Proceedings of The AMA SERVSIG Services Research Conference, Reims Management School, Reims, 13-15 juin 2003

NEW DISTRIBUTION CHANNELS IN SERVICE FIRMS : MARKETING AND ORGANIZATIONAL CONSEQUENCES

Isabelle LEFEBVRE - CREPA
ATER - Université Paris IX-Dauphine
Place du Mal de Lattre de Tassigny
75775 Paris Cedex 16
(01.44.05.47.39
isabelle.lefebvre-cornu@dauphine.fr

Loïc PLÉ – CREPA
Université Paris IX-Dauphine
Place du Mal de Lattre de Tassigny
75775 Paris Cedex 16
And :
ATER - École Supérieure des Affaires de Lille 2
1 Place Déliot, BP 381
59000 Lille Cedex 1
(03.20.90.77.02
lple@club-internet.fr

Abstract :

This paper aims at showing marketing and organizational impacts of the diversification of distribution channels, i.e. interfaces between distributor and consumer, on the service encounter between customers and a service firm in retail banking. Interactions between branches, the outgoing call-centre and the incoming call-centre are scrutinized. Our study highlights four main results : (a) New distribution channels use is linked to customer profile, and lack of customer capacity to participate is a major restraint to customer willingness to participate. (b) New distribution channels favour potential customer opportunism for a limited number of customers. Two forms of opportunism are shown: active and premeditated opportunism versus the incoming call-centre, "spontaneous" or "incident" opportunism when called by the outgoing call-centre. (c) To limit potential opportunism, the bank insists on formal coordination mechanisms: process standardization, qualification standardization, direct supervision. (d) the customer acts as a "perception filter" between the different channels employees. The customer's actions modify - positively or more generally negatively - the internal perception of branch sales people about their colleagues working in the call centre.

Keywords : distribution channels ; multichannel distribution ; intra-organizational coordination ; opportunism ; retail banking sector.

INTRODUCTION

A growing number of research have underlined the impacts of Information and Communication Technologies (ICT) on both firms strategies and organizations: development of Computer Supported Cooperative Work (CSCW), changes in the relationships between a firm and its stakeholders, new communication and distribution media… These transformations seem to affect the entire value chain.

As far as we are concerned, we decided to focus on the consequences of the emergence of new distribution channels in service firms in a B-to-C context, thanks to the development of ICT. First, we find it necessary to specify how we define a "distribution channel" in this paper. A definition commonly admitted in marketing literature is "*a set of interdependent institutions and agencies involved with the tasks of moving anything of value from its point of conception, extraction or production to the point of consumption*" (Stern, El-Ansary & Coughlan, 1996: 8). But a distribution channel may also be "*the interface between a provider/distributor and a consumer*" (Filser, 1989: 151), i.e. where the customer interacts with the service firm. This definition is the one that will be used thereafter.

More exactly, we are going to focus on the service encounter, defined by Salomon *et alii* as "*face-to-face interactions between a buyer and a seller in a service setting*" (Solomon *et alii*, 1985: 100). This implies that this encounter is located at the distribution channel level. During this encounter, the customer does participate in the service, and may act as a co-producer of the service (Eiglier & Langeard, 1977; Chase, 1978; Kelley, Donnelly & Skinner, 1990). However, within our framework of the development of new distribution channels, i.e. new interfaces between a service firm and its customers, there are now multiple encounter points. More precisely, in order to get a service, a customer can use one channel or another. For example, to reserve a vacation, nowadays, a customer may either decide to go to a travel agency, phone a call-centre, use an internet site, or even use an interactive television program.

Among many sectors, retail banking is widely impacted by these new distribution channels. Indeed, beside the historical and usual branches network, a customer can now access his bank through most sophisticated call-centres, mobile services, Internet Web sites, interactive television services… This is usually referred to as a "bricks and clicks" (Hensman & Van den Bosch, 2001), or a "clicks and mortar" strategy (Pottruck & Pierce, 2000). These transformations are profoundly changing the way a consumer interacts with his bank, and raises many questions that get on to marketing and organizational consequences of the introduction and development of these new channels.

So, based on literature and a case study, three research questions will guide our further developments. The first one deals with the characteristics of the customer (his/her profile) and the practical details of his participation in the service. The second one will focus on the risk of potential opportunism (as defined by Williamson) on behalf of the customer, opportunism that may result from the multiplication of distribution channels. And finally, we will try and identify how a multichannel distribution system is coordinated.

LITERATURE REVIEW.

The customer as a "partial employee" (Mills & Morris, 1986).

