Multiple channel structures in financial services: A framework
Coelho, Filipe;Easingwood, Chris
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Filipe Coelho
is Assistant Professor of Marketing at the Faculty of Economics of the University of Coimbra, Portugal. He received his Honours degree in Economics from the University of Coimbra, and his PhD from Manchester Business School. His current research interests include distribution in services, market orientation and customer orientation of customer contact employees in service organisations.

Chris Easingwood
is Professor of Marketing at Manchester Business School and Head of Marketing and Strategy. He has a PhD from the Wharton Business School and is an active researcher in a number of areas including services marketing, financial services marketing, marketing of technology, new product development and product marketing. He has contributed to over 80 publications with many articles appearing in leading international journals such as *Marketing Science*, *International Journal of Research in Marketing*, *Journal of Business Research*, *Journal of Product Innovation Management* and *Business Horizons*. He founded the Centre for Services Marketing at Manchester Business School.

Keywords Multiple channel strategies, financial services, channel design

Abstract The use of multiple channels is probably the most common distribution strategy nowadays. Surprisingly, the determinants of this strategy remain largely unexplored. This paper aims to address the problem by elaborating on the configuration of a multiple channel strategy. A framework is proposed that attempts to elaborate on the entire channel mix decision starting with the factors that influence and constrain the choice of channels, and finishing with key outcomes of a channel mix. It is proposed that a multiple channel structure should be thought of along three dimensions or properties: number of channels; channel integration; and extent of customer contact afforded by the channel mix. The relationships between these properties of a mix of channels and the performance of the channel, measured by sales and costs, control and flexibility is discussed. It is hoped the framework will be useful to channel managers and researchers alike. Directions for future research are developed.

INTRODUCTION

The purpose of this paper is to present a conceptual framework of the channel mix decision in financial services. Nevertheless, it is believed the propositions made here are equally valid in other service channel contexts. The financial services environment has been undergoing major changes. Increasing competitive pressures and the difficulty in sustaining product differentiation have led to price competition, and the ensuing emphasis on cost compression has heightened the search for highly efficient distribution systems. These factors and the pressure to differentiate have led to the extensive utilisation of new channels. Not surprisingly, distribution has become a critical element in marketing strategy. It has been gaining a more prominent role among marketing variables and has become a major source of competitive advantage. In this context, a serious concern for financial companies is how to build a coherent distribution structure.[1]

Distribution channels can be seen as 'sets of interdependent organisations involved in the process of making a product or service available for consumption or use'.[2] When making channel choices, firms can choose from a wide variety of alternatives.

Filipe Coelho
Faculdade de Economia,
Universidade de Coimbra,
Av. Diaz da Silva 165,
300G-512 Coimbra, Portugal
Tel: +351 239 790 574;
Fax: +351 239 403 511;
e-mail:
fcoelho@sonata.fe.uc.pt

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It should be noted, however, that companies are increasingly using a multiple channel strategy for most or all of their products.

A multiple channel strategy is employed when a firm makes a product available to the market through two or more channels of distribution. This strategy was expected to become the most popular channel design in the 1990s.[1] The increasing popularity of this strategy results from the potential advantages provided: extended market coverage and increased sales volume; lower absolute or relative costs; better accommodation of customers' evolving needs; and more and better information. This strategy, however, can also produce potentially disruptive problems: consumer confusion; conflicts with intermediaries and/or internal distribution units; increased costs; loss of distinctiveness; and, eventually, an increased organisational complexity.[1,3,4–7]

Despite the popularity of multiple channel structures and their potential advantages and disadvantages, the drivers of successful channel combinations remain virtually unexplored.[7–11] This paper aims to contribute by providing a conceptual framework of the multichannel decision and by discussing some of the issues involved in selecting the preferred channel mix. It is hoped that this will aid both managers and researchers.

