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Traditional go-to-market strategies don't work because they assume customers will stay in the channels that were designed for them. Time for a fresh look at how shoppers really behave.

The Customer Has Escaped

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Your customers used to get what they paid for, more or less. Now they're poaching value left and right. Just a few years ago, when typical retail shoppers went to a store and received advice on the size, style, or purpose of a product, they almost always bought the product right then and there. If they were looking for personalized service, they chose stores that offered it—and paid premium prices for it. If they were bargain hunters, they sought out no-frills shops. Whichever distribution channel they opted for, they stayed with it until the sale was made.

Not anymore. Today's customers "channel surf" with abandon. They routinely avail themselves of the services of high-touch channels, only to buy the product at the end point of another, cheaper channel. Who among us hasn't leafed through a catalog before heading to the mall, or called a travel agent for advice about airfares and then either bought the tickets online or purchased them directly from the airline to get a better price? The result is that companies are left with "stranded assets"—physical and organizational capabilities, typically developed at great expense, that become more useless by the day. Depending on the situation, these may include highly trained but underused salespeople, lightly trafficked retail floor space, and obsolescing inventory dedicated to displays and immediate fulfillment. Forrester Research analysts suggest that as many as half of all customers now shop for information in one channel, then defect from that channel when it comes time for money to change hands. Our own knowledge of clients' situations in both consumer goods and B2B markets supports this finding.

Surely, this isn't news to you. But what are you doing about it? You should be rethinking the core logic of your go-to-market strategy. Instead of designing channels to capture targeted demographic segments, you must design them to support unfettered buyers' behaviors. What's crucial is that customers get what they need at each stage of the buying process—through one channel or another—and that, at the end of that journey, your company has not spent more money on customers than they have spent with you.

Channel Design as You Know It

Traditional channel strategies proceed directly from market segmentation. A company that is targeting a brand at, for instance, suburban women in their thirties, will rely on a certain channel to deliver its products and related service and sales activities. Another company will choose a different channel to appeal to affluent retirees. One common assumption is that people who share demographic characteristics tend to shop and buy in the same way, through the same, limited channels.

That was a fair assumption until relatively recently. Customers did, in fact, tend to stay reliably in their boxes. The channel held onto the customer, if not from cradle to grave, then at least from initial consideration to repeat purchase. Channel competitiveness hinged on creating a set of product and service components that customers were thought to value. Thus, a channel that served demographic groups with little discretionary income offered a fairly stripped-down combination of goods and services—witness the difficulty of finding knowledgeable salespeople in a discount megastore. A channel designed for busy, affluent customers charged higher prices but threw in "freebies" like fittings and personal advice and product testing. In effect, a company strategically subsidized a few components of the buying process that added particular value to maintain a more attractive value proposition than the next company.

Segmentation based on demographics led Merrill Lynch and other money managers to offer, in the early days of on-line brokerage, separate sales channels for young, technoliterate customers and older, high–net worth customers. The transaction costs for the older customers were higher on a trade-by-trade basis, but those customers had free access to research and advisory services. The arrangement initially made sense: Merrill Lynch and other leading firms in the industry had held focus groups in which older, affluent customers said they had no interest in learning to trade online. The problem was, they did learn. And soon enough, the money managers saw activity and amounts invested in those accounts decline, with an attendant dip in account profitability. The full-service customers were taking advantage of the company's advice and research, then making trades elsewhere on the cheap.

The Unfettered Customer

As the financial services industry's experience makes clear, expecting discrete channels to serve static segments is no longer a sensible or sustainable option. For a variety of reasons, customers have become detached from the channels that used to claim them. First, they've become more adversarial shoppers. They've been conditioned, largely by discounters like Wal-Mart and warehouse clubs, to hunt for bargains more aggressively. Second, as customers become more sophisticated about how companies market to them, they've become more strategic. For example, studies have shown that holiday shoppers tend to buy later and later with each passing year, factoring in the probability of eleventh-hour sales. Finally, customers are better equipped with information and technology to make advantageous decisions. Companies are newly naked; their products' quality, availability, and prices have become transparent, and any shortcomings are instantly broadcast to the world. Sophisticated tools are readily available to conduct on-line price searches, identify the criteria by which to select products (for example, average maintenance costs or energy efficiency ratings), and gain access to experts in virtually any field.