Chase (1978) negatively linked efficiency and contact level between customers and service providers, contact being understood as physical presence. We can not help that this rather limited definition of "contact" has evolved, due to the emergence of new contact possibilities, and more precisely in our study with new distribution channels. His first proposal was to reduce customer contact whenever possible, and develop technological answers. Then, in a 1983-article with Mills & Marguiles, it has been assumed that besides improving productivity by technological means, having the customer "*induced to do more in the transaction*" (: 302) could be useful.

Therefore, to improve contact efficiency for the service firm, the emphasis has been set on customer role(s). Mills & Morris (1986) wrote a development about clients' evolution as "*partial employee*" of a service firm. Customer participation was considered as a need and "(a)s *active participants, clients and customers must acquire the knowledge, skills and dispositions*" to be able to perform properly.

So, the customer can be considered as a factor of productivity improvement for the service firm, if his / her participation is facilitated by being properly addressed (Lovelock and Young, 1979), motivated (Mills, Chase & Marguiles, 1983) or managed as a "*human resource*" (Bowen, 1986). This interest has been strengthened, with the evolution of private individual customers, during the last thirty years, from *"passive audience"* to *"active players"* (Prahalad & Ramaswamy, 2000). Bitner et al. (1997) stressed the importance of effective customer participation in quality evaluation of the service. Therefore, Customer Participation (CP) also deserves a broader interest. We can define CP in reference to "*the actions and resources supplied by customers for service production and/or delivery*" (Rush Rudie & Schultz Kleine, 2000).

CP is linked to the customer ability and motivation (Bowen, 1986) or willingness (Rush Rudie & Schultz Kleine, 2000) to perform as expected. Customer ability to participate depends on the customer resources to fit the required level of participation. These resources can be either physical, cognitive, or emotional. Customer willingness or motivation to participate is function of his/her expectations about increased effectiveness, increased efficiency or psychological advantages due to his /her participation. Customer ability and motivation are to be studied within the frame of a given role size, (Rusch Rodie & Schultz Kleine, 2000) i.e. proportion of service produced by customer vs. proportion produced by the company. This rate strongly varies according to the service type.

This leads us to our first hypothesis :

H1: The participation of the customer is linked to some of his / her individual characteristics.

Co-production, uncertainty and opportunism.

A consequence of customer participation in the service is that it is a major source of uncertainty. This participation actually is far less controllable by the firm than the one of its employees. So the more actively the customer participates in the creation of the service, the greater the uncertainty linked to his participation.

Although uncertainty can be defined in many different ways, literature highlights information as one of its most important characteristics (Argote, 1982 : 420; Larsson & Bowen, 1989 : 216). Galbraith wrote that uncertainty is "the difference between the amount of information required to perform the task and the amount of information already possessed by the organization" (Galbraith, 1973: 5). Argote then operationalizes the concept at the interface client / service organization level, within the framework of medical emergency services. She notes that "*input uncertainty stems from the external environment with which the various units are in continuous contact, yet it has an immediate impact on the tasks that the units perform*" (Argote, 1982: 422). Transposed onto our research, this means that tasks accomplished by salespeople working on distribution channels, be they considered independently or gathered inside a distribution network are linked to customers' actions to co-produce the service. This uncertainty is usually measured in terms of variety of customers demand, and degree of willingness to participate in the service (Larsson & Bowen, 1989). Among these actions, is also the transmission of information from the customer to the company. For example, this information may be about the customer personal situation (age, revenues, matrimonial situation…), his expectations about the service…

Yet transmission of this information may be against the customer's interest. In this case, it would lead to a situation characterized by uncertainty, due to an asymmetry of information. For example, to get a loan, a customer may prefer not to tell the truth to the adviser, e.g. about the level of his debts ; or a customer who wants to insure his car may lie about the number of his previous accidents., So, in other terms, customers may adopt an opportunistic behavior, as defined by Williamson (1985): "*self-interest seeking with guile. This includes but is scarcely limited to more blatant forms, such as lying, stealing and cheating. Opportunism more often involves subtle forms of deceit*" (: 47).

What we mean is not that all the customers will display opportunism. In fact, we just want to insist on the **risk** of opportunism, that has to be taken into account by a service firm when developing new distribution channels. In effect, some customers may be tempted to use the multiplication of distribution channels to get from one channel something that may have been refused by another. Let us use an example to support what we're suggesting. A customer calls the call-centre of a hotel chain, in order to reserve a room for two nights. A this very moment, he tries to get a 20% discount, but this rebate is refused by the tele-operator. So the customer makes a full-price reservation. But when he arrives at the hotel, he claims that this 20% discount had been agreed upon when he reserved the room, and refuses to pay full price. What can (or must) the receptionist do ? Imagine the company has implemented a quality and satisfaction program. If the customer had really negotiated this discount, then his satisfaction will be lower if he finally does not get it, meaning there is a risk for the company to lose the customer. So in the end, the receptionist may believe the customer, think that there really was a problem during the reservation process, and finally grant him his discount.

