

Leveraging Multi-Channel Retailing

AN MBS WHITE PAPER

INDUSTRY INSIGHT

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Leading retailers are recognizing that multi-channel buyers are their most valuable customer segment.

This white paper defines multichannel marketing and provides recommendations for developing a highly effective multi-channel strategy at your organization.

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Overview

With the advent of additional channels of purchase and communication, the direct marketing world is full of promise for companies who embrace a multi-channel approach to communicating with their customers.

This White Paper explores the reasons for pursuing multi-channel marketing, looks at what it takes to achieve Multi-Channel Marketing success, and outlines the initial steps required to transform single-channel companies.

What is Multi-Channel Marketing?

Multi-Channel Marketing is simply the process of marketers and consumers interacting via a number of different communications and purchase environments. It employs a combination of well-orchestrated marketing vehicles –including catalogs and other direct mail; email; Web sites; mass advertising; PDAs; telephone; and retail point-of-sale promotions – to communicate with the customer and conduct sales transactions. Ideally, marketing and purchase data resulting from these interactions, such as promotion history, response activity, items purchased, dollars spent, customer preferences and attitudes, are consolidated and available for marketing purposes enterprise-wide, regardless of channel.

Why have leading marketers throughout a variety of industries implemented a multi-channel approach to their marketing programs?

1. Multi-channel buyers are a growing universe.

In 2001, consumers spent \$8.3 billion online, a 7% increase over 2000. (Forrester, April 2002) Furthermore, tri-channel shoppers (store, Internet, catalog) now represent 34% of online shoppers. (JC Williams Group/Bizrate.com, 2001)

2. Multi-channel customers have a higher value than single-channel buyers.

Retail customers using multiple channels for purchasing have 2-4 times the spend then those using only one channel. (McKinsey Marketing Practice, 2000) Tri-channel shoppers purchase four times more frequently online than the

average online shopper, purchase from the retailer's store 70% more frequently than the average store customer, and 110% more frequently from the retailer's catalog. (JC Williams Group/Bizrate.com, 2001) Multi-channel shoppers spend 50% more than single channel shoppers. (DoubleClick, April 2002) Store shoppers who also bought online from the same retailer spent an average of \$600 more annually in the store than typical store shoppers of the same retailer. (JC Williams Group/Bizrate.com, 2001)

3. Multi-faceted, layered marketing communications are highly effective.

The use of one channel to drive purchasing in another channel has been successful time and again. Offline promotions have been found to be a strong driver of online purchases. (DoubleClick, April 2002) Nearly three-fourths of store shoppers prefer to research their purchases online prior to purchasing in the store. (JC Williams Group/Bizrate.com, 2001) More than two-thirds of online shoppers look for and purchase items online that they previously saw in the same retailer's catalog. (JC Williams Group/Bizrate.com, 2001)

How It Works

What happens when marketers communicate through multi-channels? Because multi-channel interactions can be complex, marketers must gain a comprehensive view of customers and communicate back to them with a single voice of the brand.

Effective Multi-Channel Marketing entails enterprise-wide commitment. It is not enough for companies to establish channels for shopping and purchasing, communication, and relationship building. Most companies understand this and have already laid the groundwork. In fact, most companies have implemented customer data collection practices and are gathering information on shopping behaviors, preferences, and needs in order to build a personalized relationship.

The tougher task is understanding the when and how of customer preference. Companies must develop the ability to segment customers and create campaign designs that accommodate the variety of customer contacts that might occur through different channels. Additionally, the company must be innovative in developing ways to deliver new benefits across channels.

Avoiding Silos

Operating traditional campaigns across multiple channels results in silos of customer information and disjointed communication.

Silos of data can lead not only to inconsistent communications, with different messages and voices coming from the same company, but it can also lead to over-communication due to a lack of integration or the inappropriate timing of messages and promotions. Customers

may be communicated to via the wrong channel because of a siloed approach – for example, communicating with high value customers through a low touch channel; or with high maintenance customers through costly high touch channels.

