

Marketplace: marketing and new intermediaries assignment

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Of course, today they can distribute digital tracks straight to online retailers such as iTunes and Amazon, a major change to their channel strategy. Bands can even bypass retailers and sell direct; for example, in 2008 Radiohead released their *In Rainbows* album direct from their site, allowing purchasers to name their own price! The relationship between a company and its channel partners shown in Figure 2.5 can be dramatically altered by the opportunities afforded by the Internet. This occurs because the Internet offers a means of bypassing some of the channel partners.

This process is known as disintermediation or 'cutting out the middleman'. Figure 2.6 illustrates disintermediation in a graphical form for a simplified retail channel. Further intermediaries such as additional distributors may occur in a business-to-business market. Figure 2.6(a) shows the former position where a company marketed and sold its products by 'pushing' them through a sales channel. Figures 2.6(b) and (c) show two different types of disintermediation in which the wholesaler (b) or the wholesaler and retailer (c) are bypassed, allowing the producer to sell and promote direct to the consumer.

The benefits of disintermediation to the producer are clear - It is able to remove the sales and infrastructure cost of selling through the channel. Benjamin and Welding (1995) calculate that, using the sale of quality shirts as an example, it is possible to make cost savings of 28 per cent in the case of (b) and 62 per cent for case (c). Some of these cost savings can be passed on to the customer in the form of cost reductions. Vaughan (w. WV.

Vaughan. Co. UK), the UK part of General Motors, provides a good example of the response to the opportunities provided by new electronic channels. <https://assignbuster.com/marketplace-marketing-and-new-intermediaries-assignment/>

The initial aims for this web site were not limited to online sales generation. Indeed, a wholesale replacement of dealerships was not envisaged. Additional aims included raising the profile and branding awareness of Vaughan and lead generation for dealerships (such as brochure and test drive requests). To achieve these aims online approaches used include differential pricing (Vaughan Internet Price'), an online sales support tool (Vaughan Advisor') and an e-mail newsletter.

CIO (Chief Information Officer) (2002) reported that in November 2001, gem – a group created in 1999 to engage e-business projects and processes throughout General Motors – was dismantled and rolled back into GM's traditional business units. While skeptics may point to this as evidence of disappointing results from e-business, the article reports changes at GM are not indicative of a wholesale retreat from e-business: The intent from the beginning was to create a separate function for two to three years to drive [e-business capabilities] across GM.

The dismantling of the gem group is seen as a sign of success, with e-business now an integral part of the company's fabric. Disintermediation The removal of intermediaries such as distributors or brokers that formerly linked a company to its customers. GM managers also point to the role of the Internet in generating leads for dealer sales. In September 2001, the GM Burrower US web site has delivered an average of more than 2,000 leads to dealers per day with 20 per cent of dealer leads generated through Burrower converging into sales.

This pattern of the incorporation of e- business back into traditional structures is commonplace amongst the advanced adopters of e-business who have successfully integrated e-business into their organizations. Although disintermediation has occurred, reinterpretation is perhaps a more significant phenomenon resulting from Internet-based communications. Figure 2. 7 illustrates this concept. Let us take the example of car insurance in the UK market. In Figure 2. (a) we commence with the traditional situation in which many sales were through brokers such as the Automobile Association (mm. ' . Theta. Co. UK). With disintermediation (Figure 2. 7(b)) there was the opportunity to sell direct, initially via call centers as with Direct Line (wry. Direction. Co. UK) and then more recently by their ramifications web site. Purchasers of products still needed assistance in the selection of products and this led to the creation of new intermediaries, the process referred to as reinterpretation (Figure 2. (c)). In the I-J Serenaded (wry. Serenaded. Com) and Confused (womb. Confused. Com) are examples of a new entrant broker providing a service for people to find online insurance at a competitive price. Assurance. Com and Insurance. Com are US examples. Reinterpretation removes this inefficiency by placing an intermediary between purchaser and seller. This intermediary performs the price evaluation stage of fulfillment since its database has links updated from prices contained within the databases of different suppliers.

Serenaded was purchased by Lloyd TTS, a traditional financial services provider, but is still positioned as independent from its parent.

Reinterpretation The creation of new intermediaries between customers and suppliers as supplier search and product evaluation. What are the

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implications of reinterpretation for the e-commerce manager? First, it is necessary to make sure that your company, as a supplier, is represented with the ewe intermediaries operating within your chosen market sector.

This implies the need to integrate, using the Internet, databases containing price information with those of different intermediaries. Forming partnerships or setting up sponsorship with some intermediaries can give better online visibility compared to competitors. Second, it is important to monitor the prices of other suppliers within this sector (possibly by using the intermediary web site for this purpose). Third, it may be appropriate to create your own intermediary, for example DID chain B; Q has set p its own intermediary to help budding Dryers, but it is positioned separately from its owners.

Such tactics to counter or take advantage of reinterpretation are sometimes known as countermanding. Serenaded is another example of countermanding, except that here the strategy of Lloyd TTS was to use the lower- risk approach of purchasing an existing online intermediary rather than creating its own intermediary. A further example is Pod (www. Pod. Com) which has been set up by nine European airlines including Air France, BAA, KILL and Lufthansa. Such collaboration would have been inconceivable just a short time ago.