So our second hypothesis is :

H2 : The development of new distribution channels favours potential customer opportunism.

Following this second hypothesis, we want to insist on the fact that this opportunism is but mainly potential, and not necessarily effective. This point is noticed by Williamson (1985): "*I do not insist that every individual is continuously or even largely given to opportunism. To the contrary, I merely assume that some individuals are opportunistic some of the time and that differential trustworthiness is rarely transparent ex ante*" (: 64).

The coordination of distribution channels.

We are in a situation of cooperation between the customer and the service firm to produce the service, and we postulate that, during this cooperation, some customers may be opportunist. According to Williamson (1985), "*those who would have cooperative succeed must, of necessity, make organizational concessions to the debilitating effects of opportunism.*

Viable cooperatives will attempt to screen against, socially recondition, and otherwise penalize opportunistic invaders" (: 65). This does explain the need for companies to set up organizational safeguards, protecting them from both opportunism and the resulting uncertainty.

Moreover, the introduction of new interfaces between the customer and the firm, as a supplement to an existing distribution channel (e.g. Internet and call-centres in addition to a pre-existing retail outlet network) might create interdependencies between these entities, depending on the strategy of the firm (Gulati & Garino, 2000). Here we consider the case when these channels are indeed interdependent, as in retail banking, the insurance or travel industry for example. So these interdependences have to be managed, which relates back to the definition of coordination, since it is "*the management of dependences between activities*" (Malone & Crowston, 1994; Crowston, 1997), which occur when "*actions taken by one referent system affect the actions or outcomes of another referent system*" (Mc Cann & Ferry, 1979). So managing these interdependences means implementing coordination mechanisms between these channels. These coordination mechanisms can also be seen as the organizational safeguards previously mentioned, needed to counter the negative effects of potential opportunism.

Which coordination mechanisms ?

March and Simon (1958) have first proposed two coordination modes: by plan and by feedback (: 160-161). Coordination by plan is "*coordination based on pre-established schedules*", a schedule being defined as "*a plan, establish in advance, that determines what tasks will be handled and when*" (op.cit.). Among them are rules, organizational procedures, plans, information and communication standardized systems,… But not everything can be anticipated in the schedule. In this case, there is a need for a "*coordination that involves transmission of new information coordination", labelled coordination by feedback*" (op.cit.).

Based on this typology, Thompson (1967) identified three coordination mechanisms in a firm. The first one is standardization, which "*involves the establishment of routines or rules which constrain action of each unit or position into paths consistent with those taken by others in the interdependent relationship*" (: 56). Standardization "*requires that the situations to which they apply be relatively stable, repetitive, and few enough to permit matching of situations with appropriate rul*es" (op.cit.). The second coordination mechanism identified by Thompson is coordination by plan, that "*involves the establishment of schedules for the interdependent units by which their actions may then be governed*", and that "*is more* *appropriate for more dynamic situations* [than standardization]" (op.cit.). The last one is coordination by mutual adjustment, and it "*involves the transmission of new information during the process of action*" (op.cit.). Even though it seems close to March and Simon's coordination by feedback, Thompson notes that in Simon and March typology, "*the term "feedback" has gathered a connotation of super / subordination*", even though "*coordination by mutual adjustment may involve communication across hierarchical lines, but it cannot be assumed that it necessarily does*" (: 56).

Finally, based on these works, Mintzberg (1979; 1980) proposed a typology of five coordination mechanisms: direct supervision; standardization of work processes; standardization of outputs; standardization of skills; mutual adjustment.

Intra-organizational coordination : a contingency perspective.

These studies, as well as many others that followed (Van de Ven, Delbecq & Koenig, 1976; Malone & Crowston, 1994; Crowston, 1997; Adler, 1995, etc…) belong to a contingency perspective of coordination. The aim of this perspective is to identify the best structural structure for an organization confronted with specific conditions (Mintzberg, 1979).

For example, March & Simon (op.cit.) link the stability and predictability of the situation a task takes place into with the two kinds of coordination previously presented. For these authors, "*The more stable and predictable the situation, the greater the reliance on coordination by plan; the more variable and unpredictable the situation, the greater the reliance on coordination by feedback*" (: 161).