Meanwhile, of course, channels have proliferated. The marketer who once sold through a chain of specialty stores now also has a Web site and often a catalog—not to mention several factory outlet stores. A few years ago, the conventional wisdom was that we were seeing a Cambrian explosion of sorts, which would be followed by a shakeout, returning us to a smaller number of channels. But that hasn't happened, and it no longer appears that it must. Consider the situation in consumer banking, where the advent of a new channel, the automated teller machine, was expected to mean that the conventional channel, the branch location, would wither away. Instead, the industry saw not a shift of transactions from one channel to another, but an explosion of transactions in both of them. In the past decade, the FDIC reports, the number of bank branches in the United States rose by 29%, right alongside increases in on-line banking

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and ATM use.

The net effect is that today's unfettered customers shop differently. They know they have many channel options, and that at various points in the buying process they will be better served by one or another. Marketers, of course, have long thought of the buying process as having stages. Most customers typically progress through five predictable stages. First, potential buyers gain *awareness* of the product or service and recognize a need for it. The second stage is *consideration,* in which the now-motivated shoppers seek information about the available alternatives. Third, the shoppers evaluate the alternatives and arrive at a *preference*. Fourth, they decide where and how to *purchase*. And finally, the customers consider whether any *postsale service* will be required and whether the seller deserves repeat business.

The time and effort the buyer expends at each stage of the process depends on factors such as the nature of the product, the perceived risk, and whether this is an initial or repeat purchase. And naturally, individual consumers progress through the stages in a different way than business buyers do. But this is a fair depiction of a generic buying process, involving a spectrum of value-adding—and potentially value-poaching—activities by buyers and sellers.

What makes shopping behavior new and profoundly challenging is that customers today are no longer marching through those five stages in the context of a single channel. Instead, they are using all the available channels, entering different ones to fulfill their needs at different stages.

Whether they are consummating their well-researched champagne purchase at Costco or picking out a mobile phone at a mall kiosk, shoppers are routinely unbundling the offerings in any given channel. They are breaking apart integrated product-service packages and then cherry-picking—that is, taking advantage of up-front information and support—without making the purchase the company counted on to subsidize them. Customers are no longer mindful of channel boundaries—and you shouldn't be either. Instead, they are mindful of the value of individual components in your channels—and you should be, too.

A New Logic for Channel Strategy

Demographic segmentation can still tell you what people buy: Few middle-aged men buy Diesel jeans; few adolescents beg Mom to buy Dockers. But demographics no longer tell you how people shop. So it's a poor basis for channel design.

The only rational basis for channel design today is aggregate buyer behavior embodied in the entire buying process. Only by looking at how customers actually behave throughout the entire buying process can you see whether you (and your allied channel system partners) are offering everything customers need. And how do you get a handle on your buyers' behavior? First, you use standard market research tools—surveys, focus groups, and observation—to discover how different customers go about shopping for, purchasing, and then owning what you sell. (Make sure you study not only the people who buy from you but also the ones who get away.) How do they usually become aware of new offerings like yours? How do they get the information they need to narrow their choices? Where do they like to buy?

You will likely discover that there really are only a few common behavior patterns. Henry Assael, a professor of marketing at New York University's Stern School of Business and an expert on consumer behavior, believes that, in many markets, buyers fall into four major behavior-based categories. We have adapted Assael's useful typology to illustrate a set of key consumer behaviors that can help you understand the actual shopping behaviors of your current and potential customers.

- **Habitual shoppers** tend to purchase from the same places over and over again in the same manner;
- **High-value deal seekers** know their own needs and channel surf a great deal before buying at the lowest possible price;
- **Variety-loving shoppers** gather information in many channels, take advantage of high-touch services, and then buy in their favorite channel, regardless of whether the price is the lowest available; and
- **High-involvement shoppers** gather information in all channels, make their purchase in a low-cost channel (after adjusting for risk), but then avail themselves of customer support from a high-touch channel.