In order to accomplish the research goals, six qualitative interviews were conducted with key managers in six leading organisations dealing with financial services: one bank, two building societies, one unit trust company, one general insurance company and a pensions company. These companies are scattered across different business areas to gain an overview of channel structures across different contexts and to get some heterogeneity over the variables potentially determining channel strategies. The managers held key posts in their organisations to do with channel strategy, including positions such as corporate planner, head of distribution strategy and marketing director. Essentially, the interviews had an unstructured format, and were mainly focused on the channel decision process and the reasons why those companies were adopting different channel strategies for different products. The information collected in this way was complemented by news from the general and financial press, and of course the relevant literature on distribution channels and financial services.

The paper is organised as follows. First, it is argued that there is a need for a structuring framework to aid research and design of multiple channel strategies. Secondly, the paper presents a framework of the antecedents and consequences of multichannel choices that defines three key properties of multiple channel structures: number of channels, channel integration and channel contact with the customer. Some of the potential antecedents for these properties are identified and preliminarily discussed. The importance of scrutinising these three properties at the channel design stage is subsequently demonstrated with a discussion on how these channel mix properties determine key channel mix outcomes. That is to say that the accomplishment of long-term goals is strongly determined by how each company articulates the three properties. The paper also presents some possible directions for future research. In particular, this work suggests how systematic efforts can be deployed in order to uncover how potential factors are intertwined with each other to produce successful channel combinations.

MULTIPLE CHANNEL STRATEGIES: THE CASE FOR A STRUCTURING FRAMEWORK

Distribution channels have a long-term character. The enduring commitments

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involving distribution arise from two main factors: the heavy investments that frequently are required and that are not easily redeployed; and the social and political character of distribution channels,[12] which very often make it difficult to introduce changes in channel arrangements. Given these long-term implications, it is extremely important to employ a 'systematic evaluation procedure' across the entire channel decision process.[13]

There are signs, however, that in general, channel decisions frequently do not result from a formal planning process, but are often the result of incremental decisions taken over time.[1,14] For instance, it has been stated that 'rather than designing an ideal distribution strategy, companies tend to add channels and methods incrementally in the quest to extend market coverage or cut selling costs'.[1]

The exploratory interviews the authors had with managers in leading financial services organisations have supported these views. A common theme that emerged from these interviews is that channel management and decision processes are 'embarrassingly unscientific', particularly when compared to other areas. As one manager put it,

> 'The channel decision still is a very ad hoc process. If we are launching a product, it more or less will be sold in the current network ... We don't look at channel management in the same way we look at other elements of the marketing mix ... We spend weeks or even months debating pricing. This is a very important issue because of the high implications for profit ... We wouldn't launch a bad product ... we would have gone through qualitative or even quantitative research ... but we don't give the same amount of time and effort to channel management.'

One manager attributed this to the lack of adequate guidelines for making channel decisions, saying that finance managers 'have a much more comprehensive set of tools' to do their work.

As a consequence, it is not surprising that often channels in a mix are not well integrated, which results in a loss of potential synergies. The risks associated with these decision processes are increasing in today's environment, characterised by an increased complexity and volatility, which raises the probability of distribution structures being mismatched to environmental requirements.

The diversity of channels from which companies can make choices varies from economic sector to economic sector, and evolves across time. Evidence of this is found in Table 1, which presents some traditional and some new channels used in banking.

The increasing diversity of the channels that are available clearly makes channel design decisions complex for managers. This problem becomes even more acute in multiple channel designs, for which the number of channel arrangements, in terms of possible combinations, can increase rapidly. For example, and assuming the existence of only six channels, there are six possibilities for a single channel strategy. Suppose instead that a multiple channel strategy is envisaged. In theory, the total number of possible channel arrangements, each now comprising from two to six channels, totals 57. Many of these

Table 1: Diversity of channels used in banking

Branch network
Telemarketing
Internet
Digital TV
Direct mail
Direct response advertising
ATM
EFTPOs
Kiosks
Tied intermediaries
Independent intermediaries

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Table 2 Some illustrative distribution strategies