Then, Thompson suggests that three types of interdependence can be identified between an organization's units: pooled, sequential and reciprocal interdependence (Thompson, 1967: 54). For each interdependence, there is an appropriate type of coordination : pooled interdependence is best coordinated by standardization ; sequential interdependences are best coordinated by plans; and finally, reciprocal interdependence requires coordination by mutual adjustment (: 56).

Within this contingency perspective, other scholars studied the impact of environment on the choice of the organization structure. Such was the aim of Lawrence & Lorsch, who showed that the more instable and complex an environment, the more mutual adjustment is resorted to, whereas the more stable and certain the environment, the more direct supervision and standardization are resorted to (Lawrence & Lorsch, 1967).

As far as we are concerned, we will focus on the environment of a distribution channel, which will voluntarily be reduced to the customers interacting with a distribution channel. Whereas he is a co-producer of the service, the customer also acts, in a certain way, as a "screen", or a "filter" between two distribution channels, because of his potential opportunism (as in the room reservation example we used earlier). So, in a way, what we propose here is a contingency bound up with the role of the customer as a co-producer of the service (and more exactly with the customer potentially being opportunistic).

Customer opportunism and its impacts on intra-organizational coordination.

We mentioned earlier that, in a theoretical perspective, the more potentially opportunistic the behavior of the customer, the more organizational safeguards the firm will have to set up (Williamson, 1985: 48). More particularly, these organizational safeguards may be coordination mechanisms that would enable salespeople working on different distribution channels, on the one hand to discover an opportunistic behavior, and on the other hand, to manage it and prevent its negative consequences for the company. Consequently, it is highly probable that these coordination mechanisms will essentially be formal (close to coordination by plans, as defined by Simon and March), e.g. a common information system with all the transactions the customer made, whatever the channel he has used. In addition to this information system, would be organizational procedures salespeople would have to follow in case of identified or suspected opportunism from the customer.

So these last theoretical developments lead us to our third hypothesis :

H3: To limit the customer potentially opportunistic behaviour and its negative consequences on the service firm, the company would rather set up formal than informal coordination mechanisms.

EMPIRICAL RESEARCH.

Presentation.

We decided to study the retail banking sector, that has undergone a lot of transformations over the last few years, due to the development of these new distribution channels. Actually, the emergence of new channels such as the Internet, most sophisticated call-centres, mobile services,… is profoundly changing the French banking industry (and to a larger extent, the world banking industry), making it most interesting to study. Although the branch was the historical point of contact between a bank and its customers, nowadays customers can access many banking products and services through the aforementioned channels, such as bank transfers, checking accounts consultation, or even to take out a loan, for example.

Our data, coming from a broader research on innovation in services distribution channels, were collected in a French regional retail bank (that is part of a national one) between August and December 2001. Its customers are small and medium companies, professions and craftsmen, and private individuals. According to the theories we previously resorted to, we naturally focused on the last ones.

According to its marketing director, this bank can be qualified as "*an effective follower*" concerning new distribution channels. Although many of its French competitors had initialized the implementation of new distribution channels 2 or 3 years before, this bank has set its outgoing call-centre in 1998, its incoming call-centre in 2000; an earlier version of its Internet website had been launched around 1998, and it had been improved by the time of our study, but its traffic was still limited by then (this was supposed to quickly evolve thanks to a large advertising campaign launched during our study); and, finally, the bank also offers interactive television services, the use of which is very marginal. Therefore our study essentially focused on the interactions between what were then the 3 main distribution channels, i.e. branches, the outgoing call-centre and the incoming call-centre.

Salespeople working on the outgoing call-centre have to call either clients of the bank or prospective buyers, in order to sell them basic products or services (e.g. credit cards, or to convince the customers to increase the amount of their savings accounts), or to get appointments for branch advisers. This latter mission is possible because branch advisers have an electronic timetable shared with the two call-centres.

The incoming call-center is called by the customers using a taxed phone number. It is supposed to relieve branch advisers of basic demand from the customers, but very time consuming and not value adding (fund transfers, checkbooks orders, purchases and sales on the Stock Exchange,…). Salespeople working on this incoming call-centre may also make appointments on behalf of branch advisers if they detect a potential sale during the discussion with the customer (since they too have an access to branch advisers timetable).

So both call-centres were supposed, according to the area manager, to be complementary to the branches network, and not to replace it, but this is not an easy thing to achieve: "*The problem is to make sure that these interfaces considered as a whole are complementary, and that they do not cannibalize each other*". This is all the more important that branch advisers (one of them being quoted thereafter) are afraid of being cannibalized and to lose a part of their job: "*The branch adviser fears to be dispossessed, I would say, not of a part of his power, but of a part of his job, you know*".

Methodology.

