allows the news to be sent to various channels at a time.

6.2.3.1 Integration with a mass medium such as television: interactive television
- Interactive television involves television and employing the underlying cable network in the use of the Internet.
- Example: Akademi fantasia (a reality show), broadcasted by ASTRO (a satellite television network station in Malaysia) ASTRO give options to viewer to vote for their preferred contestant through interactive TV. This is done via decoder using TV remote control. The decoder is connected to the phone cable.

6.2.3.2 Integration of mobile telephone and Internet: WAP
- Wireless Application Protocol (WAP) is used to receive information via one's mobile telephone that supports the Internet browser application.
- However, lack of bandwidth leads to lower usage of WAP.
- SMS or text messaging have higher level of acceptance and continues to grow.
- Technically, sending text messaging is much simpler and may be read offline.

6.2.3.3 Integration of fax, telephone, SMS, e-mail and Internet thanks to the contact centre
- These all-in-one solutions make it possible to manage the call flow within the call or contact centre for the entire organisation (with one or more locations).
- Extensive management information help call centres to utilise the data in real-time.

- These new technologies provide customers with the opportunity to contact the supplier via a website, telephone (voice), email or fax.
- Example: Online website visitors can contact a live agent by simply clicking a button of real-time text-chat application.

6.2.3.4 Fax messages sent to an e-mail address
- With electronic fax or e-fax service, fax may be sent from and to computer or fax machine
- E-faxing works in the same way as e-mails with attachments.
- Example: eFax.com in the US offered a service-free application for sending and receiving fax. Users need to sign-up in eFax.com website and fill in the required information. Users will then receive a free 'e-fax' number. Customers, employees, friends or family members can send a message to this e-fax number from their computer or fax machine.

6.3 Customers and the use of the channels

It is important to identify which channel to choose when delivering messages to customers. This is because customers differ from one another in the manner which they use the different channels.
Research done by Peelen et al. (2000) identified the use of channels by various consumer types.

6.3.1 Consumer markets

Peelen et al. (2000) divide consumers into eight types:
1. Conservative/ Passive / Social
2. Conservative / Passive / Instrumental
3. Conservative / Active / Social
4. Conservative / Active / Instrumental
5. Open / Passive / Social
6. Open / Passive / Instrumental
7. Open / Active / Social
8. Open / Active / Instrumental

These eight types of consumer differ from one another in a form of communication control and willingness to make use of IT-supported channels.

Conservative	Open
1. Focused on security, familiar forms, frameworks. 2. View new media sceptically.	1. Eager to experiment with new things such as new media. 2. Have more knowledge of media.

Passive	Active
1. Have a strong tendency to focus on judgement by others. 2. Strong relationship oriented. They are more likely to trust people that they know.	1. Have a need for control. 2. Prefer to follow their own lead and ignore 'true' advice from others.

Instrumental	Social
1. It is the result that counts. 2. Efficient and purposeful and are more individually oriented. 3. Do not derive security from 'good feeling', but from 'objective aspects'.	1. Prefer face-to-face contact to the telephone, and most certainly prefer it to the Internet. 2. Efficiency is not the highest goal; it is considered important to get a 'good feeling' from the things that are done.

6.3.2 Business-to-business markets
- So far, there is no research has been conducted for the business-to-business market. However, there is an evidence that the acceptance of PCs and the Internet has made more progress than in consumer markets.
- The use of IT-supported channels is also further advanced in B2B markets.
- Personal contact remains extremely important in B2B markets.
- Face-to-face meetings are without doubt will obtain trust and commitment in business.

6.4 Influence of the channels on pricing and the formation of relationships

Peelen (2002) suggested that Internet can lead to:

1. More transparency in communication
   - The Internet and the World Wide Web bring parties together and promote a boundaryless data access. This means, data can be accessed at any time, and any where.
   - This leads to faster comparison on alternative suppliers, prices and conditions can be compared directly with the availability of indexing and search systems.
   - An idea of the quality of the suppliers may also be gained which might not be favourable for certain suppliers.

2. Lower transaction costs
   - IT-supported channels and networks simplify the completion of transactions.
   - Example: Search costs decreases with search button on the web sites and the deal may be closed more easily with real-time information accessible on the net.

3. More customer power
   - Customers may employ transaction mechanism directly and encourage disintermediation.
   - This will reduce the power of supplier and give more advantages to customers.
   - Example: eBay.com lets users put their product for auctions. Customers will have to power when bidding to determine the price of the product. The price is usually cheaper as there is no intermediary involves here. Seller will sell the product according to customer's price determination.

6.4.1 Consumer markets

6.4.1.1 Difficult to develop a complete database
- It is not easy to set up and maintain complete database especially when it involves many parties such as customers, companies, etc.
- For example: A site that provides price comparison services helps customers to determine whether or not a certain durable consumer good is priced competitively in a certain shop. However, this site might face problems in providing customers the latest price. This is because, not all retailers willing to disclose their information especially with the intention to compare with competitors.

6.4.1.2 Differences in consumer behaviour

    1. The cost benefit motivation

- According to McKinsey (2001), 30 per cent purchase managers agreed that the cost benefit was the motivation to purchase online.
- These managers expect fewer search costs and lower transaction costs because a great deal of paperwork can be completed efficiently.
- They also believe that the benefits are not gained at the expense of the supplier's margin.

STARTUP JOURNAL, THE WALL STREET JOURNAL "GETTING PRICES RIGHT ON THE WEB" **By Walter L. Baker and Eric Lin and Michael V. Marn and Craig C. Zawada**

http://www.startupjournal.com/howto/mckinsey/20050919-mckinsey.html

    2. The trust-relationship factor

- Peelen (2005) suggested that in reverse auction, half of the buying organisations do not choose the suppliers with the lowest prices.
- Only 15 per cent of the organisations are price sensitive.
- Reverse auction is when auction is organised by buyers and not by suppliers and where it is the suppliers who may bid instead of the buyers.
- Those organisations that do not opt for the lowest prices suppliers choose to remained with their current supplier.