These groups have no standing membership. A customer that behaves one way for one purchase may behave in a very different way the next time. He or she is sometimes intent on amassing a great deal of product information and sometimes not. The customer sometimes seeks personalized advice and sometimes doesn't. What he or she does in any particular case may certainly depend on the product or service in question; for example, a big-ticket item may naturally call for a more rigorous evaluation of alternatives. A buyer may have more access to global sources of information and supply for some products than for others. But buying behavior also depends on the shopper's particular circumstances: Is it an impossibly busy day, or perhaps a week in which the customer is feeling flush? Finally, a buyer wears different hats at different times. He or she may shop differently for airfare and hotel accommodations when the travel is for business rather than when it's for a vacation.

For illustration purposes, we developed the exhibit "Four Kinds of Buyers" to outline the behaviors that each of these four kinds of shoppers might demonstrate throughout the five stages of the purchasing process. This is not to suggest that your customers will invariably fall—let alone fall equally—into these categories. Think of the categories as a set of hypotheses to test as you research your own customers' behavior.

You may find that significant numbers of customers land in behavior segments you never imagined—and that you have not yet targeted. For example, one study of brand loyalty for major household appliances found that 15% of appliance sales are habitual (another 12% are nearly habitual). Another study reported that 17% of French car buyers always purchase from the same makers. But what are

Four Kinds of Buyers

	Stages of the Typical Purchasing Process				
	Awareness (recognize need) →	Consideration (search for information) →	Preference (evaluate alternatives) →	Purchase (decide what to buy & when) →	Postsale service (postpurchase)
Habitual shoppers	• Run out of a product	• Use only information provided or easily available • Discover new products in passing	• Fall back on long-held preferences • Are brand loyal but susceptible to change	• Are reminded • Are both planned and unplanned • Are inertia driven	• Perform only moderate evaluations, unless switching brands
High-value deal seekers	• Recognize need based on life event or external influence (like a salary increase)	• Trust retailers • Rely on sales assistance	• Seek out advice of friends • Use brands to form judgment	• Wait for the "right" time, like a limited-time sale • Are often driven by need	• Perform significant reevaluations after purchase • Are likely to exhibit or have buyers' remorse
Variety-loving shoppers	• Shop as entertainment	• Perform on-the-spot comparisons • Look for sales	• Choose spontaneously • Must have minimum standards met • Are willing to try product	• Buy on impulse or on suggestion	• Evaluate selves as astounded or disappointed
High-involvement shoppers	• Are often driven by life goals, longtime interests • Are sometime motivated by event or influence	• Evaluate search versus needs • Consider numerous product attributes	• Seek expert advice	• Thoughtfully select time and location	• Conduct little immediate reevaluation

manufacturers and retailers of these products doing today to make it easy for these customers to simply re-up for another offering from them?

Building New Pathways

Once you understand the various paths buyers follow as they move through the purchasing process, you have the necessary insight to design profitable channels to serve them. You will probably discover that customers are exploiting resources in various channels to fulfill the different parts of the buying process. The purpose of your go-to-market strategy, then, must be to guide customers through the pathways you prefer. Those pathways must reflect your customers' behavior as they move from awareness through postsale service, but they also should influence specific choices customers make along the way. Your goal is to make it easiest for a customer to follow a path that returns more value to you than you invest to support their activities along the way.

Does this mean you own and control all the functions on that pathway? Not necessarily. It's only essential that you provide links between the activities along the pathway. For example, if you determine that the best—and probably inevitable—way that customers will compare your product with competitors' is by consulting an independent third party's Web site, why not explicitly guide people to it? You can advertise on that site, or negotiate some other kind of link, to bring them back to your domain once they decide to buy. Similarly, many companies now feature dealer or retailer locators on their Web sites to help customers make the transition from preference to purchase. Companies are creating thousands of such links. The key is to do so in a way that takes into account the buying behaviors in the various channels that customers are likely to use through all the stages in the buying cycle. The result of providing the right links is a buying process that weaves its way through multiple traditional channels, that enables customers to satisfy their needs without requiring your company to pick up the bill for fulfilling all of them.

Open or Captive Go-to-Market Systems

We've been talking about channel design as an exercise in creating pathways for customers. Some companies may still be able to do this to the extreme, essentially denying the customer any unfettered shopping. By providing strong incentives—or perhaps no choice but—to use a designated pathway, they can hold the customer captive, at least to the extent that the person wants to purchase their products or services. If you hope to pursue this strategy, you must bind together the activities in the buying process (those provided by you and those provided by channel partners) so that the customer either cannot unbundle them or will have little incentive to do so.