In order to understand these interactions, and following the methodology Yin (1994) proposes, data were collected on a case study basis, that seemed to fit particularly well to the object of the study, since it is "*an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident*" (Yin, 1994: 13). This really is a characteristic feature of this research, since new channels development is particularly recent, and since this phenomenon and its context are tangled.

Given that our research dealt with the interface level between a service firm and its customers, we focused on front office employees working in branches and in the two call-centers. Indeed, it seemed obvious that they could really identify a potentially opportunistic behavior on behalf of their clients. So 25 in-depth, semi-structured interviews were conducted, divided as follows : 11 private individual branch advisers working in four different branches, plus the four branch managers (the choice of the branches had been made in agreement with the bank sales manager); 3 salespeople working on the incoming call-centrer (i.e. about one-third of the call-centre workforce); 3 salespeople working on the outgoing call-centre (i.e. about half of the workforce of this call-centre); the area manager (whom we met twice); the call-centre manager; and finally, the marketing director.

Moreover, with a view to triangulation, we got many internal communication documents dating from 1998 and 2000, corresponding to the creation of each call-centre. Among these were written notes and documents, and more importantly two videotapes especially realized for each call-centre. All of these internal communication materials were spread within the branches network so as to explain to branch advisers the goals of these two call-centres. The main message the top management of the bank wanted them to understand was that the call-centres were created in order to help them in their daily work, and, as we've already mentioned, to relieve them of basic demands from the customers.

All these data were collected between August and December 2001. Each interview was recorded, in agreement with the interviewee (this was easy once they were told that the tapes were not to be given to their manager, and that the interview was totally anonymous), then fully transcribed, and a content analysis was made. A two-pages report was sent to each interviewee within the two or three weeks following the interview, so that they validate what had been said, and eventually add complementary information. Finally, the results of the study were presented first to the area manager in March 2002, and then to the marketing director in April 2002.

RESULTS AND DISCUSSION.

Here we are going to present and discuss the results of the study. First, we will verify the validity of our hypotheses. Then, we will also present a result that emerge from the analysis of the interviews, and that was not anticipated on the basis of our literature survey.

Hypothesis 1.

At first, we shall specify the role size of the customers, since this can be considered as a contingent data. In our study, the customer role size is important, since they have to change their habits, at least agree to speak about money on the phone, with someone who is not their own branch adviser. It is not that obvious for the customers of this bank, as we'll see later when considering the customer's profile.

The organizational context in branches of this bank must be stated: three different salespeople serve different kinds of customers. At first, there are patrimonial advisers, who are generally older than their colleagues, and usually spent a long time (up to 30 years) in the banking sector or even in this bank. They serve wealthier customers, who are interested by a large range of financial products, and are generally older than the average. Then, there are two levels in the "clientele advisers" (as named by the bank) hierarchy in this bank. On the first level are advisers who have either young (less than 25 or 30) or not very wealthy customers. These advisers are younger (less than 30), medium academic degree, and don't often have the opportunity to sell sophisticated products. It's a first step for most of them. The second level is mostly composed of advisers coming from the first level, or who have a higher academic degree. Their customers are well-off, but not wealthy, and most of them are between 25 and 50. Finally, one can also specify the case of branch managers' customers, who are directors of small or medium firms, regarding their enterprise and their personal accounts. But of course, each branch manager has very few customers, since they also have to coordinate, train, boost… their teams. This frame being given, we expected customer segmentation versus customer participation, emerge from interviews, and 3 criterion arise from the talks.

The first criterion we identified is the age of the customer. The advisers perceive differences in new channels use according to the age of customers. Older people have difficulties regarding the change: *"I have many old customers…. to require them to use the phone, that's not really obvious"*. But advisers feel future younger customers will change the trend, since they are demanding for new technologies: *"new accounts are due to young people, most of them, and young people, if you cannot offer them powerful and developed channels of distribution, they will leave"*.

The second criterion which stems from interviews is life style: it seems to be a less powerful criterion, since the older people are more concerned by this segmentation criterion. *"my customers are rather traditional, therefore they have many difficulties* [with new channels]*, except the young people"*. This bank has many branches in rural zones, and medium-sized cities, and advisers link that specific profile with their customers' reluctance to use new distribution channels.

The third emerging criterion is call frequency. This criterion is linked to emotional and reactions: customers going to or calling daily their branch adviser do not want to change: *"I call them 'my old women', it's affectionate, they won't change"*. On the contrary, people coming or calling occasionally, only to get information, are more willing to use new channels. "*occasional ones* [customers]*, yes, they call me less. Therefore that* [the incoming call-centre] *is positive*".

