

Multi-Channel Marketing: Recipe for Success

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Multi-Channel Marketing, A Growing Trend

Multi-channel marketing is rolling into town with full steam, and its pace does not appear to be slowing down any time soon.

According to a survey conducted by Boston Consulting Group and Shop.org, the multi-channel retail market grew by a compound annual growth rate (CAGR) of 72% between 1998 and 2002. Compared to a 31% anticipated growth for online-only retailers in 2002, multi-channel retailers that market products via catalog, store, and online is anticipated to grow by 69%.

From the consumer's perspective, multi-channel represents long-awaited freedom, where they are able to have greater choices and select their channel of choice to make purchases. And they can gather information and order round-the-clock 365 days a year.

From the retailer's perspective, multi-channel poses new challenges, ranging from delivering consistent experience across all channels, to fully utilizing the strengths of each channel. Along with the challenges, however, come numerous rewards.

Increased Consumer Spending

A customer who interacts with a retailer through multiple channels is likely to spend more, sometimes significantly more, than other customers. A Holiday Shopping Study conducted by DoubleClick in January 2002 showed that shoppers using one channel spent \$591 while shoppers using three channels (store, catalog, and online) spent 68% more, or \$995. In another study conducted by Home Shopping Network, customers who shopped at both HSN TV and HSN.com spent 26% more than those who shopped using just a single channel.

Shoppers Spend More Through Multiple Channels

Shoppers using one channel spent
\$591

Shoppers using two channels spent
\$894

Shoppers using three channels spent
\$995

*Holiday Shopping Study,
DoubleClick, January 2002*

Internet only shoppers

\$121/yr.

Catalog only shoppers

\$242/yr.

Retail only shoppers

\$194/yr.

Tri-channel shoppers

\$1,000+/yr.

JC Penny Study

Multi-channel shopper purchases 70% more frequently than the average store customer and 110% more frequently from the retailer's catalog.

*Multi-Channel Retail Report 2001
Shop.org, October 2001*

Greater Customer Loyalty And Brand Experience

Multi-channel marketing encourages greater customer loyalty and a stronger brand experience. In a bid to market its new Cayenne sport utility vehicle, Porsche introduced an integrated and staged campaign that included seven different mailings over time. The Porsche website formed the landing pad for the campaign, and traffic to the site was driven by integrated mail, online banners and e-mail newsletter sponsorships that reflected the same 7 stage messaging. Porsche received a tremendous response without ever showing the vehicle in the first two mailings or their accompanying web microsites. As a result of this multi-channel marketing campaign, the Cayenne site generated 110,000 hot leads and solidified overwhelming consumer interest and loyalty to the Porsche brand. (Source: DMNews, August 2002).

Reduced Cost

By using multiple channels strategically, businesses can actually reduce costs and ultimately improve ROI.

A national magazine publisher has a house list that contained e-mail addresses, fax numbers, and telephone numbers. The publisher segmented the database based on the most efficient means to communicate with its subscribers. E-mails, given their cost-effective nature, were sent to subscribers that had e-mail addresses. Faxes were then sent to subscribers that had fax numbers, and phone calls were made by telemarketers where only telephone numbers were available. For all three marketing channels, subscribers could opt to respond via online forms as well. As a result of this multi-channel campaign, the publisher was able to realize much lower cost per communication per subscriber.

Increased House List

Illuminations, a candles and accessories retailer, has over 80 national retail stores, a catalog and a website. Visitors to each channel are asked whether they would like to receive e-mail offers. In an effort to collect as many e-mail addresses as possible, Illuminations held monthly contests in each store to reward the sales associate

who collected the most e-mail addresses. This provided them with a substantial improvement in growing their permission-based e-mail list. Illuminations now receives e-mail addresses from all sources, with 75 – 80% of them originating from its stores.

Essentials of Multi-Channel Marketing

Multi-channel marketing is a strategy that most retailers are starting to experiment with to increase their revenue. What will distinguish the winners in the multi-channel marketing arena in the years ahead?

Capitalize on Data Collected from Multiple Channels

Data collected from one channel should be used diligently across other channels. First and last names collected by retail store staff can be used as personalization elements during e-mail campaigns. Zip codes from land-based files can be used to initiate retail campaign for customers living within a certain radius of the store.