Most companies will need to pursue a course that is somewhere between this fully captive channel and a fully open one. In an open channel, customers pick and choose freely from the add-ons the market offers in terms of service, convenience, customization, and the like. They act as their own general contractors, combining elements from various sellers and channels on a pay-as-you-go basis. So, an open strategy means unbundling your company's offerings and choosing to deliver only what you can expect to be paid for. Deciding how open or captive your approach should be is not a trivial matter. Like all strategy, it requires making a choice of assets, skills, partners, and investment patterns and deciding how much marketing risk can be tolerated.

Toyota's approach is a good example of an open system. For most customers, buying a car requires intense involvement; people spend a fair amount of time gathering information before making a selection. Toyota recognizes this behavior by providing a link from its Web site to one operated by Edmunds, a trusted car ratings source. The advantage is clear: Customers recognize Edmunds as an objective third party—and Toyota is confident that its offerings will compare favorably to competitors'. In terms of the buying cycle we've outlined, Toyota is letting another party serve its customers' needs in the consideration and preference-building stages. Then the customers, newly informed of the detailed differences between the makes and models they're considering, are returned by Edmunds to Toyota's site to continue on to the purchase stage (presumably more comfortable with their choice of a Toyota). Toyota also supports high-involvement buyers at its Web site by allowing them to schedule test drives with local dealers and print directions to dealerships. Many franchised dealerships even let customers see what they have in their inventory on their Web sites. Some dealerships, like Boch Toyota in Boston, go so far as to display inventory with MSRP and dealer's cost information and invite the customer to make an offer on-line. It's a given that today's unfettered customers will find out the dealer's cost. The best a seller can do is to maintain a connection to the customers while they go through that process.

By contrast, consider the more captive system that Staples assembled to serve its variety-seeking customers. When customers visit a Staples store, they can purchase items in stock or use an Internet kiosk to place an order from Staples.com. If they're leery of using credit cards on the Internet, they can order on-line at the store, print out a bar code receipt, and pay in person. The stores also have copies of Staples' catalog on hand, which customers can take and later call, fax, or use their own computer links to order goods from home. Staples has invested a lot in its back office to support this more full-service channel for good reason: It holds on to the customer. Staples' revenues rose 30% in fiscal year 2002.

Toyota and Staples have made different choices about how to deal with increasingly unfettered customers. In each case, traditional channel logic would have suggested that the company target certain defined customer segments (in-store versus on-line, for example) and then, in accordance with these supplier-driven designations, construct a direct, indirect, or possibly hybrid channel for each segment. Instead, recognition of how their customers, in aggregate, behave while shopping (and also certain product and logistical characteristics in each company's marketplace), led Toyota and Staples to design pathways that would serve buyers' needs.

What Are You Capable of?

How do you design the best go-to-market system for your company? The process should be driven by two fundamental questions. What variables must be considered in selecting or devising the most efficient channel to the market? And what are your company's inherent strengths?

The first question is one that has been addressed repeatedly in the management literature of channel design. Many aspects of product and market structure have been shown to influence which features a channel requires. Of these, four are especially relevant to the "open versus captive" decision.

Level of Product and Service Integration. There are products and services that inherently need technical or other adjustments to fit the customer's buying requirements. Some products need to be customized (like a tailored suit or a remodeled kitchen) and others need a lot of servicing after they've been purchased (like a car or a computer). The more tightly bound the owning experience is to the buying experience, the more a captive system makes sense.

Assortment Requirements. The customer's desire or need for a broad range of complementary products or services (one-stop shopping) when purchasing your company's offering will affect your ability to create a captive channel. When assortment is important, relatively open systems are essential.

Product Availability. Some customers, after shopping and purchasing, have an ongoing need for readily accessible spare parts or supplies. When you need to satisfy customers who cannot predict how much of your product or service they will require, want to be able to buy the product locally, and need to replace spare parts immediately, then you'd do well to set up an open system.

