

Preface

Why is the Multi-Channel World Interesting?

Early predictions of the Internet and mobile services heralded a drastic change in the way we conduct business when, in fact, the opposite has occurred. Instead of replacing earlier business models, multi-channels are fast becoming an important part of existing companies' strategies and complementing the traditional channels. Rather, as the information-based society continues to develop and mature, consumers and businesses face an increasing array of choices with which to shop, purchase, obtain information, and conduct business by means of several different access devices and technologies. For these reasons, we predict that the multi-channel world will continue to grow in interest for managers and academic researchers.

The technologies and applications of multiple channels have progressed quickly and businesses have learned to make more user-friendly decisions and to adapt and integrate new and different technologies at a fast pace. Pioneering companies have learned to utilize the Internet as a channel and to develop company networks that offer integrated services or serve as intermediaries. Commercial applications for network technologies have matured and become more advanced, especially in business-to-business (B2B) commerce, where functional, integrated products or packaged services are already being used to increase sales and to improve deliveries and acquisitions. Many companies offer electronic services of their own and have increased their know-how in e-business from the necessary background systems and processes to developing appropriate, working business models. Moreover, both consumers and suppliers have grown increas-

ingly receptive to using different channels, as access to new technologies has rapidly spread to millions of consumers. On the other hand, high development costs and low, short-term yields have driven many companies to reconsider their electronic solutions. For some, the electronic channel is seen as a value in itself and almost trendy to have, and less so because it's useful. As a result, the expected positive network effects have not been realized.

Thus, with the challenges entailed, it is our anticipation that the multi-channel world will continue to intrigue and fascinate researchers and managers. We believe that our book, *Managing Business in a Multi-Channel World*, will help managers to understand how forward-thinking organizations can best build competitive advantage from new multi-channel e-business models.

What Do We Mean by *Multi-Channel*?

While the definition of multi-channel continues to evolve with new technologies, what is clear is that what the Internet has made possible on our desktops will soon be technically possible, irrespective of the mobile device we carry or the equipment that we use at home or work. So, for the purposes of our book, we have chosen a broader definition of *multi-channel* and *multi-channel services* to mean any device or means by which companies or consumers use the Internet either to provide or access services that have traditionally been conducted manually using non-Internet equipment in person or at a shop. This may include mobile telephony and wireless data transfer technologies, such as SMS and the mobile Internet, digital or cable television, PC Internet, and even machine-to-machine transmissions.

What are the Visions of Multi-Channel E-Business, and What Kind of Development has Already Happened?

In the past, businesses have viewed new channels of electronic environment more from a technological perspective. However, in order to remain competitive and to attract and retain customers, it is becoming increasingly important for companies to broaden their perspective from a purely technical focus to more of a strategic focus. In fact, e-business is being rapidly transformed from a technology- to a business-driven mode.

Moreover, businesses face the often complex and differing task of catering to customers who may display markedly dissimilar preferences, habits, and financial backgrounds. The essential requirements for fulfilling the needs of these individual consumers are different from the requirements of business and orga-

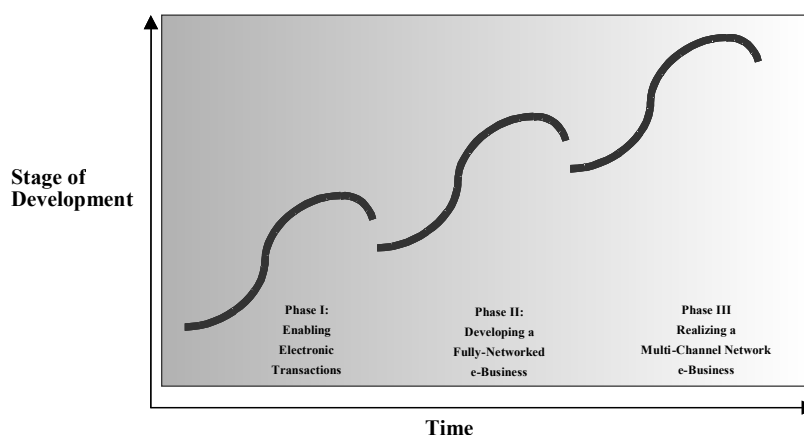
nizational customers and represents challenges from both a technological and strategic perspective. From a technical perspective, the questions include how to seamlessly provide access to services ubiquitously (e.g., on the road, at home, at the office, in an elevator, underground, in an airplane). Moreover, from a strategic or service perspective, the challenges include understanding potential customers' interests and the conditions under which they prefer to access the multi-channel services.

