

The 5 C's of Convergence Marketing



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E-business and traditional business can come together to create something new and different – and consumers are combining them to suit their tastes. Jerry Wind, Vijay Mahajan, and Robert E. Gunther look at five key areas where convergence occurs.

Early proponents of the Internet claimed that it changed everything. The rules of technology, business, and marketing were different. Forget ROI, they said; build market share. Forget mass marketing; develop a personal relationship. Forget the traditional consumer; focus on the "cyberconsumer." If you don't understand this, these revolutionaries said, you are mired in the past. You just don't *get it*.

It is clear today that the Internet doesn't change everything. But in the backlash, we cannot forget that it *does* create major changes in the way consumers behave and how the business operates. The power of the new technology creates fundamentally new possibilities for consumers and companies. If we begin to look beyond the either/or view of the world, we see a rich and complex set of opportunities. The challenge is sorting through the interactions between consumers and technology to find these opportunities. The greatest opportunities are through a fusion of the old and the new, physical and virtual.

Many organizations initially treated e-business as just another offering in the food court. Pure-play Internet firms saw it as a standalone restaurant. But in fact, the most powerful new models may not be those based on a food court concept, but rather on a deeper fusion. This is like fusion in cuisine, where Asian and French, or Spanish and American influences are joined into creative and tasty new dishes. E-business and traditional business can be brought together to create something new and different, and individual consumers are combining the two in ways that suit their individual tastes.

Not all these combinations work, and the key is to experiment with different combinations. In e-business, the dot-com revolution led to a furious period of experimentation, as companies quickly tested what worked and didn't. As investors poured capital into these markets, we saw one of the most massive experiments in new business models—some good, some fatally flawed.

What have we learned? In our book, *Convergence Marketing: Strategies for Reaching the New Hybrid Consumer*, we explore five specific areas in which this convergence seems to lead to very powerful combinations. These are also areas where the interactions are complex and important to business success. These "five C's" are areas in which some of the most interesting new "fusion" concepts can be developed:

- **Customerization**—Convergence of customized and standardized offerings and messages
- **Community**—Convergence of virtual and physical communities
- **Channels**—Seamless convergence of call, click, and visit
- **Competitive value**—Convergence of new and traditional competitive value equations and pricing models
- **Choice tools**—Convergence of new search engines and decision tools for consumers and company-provided advice

These are areas in which new technologies and systems create opportunities for customers to do things they could never do before, but they are also areas in which customers are creatively combining the old with the new to create a fusion. Most of the initial discussion of these topics over the past few years has focused on what consumers *can* do in these areas employing new

technologies. In our book, we've looked beyond this question to examine: What do they *want* to do, and what *are they likely to do* in the future? In this article, we examine each of these five areas. These are places where there are significant challenges and opportunities for convergence within and across these areas.

Convergence of Customerization and Standardization

Powerful new technologies allow customers to become co-producers in developing customized products and services. New technologies also allow customers to customize messages that they receive and permit companies to personalize the messages that they deliver. While such tailoring was once offered only to the elite for a very high cost, the technology makes such customization much cheaper and easier. From jeans to coffee, to bicycles, to eyewear, to cosmetics, to vitamins, to breakfast cereals, companies have used this technology to create customized offerings. The pioneers of this technology saw it as a nearly certain win. If customers could get exactly what they want, why would they settle for some less-than-perfect standardized offering or message? And if companies could manufacture to order, the inventory reduction would go directly to the bottom line.

In fact, however, standardized products have not gone away. There are reasons why people like off-the-shelf offerings, at least in certain areas of their lives. The product or service may not be important enough to warrant the time and energy of customization, and customers may have an unarticulated need, so they may not know what they want until they see it. They also might like to fit into a crowd, with popular music or a global brand. They might like to engage in an experience that they don't need to design themselves. For example, many movie viewers would prefer to see the artist's vision for the plot than to write their own "customized" end to the movie.

Companies can use a variety of strategies to combine standardization and "customerization" (the customization of both offerings and messages). Companies can keep their standardized offerings a click away from their customized programs. They can offer superficial customization, such as different faceplates and ring tones for cellular phones, without fundamentally transforming the underlying offering. They can invite the customer into the lab to actively engage in creating the new product.

Texas Instrument used its Web site to involve teachers in developing its new TI-92 calculator on its Web site. The participants were so engaged in the process that when a competitor came out with a copycat product, one teacher complained that the "competitor stole *our* ideas." Companies can also create standardized products that offer opportunities for future customization. For example, the Lego Studio is a standard product that children can use to put together original movies that they can share with others over the Internet. Neurosmith developed a cartridge system that will allow parents to go online to change the tune that plays on the company's Music Blocks for infants.

Convergence of Virtual and Physical Communities

The Internet creates the opportunity to develop virtual communities that draw together people with common interests across continents. The power of these communities has been demonstrated, but the members of these communities are also members of physical communities. The first convergence challenge is the opportunity for these physical and virtual communities to be fused in different ways. A second convergence challenge is to fuse the social mission of many of these communities with an economic purpose.

For example, Sulekha.com grew organically to become one of the largest Indian online communities, reaching 20 million people of Indian heritage in 70 countries around the world. But it faced two challenges: integrating its online community into the fabric of existing Indian communities and developing a viable economic business while preserving the social strength of the community. To better merge the online and offline communities, Sulekha partnered with local Indian communities and offered tickets to events such as Indian music and theater. The company also is working on a system to combine travel services with community. For example, an Indian immigrant in England who wants her elderly parents to visit might use Sulekha to arrange for a community member traveling in the same direction to serve as a companion on the journey. By combining the community with commerce, the site creates a unique offering that adds value for community members while ensuring that they book their travel through the site. Buy tickets and send companion with parents.

