Multi-Channel Market Transparency Strategy

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The Challenge

> “Before, companies guarded and filtered information, now, we are all naked.”
   Eugene Polistuk, CEO Celestica

> The strategic paradox of the Internet (Porter, 2000)
  • [Orbitz](#)
  • [Priceline.com](#)
  • [Hotwire](#)
Orbitz and Priceline are examples of B2C Electronic Commerce.


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www.hotwire.com, April 3, 2004

• Search Results for Minneapolis, MN to Miami, FL
  • Depart: Tue, Apr 28, 2004
  • MSP Minneapolis/St Paul Intl. Airport
  • Return: Tue, Apr 28, 2004
  • MIA Miami Intl.
  • Flight: One-way or 1-connection Flight
  • Total cost per ticket: $253

www.hotwire.com
Market Transparency Space in Air Travel

Product Transparency

Price Transparency

Offline
Expedia
Travelocity
Priceline.com
Hotwire
Orbitz
Meta-Search Agents

fliespy

Recommended Flights

<table>
<thead>
<tr>
<th>Time</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSP 11:25am - 12:14pm 1:16</td>
<td>7:08am 8:27am 11:27 Northwest</td>
</tr>
<tr>
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<td>6:36am 9:26am 11:26 Northwest</td>
</tr>
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<td>MSP 11:25am - 12:14pm 1:16</td>
<td>12:19pm 1:39pm 1:36 Northwest</td>
</tr>
<tr>
<td>MSP 11:25am - 12:14pm 1:16</td>
<td>12:46pm 1:32 Northwest</td>
</tr>
</tbody>
</table>

Recommended -- price is more important than time

© flyspy
Market Transparency Strategy

> Market transparency: The availability and accessibility of product and price information

> Strategy
  • Participate in one or more channels with different levels of market transparency
  • Create and manage own channel
    – Internet Portal
    – Website design
  • Align prices across channels

Research Results

> **Price** transparency increases price elasticity

> **Product** transparency decreases price elasticity

Source: The Impact of Market Transparency on Consumer Demand and Price Elasticity Evidence from Air Travel Industry (Granados et al., 2005)
Price Elasticities by Channel

![Price Elasticities Chart](chart.png)

**Recommendations**

- Enhance product information search for the customer to decrease consumers’ sensitivity to prices
- Develop, use, or patent digital and search technologies
  - Orbitz, Flyspy
- Align IT, multi-channel transparency, and pricing strategy
Market Transparency Space in Air Travel

![Graph showing market transparency in air travel](image)

- **Product Transparency** vs. **Price Transparency**
  - Offline
  - Expedia
  - Travelocity
  - Orbitz
  - Meta-Search Agents

**Priceline.com**
**Hotwire**