In order to provide quality services in multiple channels to customers, it is apparent that a large network of organizations, both public and private, is required. This network could be easily controlled and maintained, perhaps, if the world were a constant. However, with new technologies constantly emerging, new devices being invented, and commercialized new services being developed and dropped from the marketplace, the continuously changing environment requires its participants to constantly manage and intermediate among different players in the multi-channel environment.

Development of Multi-Channel E-Businesses

Historically, the development of a company into a multi-channel e-business has involved in several phases. First, a company creates an electronic transaction, often in-house. Next, the company tries to integrate its back-office service processes with its front-end service offerings across different channels. Finally, it becomes a multi-channel e-business when it manages to successfully integrate the value chain across different channels in order to suit different customer's needs (see Figure 1).

Figure 1. Phases of e-business development



Many companies begin their e-businesses by making everything themselves, even though they may not have any previous experience in this area. This company focus has not always been the best operational model, because companies tend to be less efficient, and their electronic solutions separate from their business processes (e.g., separate ordering systems for traditional vs. electronic channels). While this may work in the short term, in the long term, electronic solutions built in this manner are unsustainable, because the majority of the electronic services answer to the needs of only a few consumers (e.g., pioneers or early adopters) and not the majority.

In the second phase of e-business development, companies often try to integrate their own internal processes and that of their service processes with electronic services. In this stage of development, companies tend to be focused on developing better integrated front-end and back-end electronic systems; however, their services are still not necessarily focused on the needs of the customers. The electronic service thus becomes an independent and functional part of a company's operations. However, as the e-business develops, new questions may start to arise as to the role of the electronic channel in the comprehensive strategy of the company and how to integrate customers across different channels.

In the final phase of development, the company moves from building individual channels (i.e., the Internet, mobile phone, etc.) to building the entire multi-channel environment. In a networked, multi-channel environment, the need for coordination has given rise to different mediators, whose tasks vary from information transmission to logistics.

Building a Successful Multi-Channel E-Business

As companies transition to integrated, multi-channel environments, they need to be able to build services across different channels in order to suit different customers' needs and to integrate into a network the role of every company involved in the value chain. The key features of a successful multi-channel e-business include:

- Customer focus and utility
- Maturity of technology and services
- Developing the business model
- Networking and outsourcing

In the following section we deal with these factors in more detail.

Customer Focus and Utility

When it is a question of new technologies or the services, a company must understand how the customer learns to use new devices and the customer's ability to accept and adopt a new behavior or habit. For example, it may be misleading to say that because of the high penetration rate of mobile phones, people will start using mobile phones to pay for services or products. Paying with mobile phones requires changing accustomed habits of making a purchase. For many consumers, the mobile phone is mostly a means of communication, while purchases are still made the traditional way. Yet, another example is the fact that in Europe, text message services have become popular, but other services remain unsuccessful.

When services that are based on a new technology are brought to market, one of the challenges faced by providers is matching the expectations of the service providers with that of customers' needs. Companies have launched a host of new electronic services for different customer groups (from consumers to companies), but the biggest problem has been that they lack the quality and usability needed for the mass market. One problem with cooperative networking between companies has been that every company has wanted to keep the customer relationship for itself, often resulting in inconvenience to the end-user.

Maturity of Technology and Services

When one rushes to bring a service to market, the services are not necessarily ready, even though the technology exists. This often leads to the situation in which only the pioneer customers are interested and able to use the technology and the services, whereas the mass market is likely not willing to use it. Another challenge is to develop services that can be used on multiple platforms. Consumers may not want to use mobile phone services or services of the digital television separately, but there must be a clearly logical connection of these channels to each other. Generally speaking, reaching critical mass requires that there be common standards upon which users can access the same services. Finally, the regulation of the service still may be an issue after the service is made widely available. Legislators would have to create the consumer protection regulations, within which the different parties of the trade can transact such that consumer rights are protected and the responsibilities of the companies are clearly identified and maintained.