Product	Company	Distribution strategy		
Motor insurance	Company A	Telephone Internet	Direct mail	Direct response advertising
	Company B	Telephone Independent intermediaries	Direct mail	Direct response advertising
	Company C	Independent intermediaries		
Personal pensions	Company D	Telephone	Direct mail	Direct response advertising
	Company E	Tied agents	Independent intermediaries	
	Company F	Direct salesforce		
Mortgages	Company G	Branch network	Independent intermediaries	
	Company H	Branch network	Independent intermediaries	
		Telephone	Direct mail	Direct response advertising

combinations can be readily dismissed as unfeasible. Nevertheless, the remaining possibilities clearly reveal how conducting systematic multiple channel decisions can become extremely difficult for managers.

Table 2 presents the distribution strategy used by the companies that were interviewed, along with the strategy of other companies identified from multiple sources (such as websites and the financial press). In the motor insurance business some companies market their products essentially through the telephone, direct mail and direct response advertising. Other motor insurers also make an extensive use of tied agents and independent intermediaries. Still others rely exclusively on intermediaries.

In the personal pensions business a few companies market their pensions through direct marketing channels, while many pension providers use tied agents and independent intermediaries. Some companies, however, rely exclusively on their direct sales force. In the mortgage business, some building societies market their products through their branch networks and intermediaries, while other building societies and banks also make considerable use of direct marketing channels.

The diversity of channel choice is clear. In addition, and taking into consideration that 'a prerequisite to the effective management of marketing channels is a knowledge of the reasons channels exist, the functions they perform, and the factors that account for the way they are structured',[2] one can state that it is not possible to manage a multiple channel structure properly if the reasons for the emergence of such diverse distribution arrangements are not known. In summary, there is a pressing need to develop guidelines to help the design of multiple channel strategies.

DEVELOPING MULTIPLE CHANNEL STRATEGIES: A FRAMEWORK

How can managers cope effectively with the diversity of channel possibilities when devising multiple channel strategies? Based on evidence collected from the financial services industry, this section presents a framework that aims to clarify some of the issues behind multichannel choice and so hopefully contributes to more systematic multiple channel decisions.

Figure 1 highlights the antecedents and the consequences of the multiple channel decision. The initial input is that of the antecedents of the channel mix properties, by which is meant the factors that produce

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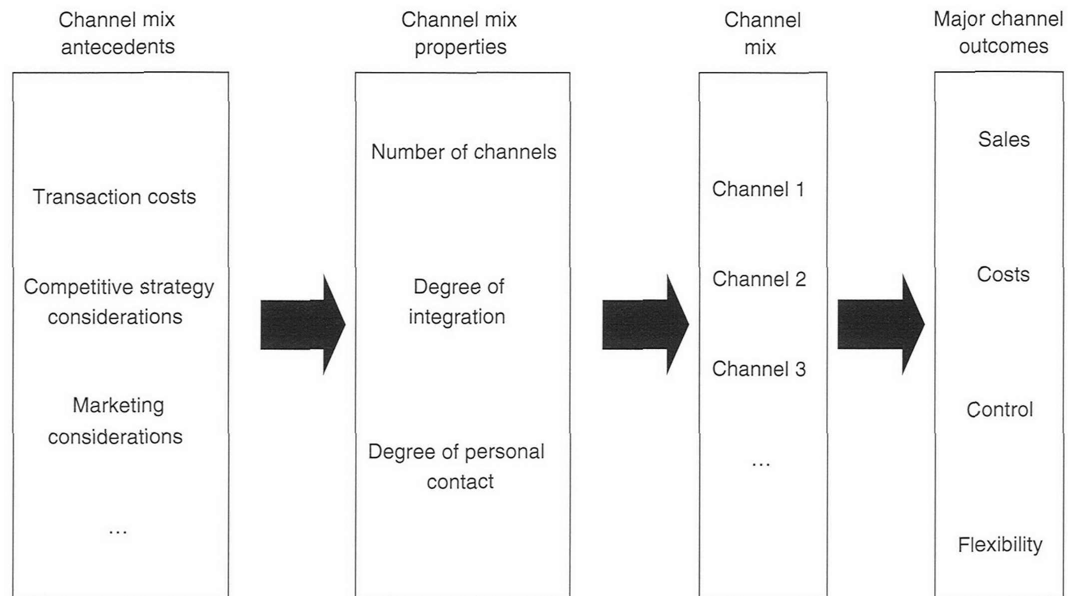