So, in this context of high customer participation, age seems to be the main criterion of willingness, and then life style for older people; moreover a psychological criterion, closely related to interaction frequency has emerged. Of course, these three criterion could really be validated with a larger, quantitative study.

Another conclusion can be draw from the interviews: it seemed clear to us that ability and willingness were linked. In fact, we weren't able to clearly identify the share of customers lack of capability from their lack of willingness in adviser's answers. That link is still to be clarified.

Hypothesis 2: The development of new distribution channels favours potential customer opportunism.

The problem was to verify whether the potential opportunistic behaviour of the customer was actually displayed. In fact, the interviews showed that this potential opportunism was not really felt by branch advisers. On the other hand, salespeople working on the two call-centres did feel this opportunism from the customers. More exactly, we identified two forms of opportunism related to the two different call-centres.

The first one can be qualified as an active and premeditated opportunism: in this case, clients voluntarily contact the incoming call-centre, in order to obtain what was refused by their branch agent. Such is the case with this quotation coming from an interview with a saleswoman of the incoming call-centre, who was speaking of a customer who was asking for a loan, refused by his branch adviser.

"*Customers try and take advantage of the call-centre, thinking:» my branch adviser refused, well, I am going to call someone else, who will accept»*".

In this case, the customer's willingness to deceive the bank is obvious, in order to satisfy his personal interest. In other words, he reveals an opportunistic behaviour that was premeditated, since it is he who decided to call the call-centre.

The second form of opportunism changes in its modalities. That is due to the fact that it relates to the outgoing call-centre. In fact, the nature of the opportunism changes because it is the bank who calls the customer, meaning that the initiative of the contact does not belong to the customer. According to a tele-operator[1] working there:

"If their branch adviser told them [the customers] *"no", they are going to search the same information elsewhere. So, when we call them, they are trying to get it from us".*

Contrary to the first kind of opportunism, which we qualified as active and premeditated, here we have what we called spontaneous, or incident opportunism.

So the potential opportunism we had theoretically proposed is actually displayed by some customers, even though it is a minority of them. So we can say that the second hypothesis is but partially validated.

<u>Hypothesis 3 : To limit the customer potentially opportunistic behaviour and its negative consequences on the service firm, the company would rather set up formal coordination than informal coordination mechanisms.</u>

Thanks to our different sources, we have identified many coordination mechanisms, which we decided to sort according to Mintzberg's (1979) typology, certainly one of the most known. The entire typology could not be reconstituted, but the following coordination mechanisms have been found.

1. <u>Standardization of work processes: 3 coordination mechanisms</u>.

The first coordination mechanism we identified is a shared electronic customer file: whatever the channel they are working on, all salespeople have the same computerized access to customer information, shared between branches and the two call-centres. Tele-operators working on the outgoing call-centre only use the phone number of the customer to call him, but do not use the other information at their disposal: "*yes, we can access the customer's file, but it is not an objective*", confirmed one of the tele-operators we interviewed. On the contrary, the incoming call-centre does use these files. That means that branch advisers, event though they do know their customers, have to bring the files up to date, so that tele-advisers of the incoming call-centre can use the same information. Branch advisers are conscious that frequent updates are most important : "*I try and update these files at least once a week. That is the most difficult. It is to hold on this delay. To fill in the files. But I know how imperative it is*". (branch adviser). However, not all branch advisers respect this procedure, and this is a big problem for the bank, since the customer's file is supposed to become crucial to coordinate all the channels. In effect, if a customer who tries to be opportunist notes that call-centres and branches have the same information, he will be less tempted to be opportunist again. Indeed, opportunistic behavior is already limited thanks to this shared file, as noticed by a tele-operator: " *It* [opportunism attempts from the customers] *does not work because the information system is such that, anyway, we identify the kind of customer we have to deal with very quickly*".

The second coordination mechanism is the use of internal electronic mail, from call-centres to branches. It is a procedural form of coordination, since messages are pre-formatted, and little space is left for personal remarks. It is very restrictive, as confirmed by many of the tele-operators: "*All the messages are pre-recorded, so it goes very fast*" ; "*We have a limited number of characters, so we just write in the message subject "seen for such thing, I contact the branch adviser*"". Branch advisers receive all these information via this internal e-mail, but they scarcely use it.

Finally, the third procedural coordination mechanism strictly concerns the outgoing call-centre. It can be summarized as: many tele-operators, but one name only. When they call a customer, tele-operators always present themselves using the same name (for example, Jacques Dupont or Marie Dupont). So, when a customer calls back his branch adviser to talk to him about a service or a product he had been offered, the branch adviser immediately knows who called his client (i.e. the outgoing call-centre). Complementary to this procedure, branch advisers are informed about sales campaigns under progress at the call-centre.