Developing the Business Model

The search for optimal business and earnings models is the main objective of many e-businesses at the moment. When risk investments have ended, companies must find sustainable earnings models, since, in the long run, companies must be able to deliver a profit. Many different business models have been attempted but have failed because of weak foundations, especially among Internet companies. Even ideas without exact definitions of the service provided or customer segments have been called business models.

With the Internet and mobile phone services, revenue and earnings model remains a problem. In spite of an abundant service supply, the potential customers have not considered the services valuable enough to pay for them. Moreover, services often have been brought to market too early while they are still under development, and, therefore, their benefits (in practice) have been limited. Considering these points, the pricing of services plays an important role in the business model.

Networking and Outsourcing

Among multi-channel e-businesses, the focus of company operations is changing toward a more open and network-like model. When companies start to develop different services for many channels, all the services will not be worth developing and producing alone, as it has been possible via individual channels. Because one company does not have resources to produce everything itself, a coordinator of some kind will be needed to implement effective multi-channel services through network partnerships. Until now, all the big actors have wanted to be leaders of the operation in the Internet and to develop service packages by themselves. In a network model, instead, the companies' roles are not as hierarchical. However, some companies will remain in a stronger position as a central actor or subcontractor (e.g., Nokia, NTT DoCoMo).

Networking emphasizes the differentiation of companies' roles within the value chain. The value chains of the companies that operate in electronic channels can be quite new, in which case the tasks and roles of individual companies and their competitive positions within the industry sector may change considerably. Finally, as e-business develops, the roles of companies will become differentiated, and the companies likely will outsource their functions to secondary companies in different service channels. In the multi-channel environment, the need for coordination of the services of channels will give rise to a new type of service mediators, whose tasks vary from transmitting information to logistics. Specialization in the network is resulting in outsourcing of non-core activities. Many companies are outsourcing their non-core functions (e.g., logistics solu-

tions and internal office services) and are choosing, instead, to concentrate on their core competencies.

In Table 1, we present the essential features of the development of e-business. Each feature will vary according to the company's stage of development. For example, the strategic focus of the phase of development will depend on the stage of the development. Correspondingly, the typical organization of the electronic business and its integration objectives depends on the phase of development. The organization and integration in the first stage will change when the development proceeds toward increased network cooperation and integration.

Table 1. Essential features of the phases of e-business development

| | Electronic Trade | Electronic Business | Multi-Channel E-Businesses |
|---|--|---|---|
| Strategic focus | Individual solutions and services of the electronic trade. The opportunities to electronic trade are opened. | Coordination of processes inside the company services of the electronic trade. Improvement of the competitive ability of the company. | Services that are wider and more easily reached together with network partners. |
| Organization | E-commerce is treated as a separate project from other business strategies. Electronic commerce unit or individual business unit. | Organizing and coordination at the enterprise level | Network of the companies in the cooperation. |
| Integration objectives | Integration of the functions and of different systems. | Integration at the enterprise level. | Integration of the network. |
| Character of the innovation and challenges | Innovative solutions of the electronic trade or services to the market fast. | Innovative use of the electronic business in the core business. | New roles of companies, again the value chain's basing and coordination. |
| Customer relationships | Separate client connections. Emphasis on number of visitors. Collecting information through registration. | Companies stay close to the customers. How is customer relationship commanded and who maintains it? | Customer relationships are coordinated and consolidated by an infomediary or by stores through several separate channels. |
| Information processing systems and technologies | E-marketplace applications. Separate information processing system of the electronic trade. Other information processing systems of the company. | System integration at the company level. Integrated ERPs. Separate systems of mobile phone services. External integration of the company difficult because of missing standards and interfaces. | Several connection technologies required by the multi-channel operations. Intelligent channels, among others, the customer's identification. Common protocols, standards, and bases. |
| Business processes | Separate processes of the electronic trade. Separate ERP processes. Own distribution system. Drawing of functions inside company. | Integrated main processes. Integrated service processes into the background processes of companies. Intensification of the operation and removal of bottlenecks—developing of processes. | The company limits exceed the divided processes. Outsourced processes. Demands of the cooperation of different channels to the service processes. Technical redefinition of electronic processes. |