Figure 1 The multichannel framework: Antecedents and consequences of multiple channel strategies

certain desired channel mix characteristics. The desired channel properties should then determine the choice of channels to be included in the mix. The search is for the mix of channels that delivers the appropriate properties. The properties actually incorporated in the channel mix in turn will drive channel outcomes. In this framework, it is proposed that managers can develop a multi-channel strategy more comprehensively by first examining the drivers of the key channel mix properties. The paper now discusses these three key channel properties and identifies some of their antecedents, and the way in which the properties actually incorporated into a channel mix determine some major channel outcomes. Therefore, it is claimed that the accomplishment of long-term goals is strongly determined by how each company articulates these three key properties.

Key properties of multiple channel structures

It is argued that the diversity associated

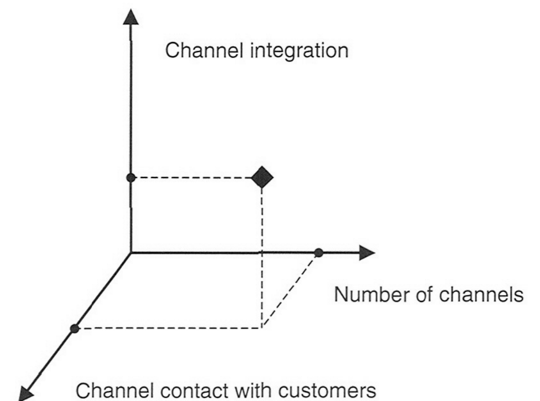

Figure 2 Key properties of a multiple channel structure

with multiple strategies in and across sectors seems to be well summarised by three key properties: number of channels, channel integration and channel contact (see Figure 2). In other words, distribution strategies employed by different firms in and across businesses seem clearly to vary by: the number of channels utilised to market respective offers (with some companies using a lower number of channels than others in the same business

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or in other businesses); the degree of integration of the channels in the mix (with some companies fully owning their channels of distribution, while others in the same business or in different businesses rely substantially on third parties); and finally, the difference between such strategies in the balance of personal contact the channels in the mix can have with customers (some companies rely more heavily on direct marketing channels than others in the same or in different businesses).

Should a high, low, or intermediate number of channels be used? One of the first issues to be addressed by managers is the appropriate *number of different channels* to market their offer. This is an extremely important issue, as by going multichannel a company can, among other adverse consequences, generate channel conflict, damage its brand image and create consumer confusion. Among the advantages, a company may find an increase in sales, diversification of business risks, a reduction of distribution costs and improved market information.

Should integrated or non-integrated channels be used? *Channel integration* can be conceived as the extent to which the firm makes or buys distribution activities, ie the extent to which distribution activities 'are brought under the management of a single entity'.[15] Vertical integration reaches maximum levels when the company fully owns its channels, but it is not necessarily nil in the absence of any equity investment. Firms are increasingly implementing channel structures characterised by intermediate levels of integration which, for this reason, often are designated as hybrid channels.[16] As some authors have noted, firms have been creatively using 'appropriate influence and conflict management strategies to achieve trust, commitment, co-operation, and co-ordination'.[2]

Should the company use channels delivering a high, low, intermediate, or any combination of these levels of personal contact to customers? *Channel contact* refers to the level of personal interaction with the customer and has been gaining relevance amid disruptions in traditional distribution structures caused by environmental evolutions. Diversity among consumers has been accelerating, resulting in a multiplicity of needs and behaviours. Consumers have become less willing to visit traditional outlets, less loyal and more sophisticated, often demanding more quality and 24-hour availability and service. They are also more receptive to new channels of distribution such as computers and telephones. On the other side, technological developments at the hardware and software level have contributed strongly to new and less costly distribution channels such as telemarketing, online marketing and ATMs.