Product Quality Assurance. Basic product quality is always important to your customers, but it is not always critical to their actual buying behavior. Depending on the consequences of product failure, customers will accept different degrees of product reliability (and many customers will not pay for quality they don't need). When product quality assurance is essential, however, then relatively captive systems (that offer direct connections to the product supplier) are often called for.

Once you have determined, based on the fullest possible profile of your customers' buying behavior, whether to go with an open or a captive system, the second question—about your company's inherent strengths—will determine what your role in that system should be. Is your primary competitive advantage a unique product or a process competence? Or is it the strength of your customer relationships? Depending on the answer, your best channel strategy will take one of four basic forms.

Specializing in One Phase of Distribution. If you choose to participate in an open channel, and your company's competitive advantage comes from products or process competence, you should aim to be the best in one stage of the buying process, while building links to as many other function providers as possible. Companies choosing to concentrate in this way include payment enablers, such as American Express, Visa, and MasterCard, and fulfillment providers, such as FedEx, UPS, and the U.S. Postal Service. In the travel services industry, Sabre and Apollo are examples. They have applied their airline-reservation capability to hotel and car-rental reservations. By concentrating on that single function, they have become dominant travel-reservation systems.

Coordinating the Information Flows of Many Specialists. If you choose to participate in an open channel, and your competitive advantage comes from customer relationships, you can be the one to bring the marketplace to the customer's door. This strategy works particularly well when there are many undifferentiated competitors playing the same channel roles, when cooperation among players supporting the various channel activities is low, or when the channel requires variety. For instance, consider 1-800-Flowers and the on-line gift-seller Send.com, which, like FTD before them, have built a global brand around coordinating the activities of thousands of independent service providers. In travel ser-

This Isn't Just About the Internet

It's tempting to look at the strategies shoppers are now applying and say, "The Internet is responsible for all of this." But the Internet has not "changed everything." All it has done is accelerate and make more visible a process that has been under way for a long time.

Back in the 1930s, when the telephone was being rolled out across the United States, the popular business press trumpeted the "death of the middleman" and the ascendance of what we would now call networked buying cooperatives. Similarly, in the 1950s, when the national highway system was being built, pundits again proclaimed the demise of traditional channel functions. Wholesalers were expected to wipe out retailers as people began to drive for miles to get the best prices. Then, in the 1990s, when the "information superhighway" captured headlines in the business press, disintermediation was again the standard analysis.

At the height of the Internet boom, auto dealers were the most often cited example of a channel destined to be blown to bits. "No more green plaid jackets!" was the shorthand for inevitable disintermediation. Indeed, as consumers increasingly use on-line tools to compare prices, availability, option packages, and financing terms before shopping at traditional auto showrooms, dealers' margins have declined (though not as steeply as auto manufacturers' margins). But this erosion started many years ago, when the interstate highway system made it easier to compare and negotiate prices at dealerships miles apart. That information arbitrage on the part of unfettered customers is only enhanced, not created, by the Internet.

What lessons can we take from this abbreviated history? First, as we've heard it put, "You can eliminate the middleman but not the middleman's function." There are scores of detailed functions in a channel, but it's useful to consider six core roles of channel participants:

- **Market makers** aggregate buyers and sellers, as eBay does;
- **Buyer agents** help customers assess their needs and evaluate sellers' offerings, as auto dealers still do through a combination of high-tech and high-touch services;
- **Seller agents** help manufacturers promote and place their offerings into channels;
- **Payment enablers** facilitate settlement and risk management activities, as credit card companies have done for decades;
- **Fulfillment providers** include not only physical distribution but the information-based coordination activities that support distribution, as the evolution of FedEx, UPS, and others demonstrate; and
- **Context providers** create the environment in which commerce is conducted, from mall managers to on-line portals.

So, strategists gauging the impact of new technologies on channel activities should keep their eyes on the functions, not on the technology.

Second, business obituaries can be misleading: It is simply not true that e-commerce is disintermediating most traditional channel providers. Instead, like all new tools for buying and selling, the Internet is redistributing channel activities. For example, airline-ticket delivery has shifted from mailed paper tickets to printed e-mail tickets.