2. <u>Standardization of skills: 2 coordination mechanisms.</u>

First one here is that both branch advisers and salespeople working on the incoming call-centre have the same training. In fact, most of the salespeople of this call-centre come from the branch network (5 out of 6), where they worked for many years. This does promote this call-centre, that is seen as very professional by branch advisers (compared to the outgoing call-centre, where young people with little, if any, experience work). This was confirmed by this branch manager: "*The incoming call-centre, I really consider the advisers as branch adviser, they have the same profile, people who work there have experience, they are not new to the trade*". The problem is, that even though the top management of the bank heavily communicated on this subject, it was not fully assimilated by everybody. At least, this is how an adviser of this call-centre appreciates the point of view of branch advisers who come to visit it: "*Generally, they* [branch advisers] *arrive with negative a priori assumptions, because, even though there was a lot of communication, they are not always conscious that we come* *from the branches network, so they are amazed when they see the quality of the advisers who work here*".

Distinct roles, distinct competences : this second mechanism is very important to coordinate the channels. In case of uncertainty, for example, when a tele-operator faces a problem with a customer, he sends him back towards his branch adviser, who alone has the right to decide. So, if a tele-adviser ever suspects opportunism from a client, he can easily counter it by explaining the customer that only the branch adviser has the power to decide what to do: "*We are here to inform, to get appointments, we are not here to take somebody's side between a customer and his branch adviser*" (outgoing call-centre operator); "*We make enquiries about the situation, and we say to the customer "you are strongly induced to contact your branch adviser*"" (incoming call-centre operator).

3. Direct supervision.

Top managers got strongly involved during the launching period of the two call-centres, organizing information and formation programs. In one of the two videotapes, we saw the general manager of the bank explaining to branch salespeople the strategic importance of cooperation between everyone in the bank, whatever the kind of distribution channel they work on.

Moreover, in the everyday work of branch advisers, we could find some coordination mechanisms related to direct supervision. The first of them, and apparently the most important, is the sales target. We can quote here what two branch advisers told us, among many others: "*But there is an easy way to push us: sales targets*"; "*And I tell you that, having targets with bonuses at stake is most incentive*". Then is a continuous heavy communication around the new distribution channels topic and their promotion to customers. For example, weekly branch meetings are an opportunity for the branch manager to often tackle the subject : "*We regularly speak about this topic during the weekly meeting*".

4. Mutual adjustment.

We found but one marginal example of mutual adjustment in our sample, in the sense of Mintzberg (1979). One tele-operator working on the incoming call-centre told us about what can be called mutual adjustment via a phone call: "*Well, this morning, for example, I had the customer on the phone, and I took the liberty of calling a branch, asking the branch adviser whether she agrees with me selling this product to the client. I told her that it usually was she who had to do this, but I asked her whether she wanted me to "push the button", she told me "yes", so I did it*".

In fact, mutual adjustment implies a minimum of informal contact, that the bank's top-management seems not to encourage between salespeople working on different distribution channels. For example, visits of the call-centre are usually previewed during a break in a training session, where the call-centres have been set up. However, this absence of informal contact seems to be badly felt. "*What we miss today, and will perhaps be there tomorrow, are meetings with the ones and the others*", told us a branch adviser. According to her, they would ensure a better understanding of the call-centres procedures by branch advisers, who would certainly better understand the importance of the update of the customer's file.

Everything that precedes about these coordination mechanisms leads us to the following analysis: formal coordination mechanisms seem to be favoured over informal mechanisms. More exactly, we should say that formal coordination mechanisms are all the more used as distribution channels are more interdependent. This result goes against the one found by Van de Ven, Delbecq et alii. (1976), who showed that the amount of interdependence was positively associated with the use of rather informal coordination mechanisms, whereas it was negatively related to the use of formal mechanisms such as rules, plans or vertical communication channels.

We propose two different, but complementary, interpretations that may explain this finding. The first one is that bank managers had implemented formal coordination to prevent potential customer opportunism from happening and negatively impacting on the bank. The second one is that, to manage the complexity of a new multi-channel system, it is better and easier, and perhaps less costly (it is to be verified with further studies) to rest on formal coordination mechanisms. In effect, let us imagine if, in a B-to-C context (involving, particularly in the case of retail banking, thousands of contacts a day), each time a tele-operator suspects opportunism, he calls the branch adviser to get an information. Financial, time costs would be huge, without integrating the loss of trust and confidence that is most important in the relationship between a customer and her bank (the customer may think: "they do not trust me, they believe I do not tell the truth, I decide to break the relationship"…)

Result 4: the customer acts as a "perception filter" between employees of the different channels.