As a consequence of the evidence above, it appears that by thinking of multiple channel structures as having these three properties, managers will be able to do a better job of making market-driven decisions (ie recognising consumer needs and competitor positions) and evaluating their performance. That is, managers will be in a better position to identify and to assess the determinants of the right channel mix and to improve their knowledge of the roots of their channel performance. This will be particularly evident in the discussion on how the properties incorporated into a channel mix determine important channel outcomes.

The antecedents of multiple channel strategies

What are the factors that shape the channel mix properties and, therefore, the right channel mix? In other words, what are the determinants of successful channel

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combinations? As it has already been noted, research in this area is sparse. Given the popularity of multiple channel strategies and the fact that mapping industries' best practices will allow (multiple) channel decisions to 'be made more quickly and with greater confidence',[17] it is important to conduct research on this topic. Therefore, some of the factors are now identified that have a potential bearing on the design of multiple channel strategies. There is also a very preliminary discussion on how such factors may determine the desired properties of a multiple channel strategy.

As the factors determining the appropriate 'number of channels' have hardly been addressed in the literature, it is helpful, as a starting point, to look at the perspectives used in the research of other channel design issues. It is suggested that there are three relevant major theoretical approaches, namely transaction cost economics, and the marketing and strategic perspectives. Transaction cost analysis predicts channel arrangements on the basis of three major concepts: asset specificity (the extent to which a transaction is based on unique and durable assets, which can not be easily redeployed without an important loss of value); behavioural uncertainty (the degree to which it is difficult to assess the performance of channel members); and environmental uncertainty (the extent 'to which future states of the world can not be anticipated and accurately predicted').[18]

The strategic perspective, in a general sense, considers that long-term competitiveness is determined by the extent to which a firm's resources, capabilities and strategies are distinctive and match the market requirements.[19] Consequently, both the situation of the industry and internal factors in channel design decisions should be examined. Finally, the traditional marketing literature on distribution channels, which comprises both an efficiency perspective in the analysis of the allocation of channel flows between channel partners and a behavioural perspective, focuses on the role of power and conflict in channel management. Table 3 presents a list of potential variables affecting the properties of multiple channel strategies.

Asset specificity usually implies larger investments in specialised equipment and in training personnel in the firm's procedures and marketing offers. Consequently, investment and operating costs are controlled by using a reduced number of channels. Internal uncertainty, it may be argued, should lead to multiple channels because these will provide comparative information about the relative costs of performing channel activities and about the true causes of performance.[9,20] With regard to environmental uncertainty, it might be useful to distinguish the effects of different sources of uncertainty. For example, in volatile environments, it can be argued that firms should use multiple channels to keep their options open.[21]

Within the marketing perspective, it has been suggested that companies dealing with heterogeneous customers should use multiple channels in order to satisfy more

Table 3 Factors affecting the properties of multiple channel strategies

Transaction cost analysis	*Marketing considerations*	*Strategic considerations*
Asset specificity	Customer target heterogeneity	Channel capabilities
Behavioural uncertainty	Brand position	Resources and scale and scope economies
Environmental uncertainty	Size/dispersion of the customer target	Competitive intensity
	Channel conflict	Competitive strength
	Product sophistication	Relative bargaining power
	Purchase importance to consumers	Strategic goals

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appropriately the diversity of needs they face. It can also be argued that the number of channels should decrease, for example, when companies seek a distinct position for their brands. The use of multiple channels increases greatly the potential for differences among channels in after-sales services, prices and selling efforts, putting a firm's intended position at risk.[22] As a larger number of channels provides wider market coverage, this channel strategy is also likely to be implemented when a firm has many and dispersed customers. In addition, it can also be speculated that companies anticipating that multiple channels will cause serious channel conflicts will limit the number of channels they use.