New groupings of channel activities are emerging from this redistribution, and many of them are being driven by the value of information. And, because of their traditional position in the channel as the information brokers between multiple sellers and buyers, intermediaries are often in a better position to perform these activities than either their suppliers or the individual customers are.

Finally, in a free market, channels are ultimately driven by customer behavior and not the other way around. The Internet has not changed that. But it has provided customers with another powerful means for dynamic buying behavior. Understanding that behavior is crucial to establishing a coherent go-to-market strategy.

Never get between your customers and the way they want to shop.

vices, Carlson Wagonlit has done the same with its franchises of travel agencies, as has Re/Max with its network of more than 4,500 independently owned real estate offices. Similarly, the National Automobile Dealers Association has launched DriversSeat.com, which has organized more than 19,000 dealers and their inventories to make more than 1 million cars available to buyers on-line and improved working capital management and inventory turnover.

Combining Several Channel Roles. If your customers are buying through a captive channel, and your competitive advantage comes from product or process competence, you may be able to deliver a set of activities that is more valuable than the sum of its constituent parts. Your company can also justify developing or acquiring additional capabilities if that will create new synergies in your channel, efficiencies of scale, or effective use of cross-subsidies.

In retail, for example, Williams-Sonoma has incorporated and executed its cross-channel selling strategy so well that its sales are now split roughly 60/40 between its retail operation and its on-line and catalog sales. More important, it continues to find ways for its investments in each of these channels to drive results in the others. For example, the company values and deliberately uses its catalogs not simply to sell products directly but to bring the company to the attention of new customers, to serve as continued in-home advertising, and to suggest new locations for its physical stores.

In travel services, this integrative approach was once used by independent travel agents that served both as the customers' agent, by providing trustworthy travel advice, and as the travel service providers' agent, by determining which offerings customers were exposed to. Today, this strategy is used by airline direct-call centers to combine the roles of market maker, buyer agent, and seller agent for travel offerings that range from simple plane fares to custom vacations.

Exploiting Customer Relationships. If your customers are buying via a captive channel, and your competitive advantage comes from your customer relationships, you still may be able to specialize in a particular channel role—even if you lack superior process efficiencies. In certain channel environments, it can be profitable to focus on particular activities that tightly control important relationships; for example, leveraging customer relationships like America Online and other portals do by providing context or like eBay does by making markets. In travel services, on-line market makers such as Travelocity and Expedia are attempting to control the channel in a similar way, by locking in a loyal customer base of Internet users and then selling access to those users through the advertisements and offerings that appear on their sites.

Making It Work

Implementing your chosen strategy for dealing with the unfettered customer will require substantial changes—and not just in the way you interact with consumers, business partners, and intermediaries. Your internal transactions—between the different functional and business units in your own organization—will also need to change. Our experience indicates that the latter is often more difficult than the former. One executive has likened the internal challenge to what he calls the Noah Principle: Predicting rain doesn't count; getting everybody on board is the challenge. To do so, companies must focus on the following goals.

A Shared Understanding. Many people and groups in your organization deal with customers throughout the marketing and purchasing cycle. Do they share a sense of how customers are buying—and how the company is going to market? At Staples, the company's advertising slogan helps reinforce the strategy internally as well as promote its value proposition externally. It used to be, "Yeah, we've got that." But now that the company has so thoroughly integrated its on-line and off-line channels—giving customers the benefit of a greater assortment without having to stock every SKU on a given store's shelves—the message has been changed. The new slogan is "Staples. That was easy." It helps employees remember that each go-to-market channel must complement and back up the others. Conversely, language that pits bricks-and-mortar against dot-com channels often creates internal competition that hinders companies from dealing productively with unfettered customers.

Cross-Channel Performance Metrics. Companies that reorganize to serve unfettered customers will need to rethink the metrics they use to measure and evaluate performance.

Some companies will find it less meaningful to track market share, for example, than to measure share of individual customer purchases—a measure that counts participation in all channels. Merrill Lynch, in changing its go-to-market approach to deal with unfettered customers in its brokerage business, adopted a fee-based pricing structure. The firm now tracks its share-of-wallet much more closely. Most companies would benefit from developing a metric that tracks the total cost to serve customers as they move from one channel to another. Adding an Internet channel may well increase the cost of goods sold through traditional channels (because customers browse in them but then buy on-line). That shouldn't matter, if the total cost to serve the customer for both channels is lower than it was before. But it *will* matter, if, thanks to the performance metrics you have established, business managers focus on the profitability of each isolated channel.