As we were collecting and analyzing our data, a fourth result emerge from our field of research. To explain it, we will first remember that, in the services literature, the customer is generally considered as co-producer (Chase, 1978; Bitner *et al.*, 1997), and even as *"partial employee"* (Mills and Morris, 1986) of the firm. Moreover, in the banking sector, customers are members exchanging information with the firm in a continuous service relationship (Lovelock 1983). In this context, the customer has a really active role (Larsson and Bowen, 1989). Our study highlights a consequence of this role: the customer has an impact on the branch adviser's degree of acceptance of the organisational innovation represented by the introduction of call-centres.

Customers having negative experiences with the incoming call-centre are reported to quickly inform their branch adviser. The latter tends to negatively re-examine their judgement about the call-centre, and then develops a stronger resistance to present the new channels to other customers. " *my first reaction was positive... Before hearing customers feedback [...] Some customers were called for sophisticated products [...] I had negative feedbacks and problems with my customers following these calls"*. Thereby, the customer modifies branch salespeople perception about their colleagues working in the call centre.

As far as the outgoing call-centre is concerned, the branch adviser perception is linked with the number and quality of new customers acquired through the call-centre. When branch salespeople lose time on low potential customers, they are reluctant about the outgoing call-centre, though they sometimes recognize it can bring them interesting prospects, they would have no time to canvass.

This increased customer role, as a "mediator" or "**perception filter**" between two types of salespeople in the same firm is a new problem for the company: since the customers are more inclined to complain, than to announce their satisfaction (Zeithaml and Bitner, 2002), branch advisers have more negative than positive feedbacks from their customers about the call-centres.

As a management consequence, the bank should induce customers to inform branch advisers when they are satisfied with one or the other call-centre, for instance by having branch adviser ask directly the customers' opinions or indirectly by satisfaction studies.

CONCLUSION

Most studies on distribution channels coordination focus on inter-organisational coordination, based for example on Stern, El-Ansary & Coughlan (1996) definition of distribution channels. But there is a real lack of research about the multiplication of distribution channels considered as the interface between a service firm and its customers, i.e. a great lack of research in a multichannel context, that does raise intra-organizational coordination problems. This is what we tried to study in this paper, through a research that, consequently, can be considered as exploratory. We hope to have contributed to this field of research in some ways, despite the limits of our study.

As advisers (be they working on branches or call-centres) represent the interface between the bank and its customers, we chose to centre our analysis around them, in order to understand their perception of the customer as a creative actor of the service (Larsson and Bowen, 1989), as well as their perception of the impact of new distribution channels on their relationship with their customers. In this context, the main results, and proposal for future research are the following.

First, the advisers' perceptions of their clients allowed us to give rise to three segmentation criteria that seemed to have an impact on customer participation. The three criteria were the age, lifestyle and call frequency of the customer. Moreover, we were able to propose a dependent relationship between customer ability and customer willingness to participate in the service, that are two of the three determinants of customer participation in a service (Risch Rodie & Schultz Kleine, 2000). As a result, future research may try and confirm this relationship between customer ability and customer willingness, and explore the impact of the individual customer characteristics on his / her participation in the service.

Secondly, we showed that because of his / her potentially opportunistic behavior, the customer plays a more and more active and direct role on intra-organizational coordination within a service firm. In fact, we showed that the customer has a mediating impact on the social relationships between branch advisers and tele-operators. This is why we qualified the customer as a "perception filter". This new role of the customer, directly linked to the multiplication of new distribution channels, goes with an increase in formal coordination mechanisms within the organization. These mechanisms not only enables the bank's top management to counter potential customer opportunism, but also contributes to develop internal coherence, to ensure the customer the best quality of service by offering the same information in all distribution channels. This can be a complementary explanation to the choice of formal coordination mechanisms by this bank. However, future research may dig further so as to discover other consequences of the role the customer plays between front office salespeople working on different channels.

Finally, one main limit to our research relates to the generalization of our results: at first, we studied a regional retail bank through a case study, i.e. a specific context, with a limited number of interviews and it has still to be verified that one can generalize to other types of banks, such as big national or international ones. Secondly, the sector is also specific, and generalization to other sectors must take these specificities into account : in the banking sector, branch advisers sell new channels as complementary services to their customers. The context is similar in insurance, but not necessarily in tourist industry, where travel agencies and new channels are mostly competitors.

Another limit is linked to the exploratory conditions of our study. Qualitative results are a first step, but they need to be confirmed (or not) by further researches, specifically quantitative validation on advisers and customers.

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[1] Thereafter, both "tele-operator" and "tele-adviser" will be used indistinctly.