Other internal and external factors seem to affect the number of channels. A multiple channel strategy is more complex and internally demanding than a single channel strategy. Therefore, it is more likely to be found in companies that have more channel capabilities and resources and enjoy larger scale and wider scope economies. In addition, it would seem that competitive intensity creates pressure on companies to devise more acute segmentation strategies, which many channels facilitate by allowing more precise segment targeting.

The issue of vertical integration has been widely researched.[14] Research has shown that integrated channels are more frequent where there is high asset specificity and internal uncertainty. Some contradictory findings have been associated with the impact of environmental uncertainty on integration. In addition, some studies have shown, for example, that firms integrate distribution when they have a differentiated positioning and product, a small and concentrated customer target, large resources, benefit from economies of scale and scope, and possess less bargaining power. However, these studies have been artificially and dichotomously classifying channel arrangements as either direct or indirect, ignoring 'the obvious and fascinating issue of why companies so often both make and buy'.[8] In other words, it is still not clearly understood in which circumstances a company should use both direct and indirect channels, or use channels that have mixed forms of control, such as those channel arrangements characterised by relational norms. In addition, research into channel integration has been too narrowly focused on transaction cost economics.

Nor is it understood fully what the circumstances are that determine the delivery of the appropriate level of contact by the channel mix. Two major determinants of channel contact seem to be the degree of a product's sophistication and the importance of the purchase to consumers. This certainly provides an explanation for the insignificant inroads the telephone has made into the sale of mortgages and personal pensions, in contrast to motor insurance. A firm's capabilities will also influence the contact channels it is likely to adopt, as well as its resources and scale and scope economies. For instance, smaller organisations have been expanding their geographical cover through direct marketing channels. Many companies in the financial services industry have also been adding to their distribution structure channels delivering less contact in response to the higher competitive intensity they are facing.

The above is an illustrative discussion of the factors influencing the configuration of multiple channel strategies. As is obvious from this discussion, many of the factors that influence one of the structural properties can also influence the two others. That is, the three structural properties are likely to share many of their determinants, which suggests that it may be possible to arrive at a common and parsimonious set of driving forces. Empirically, this implies that by collecting

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information on channel utilisation (eg sales per channel) and on a set of potential driving forces (eg competitive intensity, firm resources), one can simultaneously analyse how this set of factors produces specific channel configurations, that is, channel structures characterised by a specific number of channels and degree of channel integration and contact.

Properties of the channel mix and major channel outcomes

Finally, there is an analysis of the way in which the properties that are actually incorporated into a channel mix are related to major channel outcomes for a financial services organisation. These outcomes include of course sales and costs (and hence contribution and profits). It should also be recognised that it is not possible to predict channel preferences with confidence and that therefore a degree of channel flexibility is a desirable outcome. The other outcome variable is 'control'. Companies seek to have a degree of control over their channels, so as to influence the way their products reach potential customers.

Number of channels in the channel mix and channel outcomes

The number of channels used has a strong impact on each of the four major channel outcomes considered. A large number of channels increases a product's market availability. Some regional building societies have managed to extend their geographic cover through direct marketing channels, expansion which would be unfeasible with more traditional channels. This is the case of the regional Northern Rock with its telephone mortgage business. In addition, a large number of channels also enables a company to satisfy more appropriately the needs of more distinct segments, which usually require different service outputs. Hence, the number of channels strongly determines sales outcomes.

Another reason driving companies to use multiple channels is the potential for lowering distribution costs. Many companies seek an intelligent orchestration of channels by using channels in specialist roles to serve particular segments and to perform particular distribution functions. This specialisation can generate important savings. This is the case of the banking industry with its massive investments in ATMs, EFTPOS, telemarketing and other technologies. Instead of decreasing, however, costs may in fact increase, because customers may not react as expected, and because companies put in place a much more complex distribution structure risking, among other things, a dilution of management efforts. To some extent this is what has been happening in the banking industry, where many of the expected savings seem to be taking time to materialise. As one manager put it, the activities of the call centre

> 'so far have been primarily service banking, anticipating a reduction in customer branch traffic and hopefully saving money. But it just added extra costs . . . The call centre lacks selling skills We have very confident people on the phone, but we must take salesmanship to the telephone.'