A siloed marketing structure can negatively impact a company's Return on Investment because it can lead to unnecessary discounting. Profits can be eroded by cutting prices to loyal customers, who would have purchased anyway, and to "tire kickers," who will take the markdown and run. Furthermore, it can lead to misallocation of investment dollars by funding marketing promotions through inappropriate channels or customer segments – which can also negatively impact the return from promotional campaigns.

The Holistic Multi-Channel Solution

Companies achieve multi-channel success when they define the role each channel plays in the customer experience, and market accordingly.

The true multi-channel solution offers a number of benefits. Campaigns and communications aligned across channels in a multi-channel strategy give the company a holistic view of the customer. This improves understanding and the company's ability to personalize the customer experience and maximize service. Today's savvy consumers want a company to treat them consistently and appropriately, regardless of channel, and they don't want to be bombarded with meaningless offers.

When customers realize the value of each channel and don't hesitate to use multiple interaction points to meet their needs and preferences, marketers have a better chance of increasing share of wallet.

The result of an integrated effort is diminished internal concerns about cannibalization of one channel in favor of another channel. The focus moves to capturing a sale, regardless of channel, and the overall success of the company.

Achieving Multi-Channel Success

To be successful at Multi-Channel Marketing, companies should focus on the following four actions:

1. Build profiles of customers to determine what they buy, when, and through which pre-ferred channels. This requires the integration of transactional data with long-term information about a customer, which provides clues about what is relevant to a customer at a given point in time. The unified marketing database must capture transactional data by product, date, and channel; promotional history by date, response, and dollar value; and preference history by channel, category, and behavior.

2. Understand the relationships between different channels. Marketers must realize the advantages and disadvantages of each channel, and play to the advantages.

3. Determine the various triggers that drive customers to purchase in a given channel and communicate and promote accordingly. Marketers must be able to recognize and react to shopping behavior and patterns related to events or occasions that influence customer purchasing. They need to then analyze campaign activity to determine whether purchasers are promotionally driven, and which promotions and offers are.

4. Create a strong brand presence. Customers who know and can associate with a company's brand will likely seek multiple options for interaction. Marketers must manage the customer experience and brand promise delivery on a cross-channel basis. This involves aligning the brand promise with multi-channel propositions that can offer unique convenience and benefits. It also requires that marketers make communications appropriate to each channel while being consistent across all. *Remember: Multichannel customers do not make distinctions among channels and expect to be treated the same – regardless of which they choose.*

Multi-Channel Measurement Considerations

Marketers need to come to the realization that traditional campaign metrics are not enough to truly understand the impact of Multi-Channel Marketing. Other measurements and ways to analyze results are required. These include Cost-to-Serve, Retention Rate/Migration Rate, Realized Revenue, Segment-level Customer Value, Share of Wallet, and Channel Usage/Service Quality. Smart marketers manage to these measurements to provide a much more accurate picture of the Lifetime Value of a customer.

Getting Starting

To summarize, Multi- Channel Marketing involves capturing and processing data and structuring interactions based on analysis of that data. With the proper infrastructure in place, you can gain a holistic view of your customer and offer one voice in all

Asking the right questions . . .

- Is the corporate strategy supportive of a holistic view of your customers?
- Does customer intimacy fit within your corporate or marketing objectives?
- Are your marketing efforts delivering a consistent message to customers over time?
- How well does your organization capture customer data at different interaction points and times?
- How well is your marketing data from multiple channels integrated?
- Do you have a single view of your customers?
- What is the depth of your knowledge about your customers?
- Do you know who your most valuable customers are?
- What are your customers' preferred communications channels?
- Are you operationally aligned?
- Do you know what servicing a customer costs?
- Are your company's employees motivated towards CRM?

marketing communications. This assures that customer interactions are integrated across delivery points; that message content is relevant and personalized; that delivery is customized; and that individual customer preferences are recognized.

Achieving Multi-Channel Marketing success begins by asking the right questions. Once you find answers to these questions, you're on your way to realizing the benefits of Multi-Channel Marketing.