Naturally, the design of metrics also has implications for compensation and incentives. More companies will have to become comfortable with "paying twice for the same sale"; that is, with allowing participants in different channels to share credit. The desire to keep incentive systems simple is understandable, but it can be counterproductive when buying behavior is anything but simple. Once a company gains a clear understanding of the total cost-to-serve throughout the entire marketing and purchasing cycle, it becomes possible (and vital) to give full credit to multiple channels.

New Management Information. Of course, to serve customers across channels you need to be able to see across the channels. Tracking purchasing behavior and total cost-to-serve requires accurate and timely information. Last year, the Gap gained new insights by enlarging its customer e-mail databases and combining its on-line and in-store customer research. As a result, on-line surveys now help shape the product selection available in retail stores, and in-store customer surveys help the Gap create targeted e-mail campaigns. The company credits this information with improving overall sales revenues but finds it especially effective in encouraging repeat purchases and improving conversion rates. Similarly, British food retailer Tesco, by using frequent-shopper cards to gather data about the ongoing purchases of 7 million customers, has generated new management information that enables it to update its marketing programs weekly, in light of shoppers' changing behavior, always catching customers where they live, so to speak. In the past five years, Tesco has become the number one food retailer in the United Kingdom, primarily by upgrading its information capabilities and then analyzing and embracing the implications of dynamic buying behavior among its customers.

Targeted Education and Learning. Some companies, such as BellSouth, use internal management and leadership-development initiatives to foster the language and mind-set required to deal with customers in multiple channels. Training programs for senior marketing managers set aside time to address these exact issues and, in the process, signal that the organization seeks to develop a sales and marketing approach that can deal with cross-channel consumer behaviors. These programs also become a forum in which different product groups can communicate with each other and with sales executives about what is and is not happening in the different channels and business units.

Education in other companies is aimed at overcoming old habits and prejudices. Dell, constantly cited as the paradigm of the direct-business model, faced an internal education challenge when it started placing kiosks in Sears stores. The kiosks are designed to reach into the retail channel and grab shoppers that Dell characterizes as "direct-averse." But initially, they were viewed as heresy by many employees. Management couldn't afford to ignore this source of resistance. Instead, the company designed programs to educate managers about the limits to growth in the direct model, as well as the options and the opportunities in expanding upon Dell's traditional go-to-market system.

Wisdom from Across the Channel

Competition today exists not between single companies but between channel systems. If a channel is underperforming, it's everybody's problem—not just the problem of the player who happens to be bearing the immediate brunt of the value poaching. Buyer behaviors, then, and the channel design that will serve them, must be a focus for all channel partners.

All channels are negotiated arrangements between essentially warring parties—producers, distributors, and retailers who may have some goals in common but others that conflict. Introducing change calls for a certain amount of statesmanship. Perhaps, then, it's appropriate to end with three of our favorite political axioms, which have been variously attributed to Baldwin, de Gaulle, Talleyrand, H.L. Mencken, and others—testimony, perhaps, to their relevance to diverse personalities and organizations. First, "Never get between a dog and his favorite lamppost." Second, variously attributed, but perhaps said by Charles de Gaulle: "Always keep an in with the outs—because you never know when they'll be in again." And third, from Charles-Maurice de Talleyrand: "The art of statesmanship is to foresee the inevitable and to expedite its occurrence."

In a similar vein, let us offer this parting advice. Never get between your customers and the way they want to shop. Conventional channel logic too often tries to force buyers into channels rather than create channel pathways that suit customers' preferences.

Keep an in with all your outlets. Try not to be too rigid about channel structures and the components therein; behaviors that go out of favor, like in-store shopping, may quickly return (when, for example, sales taxation catches up with Internet sales).

And finally, accept that unfettered customer behavior is inevitable—and therefore that you should act sooner rather than later to rethink how you go to market. If you start working now to group your customers by their purchasing strategies, and to build organizations that meet those strategies head-on, you'll have a much better chance of coming out ahead when the inevitable occurs in your market.

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