The number of channels also has an important impact on control. In general, exerting high levels of control demands proximity to channel members and the definition of clear performance standards and procedures. As the number of channels increases, so does the level of intra-brand competition, which makes it more difficult to build cooperative relationships across the entire channel system. For instance, conflict, either inside or outside the organisation, is likely to arise because more marketing units are

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now competing for the same customers and revenues.[1] The coordination of distribution activities also becomes more complex and difficult to ensure[22,23] because different channels usually have different capabilities, may perform different roles, and are remunerated differently, therefore requiring a differentiated treatment.

With regard to flexibility, it is acknowledged that in more dynamic environments it becomes more difficult for firms to conduct complete decision processes. According to research on option theory applied to strategic management, in fast-changing environments firms are better off sacrificing, to some extent, exhaustive decision-making processes, and instead should make many small investments in many channels, that should be followed by 'large investments in option strikes'.[24] This approach enables firms to experiment and learn about a wider range of channels and to collect information on the evolving environment, enabling them to make more appropriate decisions when the right moment comes.

The internet clearly exemplifies this view. Companies across all business sectors have been making investments in this new electronic channel. For many of them, the reason for doing so, is not to increase current sales, but to prepare themselves in case the internet starts to be used more extensively as a sales channel, a widely held expectation. But learning has not been limited to the internet. Lloyds tested a service operated through television sets with 250 households in Hull: consumers can access a virtual branch and view balances of their accounts, transfer funds, pay bills, obtain quotations for home insurance, personal loans, overdrafts and credit cards.[25] Tesco tested video links between its stores and bank staff. Banks have been teaming up with supermarkets to test the popularity of branches in their retail outlets, to study customers' reactions to this development. For instance, Lloyds has put small TSB-branded branches inside a couple of ASDA stores, and Safeway, in partnership with Abbey National, has launched an in-store banking trial in Leicester. The supermarket chain, Morrison, has teamed up with Midland, which is to open branches at that chain's outlets.

Channel contact provided by the channel mix and channel outcomes

The level of contact to be provided by channels has a particularly strong effect on sales and costs. Contact determines the kinds and levels of service provided to customers, in terms of advice, training and after-sales service. As a consequence contact is a major determinant of how customer needs are met and, therefore, of sales achieved. The distribution of personal pensions in the UK is made almost exclusively through high-contact channels, ie independent intermediaries and company agents. Direct marketing channels are of limited assistance to customers and therefore are of negligible importance because consumers are highly involved in the purchase of this product and seek extensive advice. Hence, to generate high sales volumes in this business firms must use high customer contact channels.

The level of customer contact provided also influences costs, since different types of distribution structure and levels of investment are normally associated with the delivery of different degrees of contact. For these reasons channel customer contact also affects control and flexibility. The increasing appeal of direct selling is easily explained, particularly for new players that do not have the distribution arrangements of traditional ones, and for smaller organisations with a reduced distribution network. 'It costs £100,000 a year to keep a sales person in the field, but £60,000 to employ and equip a teleoperative a cost-saving of 40 per cent. Likewise, if a

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company has an over-the-counter unit sales cost of £1.90, a direct mail sales cost of 97p and a phone cost of 63p, that opportunity to be 66 per cent more cost-effective is appealing'.[26] Low customer contact channels generate much lower operational costs; one of the reasons for this is such operations can be settled at non-expensive locations, both in terms of land and labour inputs.

Low-contact channels can deliver important additional benefits. Internet customers at Wells Fargo are seven years younger on average, earn 60 per cent more than the average customer and buy more financial services. Furthermore, because the transaction costs over the internet are just one-tenth of branch transactions, Wells Fargo expects to save $84m a year if it reaches one million online customers.[27] This bank has also been very successful with its kiosk branches at supermarkets: it offers a wider range of services than do ATMs and obtains high volumes of business, coupled with lower operating costs and the retention of control over operations.