The convergence of virtual and physical, social and economic is where many of the rich opportunities of communities lie. Companies need to take advantage of the strengths and weaknesses of physical and virtual communities to design coherent offerings that invite interaction between the two in ways that support corporate and business objectives.

Convergence of Online and Offline Channels

Customers want to "call, click, or visit," with seamless interaction across online and offline channels. They expect to be recognized and engage in a continuous dialogue with the company across all these channels, in person, on the phone, on the Internet, or through wireless channels. Companies need to design strategies that combine the strengths of online and offline approaches.

Companies can let customers decide how they want to interact. For example, Barnes & Noble and other bookstores have kiosks in stores that give customers access to the company's entire online database and warehouse. If a book is in the store, the system shows where it is located. Or, customers can jump off the terminal and browse the aisles of the store or sit in the cafe. The customer has many options for interacting with the company, online and offline in the same physical location or anywhere at anytime using bn.com.

The best channel for interacting with the customer often depends on the context for the interaction. For example, 75 percent of electronic selling for Domino's pizza in the United Kingdom is done through interactive television. Why? Because people are most actively watching television at the time they are thinking about ordering pizza.

Companies also have to create seamless interactions and be sure to treat customers the same across different channels. For example, a customer who fills out a loan application online should be offered an update on the status the next time she calls or visits the ATM. To develop these channels, companies have to develop the right brand or set of brands and use partnerships or alliances to complement their weaknesses. They need to create a "fusion" of different channels to provide a coherent experience or set of experiences to customers.

Convergence of New Competitive Value Equations and Traditional Pricing

Companies such as eBay and Priceline have offered new pricing models such as auctions or name-your-own-price. But people don't buy exclusively through these channels, so consumers combine traditional seller-initiated pricing with these new buyer-initiated pricing models. Customers might purchase through Priceline for some trips but still go through an online agent or a physical travel agent for others.

Companies are finding ways to combine traditional seller-initiated pricing with buyer-initiated pricing models. For example, eBay offers its sellers the opportunity to add a "Buy It Now" button that allows customers to shut down the auction before it starts and buy the product at a fixed price. In this way, the site combines seller-initiated fixed prices with more dynamic buyer-initiated pricing.

Companies are also redefining the value equation by adding information, entertainment, and education to their traditional value propositions. The value equation has become more complex. The new value equation is based on a variety of sources of value, including the product/service offering itself, service, the brand, speed, 24 x 7 availability and other aspects of convenience, ease of use, novelty, peace of mind, experience and entertainment, information in context, education and professional growth, and control—all balanced against price. There is also value created from the convergence of online and offline businesses working together.

In addition, companies are combining the offering and experience in new ways to create new value propositions. The ambiance of retailers, such as the piano player in Nordstrom, has always been a part of the value equation of the real-world shopping experience. Now online sites are paying more attention to the experience. For example, Swatch offers online buyers the opportunity to design their own "virtual clerk" with diverse faces, eyes, hair styles, and attitudes. BMW commissioned a number of short films by professional directors for its Web site, which only marginally featured its cars. Volkswagen has set up an online radio station. Experience is becoming a critical part of the online value equation.

Convergence of Choice Tools and Human Experts

Powerful new online decision tools give users access to advice that they once could receive only from highly trained human experts. Individuals can assess their investment strategies and monitor their portfolios in real time, and they often have as much or more information than their brokers or other advisors. Consumers have access to search engines, decision tools, and life-

management tools. The emergence of these new tools creates a number of convergence challenges.

The first challenge is the *balance* between decision-making tools and experts. The proliferation of search and decision-support tools has raised consumer expectations. How do companies need to change the training and use of human experts as a result? How can companies augment the online search engines and decision-making tools used by consumers with additional tools and personal, expert advice? Companies need to increase the sophistication of their human experts or may need to charge for the personal advice that was once part of their total offering. Studies have also found that the use of avatars or other agents online can increase the credibility of their advice.

The second convergence challenge presented by the new decision tools is managing the mix of company messages and third-party information. Customers are exposed to—and still respond to—advertising, PR, and direct marketing messages that are fired at them daily. But these messages are filtered out more rigorously by consumers who have access to independent information and are increasingly skeptical about messages that are piped into their homes and heads. How can companies combine the advertising and spin of traditional marketing communications with third-party information sources? How can they balance the messages that they want customers to hear with the information and insight that consumers want? By offering outside information—including third-party content and competitor information—on their own sites, companies can increase their credibility with customers.

Opportunities for Convergence

These five C's of convergence and their interactions offer rich opportunities to create new offerings from the convergence of new technology and old, and they open up creative combinations of new and existing consumer needs and behaviors. Drawing together these disparate elements is an art and requires extensive experimentation, but the results can be far more wonderful and rewarding both for chefs (companies) and their customers than the independent components alone.

*This is the second of three articles exploring insights from our book *Convergence Marketing: Strategies for Reaching the New Hybrid Consumer*. In the final article, we will examine insights on redesigning organizational architecture to create a "digital fabric." A [previous article](#) explored the complex interaction between technology and people.*

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