Looking to the Future

In the future, cross-channel interoperability of services will be an important element of a successful supply chain and channel management. Multi-channel access likely will continue to evolve and may take the form of wearable technology or radio frequency identification (RFID) tags that will improve monitoring in the procurement process. What is clear is that understanding consumer preferences will become a critical factor upon which companies will be able to more rapidly develop new services and service features.

Themes

In this book, we will focus on three main themes: (1) the multi-channel environment from the consumer and business perspectives; (2) the markets and strategy and network of multi-channel e-business and (3) the future of the digital world. Each theme is discussed in several chapters by different authors.

In Section I, we address multi-channel usage from a consumer's perspective. Hara et al. will start by using several frameworks (e.g., BUMMAT and Future value chain) to analyze the future of mobile services. Tinnila et al. will then discuss the importance of understanding how consumers will respond to new services by surveying Finnish consumers and their preferences. Mallat and Dahlberg will assess the potential of mobile payment based on the results of empirical studies conducted on prospective consumers and merchants. Then, Öörni will examine the determinants of using Internet-based information sources in the context of tourism and travel. Finally, Elkelä et al. will discuss and compare traditional and new forms of communication (e.g., letters and e-mail), especially from the consumer point of view, and analyze their effects on the communication service evolution and consumer behavior.

From a business perspective, Merisavo will examine how marketers can use digital channels to develop and strengthen customer relationships. Holmqvist and Pessi will introduce us to the results of several years of collaborative research on implementation projects for spare parts distribution in the automotive industry. Then, Penttinen and Saarinen will describe how one specific firm has undergone the change from product-oriented thinking toward service-based concepts. Finally, in this section, Nilsson will look at the potential business value of a design-oriented research project.

In the Market, Strategy, and Network section (Section II), we will introduce original theoretical frameworks and apply them to case studies around the world. We will then discuss researchers' views on business success strategies followed by our ongoing study on the role of networks. We will first walk-through the opportunities and lessons of new markets. This will include discussion of

new types of multi-channel services such as Pelkonen's discussion of mobile gaming or Orava and Perttula's description of the digital television channel, which is currently under development in Finland. However, with opportunity will likely come regulation, as Laine and Heikkilä will show by examining the regulation of online gambling from a European context.

We will next look at strategies for developing e-businesses. Klein et al. have developed a framework for multi-channel strategies that is based on channel integration and channel domination as classification criteria and on the fact that multi-channel strategies can fundamentally differ regarding the relationship of online and offline channels. Tseng et al. has compared the key characteristics of operator-driven business models in four regions around the world to develop a framework for the successful design and implementation of mobile data services, and Rajala et al. look at different channel options for distributing games for mobile devices and their related earnings logic and develop a model of channel choice.

Regarding the role of networks, Heikkilä et al. discuss the creation of a joint business model as a necessary means by which companies can coordinate co-operation among members of a collaborative network in practice. Van Heck et al. use a conceptual framework that identifies four factors that could explain the adoption of multi-channel technologies to analyze five Finnish consumer auction markets.

In our last section, we will attempt to look into the future of the digital world. We will start by examining new frameworks or intermediaries. Lähteenmäki, et al. explore the emergence of intermediaries (i.e., infomediaries) and demonstrate their development by analyzing exemplary cases. In addition, Peffers and Tuunanen introduce the Critical Success Chains approach to developing new services and use a case example to illustrate the method.

In addition, the discussion will include services of the future. Tinnilä and Lauraeus-Niinivaara will provide a vision of 2020, a consensus of the future by experts in Finland. Then Manninen and Viherä will describe the shape and development of consumers of the future through the use of storytelling. Finally, in our last chapter, Palmer concludes by describing some of the opportunities in channel management at multiple levels, including customer-focused channels providing capabilities in managing customer contacts, sales, and service, as well as procurement and distribution channels.