Because different channels have different cost structures, the way a company goes to the market can have a dramatic impact on the competitiveness of its offer. For instance, Standard Life has opened a (low contact) telephone-based banking service offering a savings account topping the yields paid by some supermarkets, and very competitive charges on mortgages.[28]

So, a major concern for traditional suppliers is that customers are increasingly willing to conduct almost every kind of operation over low-contact channels such as the telephone and other direct marketing channels. This leaves traditional players, particularly banks and building societies, with a major problem: very expensive branch networks and at the same time the need to invest in new channels. They need to do this to compete with the new players, which are revolutionising the traditional way of doing business by changing the economics of distribution.

Degree of integration of the channel mix and channel outcomes

The more channels of distribution are integrated the more the firm's offer reaches the target in the form intended. For instance, low levels of integration imply that the firm is not able to influence the emphasis channels place on its own products nor the manner in which they are sold. By going direct to the market (high level of integration) the company is able to exert full control over channel activities. Doing so might limit the firm's market coverage, however, since direct channels tend to require a large capital investment which, in turn, generates significant annual fixed costs.

In contrast, the use of intermediaries (lower level of integration) generates a source of variable costs, and provides a much faster and wider market coverage, but usually at the expense of some control and coordination. Bank of Scotland and Royal Bank of Scotland (RBS) have teamed up with Sainsbury and Tesco, respectively, to expand their market coverage. Tesco's Clubcard Plus was originally set up with NatWest, but this arrangement broke up as the retailer wanted to increase its range of financial services. The two former ventures have provided the two banks with a very cost-effective channel. Tesco and RBS claimed to have acquired 400,000 new customers, and Sainsbury an extra 600,000 customers and an extra £1.3bn on deposits.[29] Hence, teaming up with other organisations and foregoing some control over distribution can produce attractive benefits. Therefore, a company's sales volume and degree of control over channel activities is strongly influenced by the extent to which it has integrated its distribution channels.

Integration also affects channel

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flexibility. According to some organisational theorists, fully integrated structures tend to be less flexible in responding to environmental changes, because managers often find it difficult to change internal practices, redeploy resources and terminate inefficient programmes and employees. Hence, the more organisations are integrated the more they might find it difficult to dissolve and adapt structures. A greater ability to react swiftly is a particularly important requirement in turbulent environments.[30] This is the case with the financial services industry, where there is great uncertainty at the technological, competitive, consumer and regulatory levels. For instance, regulation affects the level of management charges that companies can take from ISAs and pensions: hence, its evolution affects the emphasis on different channels of distribution.

CONCLUSION

Multiple channel strategies are a fact of life. As has been shown in this paper, managers can easily become overwhelmed by the number of possible channel arrangements available for multiple channel designs. A structure has been proposed to help managers make multiple channel choices in a more systematic way. It has been shown that the number of channels, channel integration and the contact a channel affords with customers summarise quite well key structural properties of multiple channel strategies. It is argued that channel managers should look closely at these properties. This was shown to be the case by discussing, in turn, the determinant role these properties can have on fundamental channel outcomes such as sales and costs, control and flexibility.

It is therefore of relevance to identify and test the factors that may influence how the three properties can be organised. Of particular interest is the identification of the circumstances making appropriate a high, low, or intermediate number of channels, the issue among the three properties that has received the least, if any significant, attention from researchers.

This paper has also suggested and discussed how a number of factors are likely to affect the number of channels as well as the degree of channel integration and channel contact. Applying these ideas in empirical research should not prove difficult, as the literature provides operationalisations for most of the variables suggested in this study. In fact, the authors are currently developing such a research in the financial services industry. Of particular concern, however, will be the development of a channel typology, which is paramount to the identification of a company's channel strategy. For example, should direct mail be considered distinct from telemarketing? Some authors have argued that these are separate channels.[1,4,31] However, it can be argued that these channels are sometimes intertwined, making it difficult to make such fine distinctions. Overall, the broad outline clearly reveals the vast theoretical and empirical research scope provided by such a marketing issue.

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