Interests and occupation information gathered from telemarketing efforts can be used to create highly targeted subscription renewal campaigns.

Messages should be Consistent

Multi-channel marketers use multiple touch-points to reach prospects and customers – direct mail print ads, telemarketing, ad banners, e-mail, and the Web. One key objective should be to make the experience across all channels as consistent as possible in terms of presenting the company and the brand. This should help build awareness and loyalty, and convert the intangibles to the tangibles, from goodwill to real sales.

Information as Accessible as Possible

Information presented in any of the marketing channels should be relevant and accessible. Individuals should be able to receive marketing messages from one channel, and transact using another.

A consumer should be able to browse the retailer's website to learn the price and details of a product, and walk into a store to purchase the merchandise.

A subscriber should be able to receive a renewal notice in his e-mail inbox, reminding him of upcoming subscription expiration date. He should then be provided with the option to renew his subscription electronically, by phone, or via mail.

A catalog shopper should be able to order merchandise by either calling the 800 toll free number, or using the URL included in the catalog to log onto the retailer's website to place an order.

Fully Utilize Strengths of Online Marketing with Offline Channels

E-mail

According to DMA's Fifth Annual Ecommerce Study conducted in 2002, over half (53.1%) of the respondents' house files have e-mail addresses.

There are numerous techniques to integrate e-mail with other marketing efforts:

- E-mail can promote a particular retail location or an event that is being held in all locations.
- E-mail can include an 800 toll free number. In fact, it is a best practice to include this in e-mails. This is particularly important in business-to-business e-mails since relationship building is particularly important for products or services with extremely high price tags. Proper tracking can make the difference between breakeven and profitability.

- E-mail can pre-announce the delivery of a direct mail piece or a catalog. A graphic of the mailing is sure to capture attention. Plus, it will allow your mailing to stand out in the clutter of the recipients' postal mailbox.
- E-mail can be a reminder notice for upcoming subscription renewal.
- E-mail can be used as a follow up to a direct mail effort.

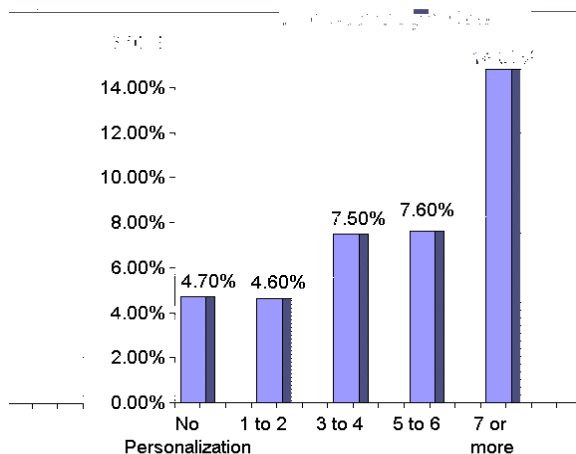
Remember to have your e-mails signed by a real person. By its very nature, e-mail is an extension of your web site. Many companies now incorporate the overall design of their home page into their e-mails. Links in the e-mail can take the interested individual directly to the section of the site that is of interest.

Web

Using the web to supplement e-mail or direct mail can vastly improve customer satisfaction. A QuickShop feature allows the shopper to enter an SKU from a catalog and immediately be linked to that product on the website for additional information, or add that product directly to the shopping cart. This technique greatly enhances the customer shopping experience.

Profile pages can be set up to collect data about the customers and their preferences, to be used for personalization purposes during subsequent marketing campaigns in other channels.

Personalized, one-to-one communication greatly enhances the response rate, as indicated in a Yesmail survey conducted in July 2002. The survey results show that with the inclusion of 7 personalization elements, the click-through rate increased to 14.8% compared to 4.7% with no personalization.



Businesses can use web site tracking tools such as WebTrends to determine which web pages visitors view, number of hits per page, time of day visitors visited the site, and paths they took when going through the site, to gain better insight into consumer interests. This will assist in the planning of future marketing strategies across multiple channels.

Online surveys and sweepstakes can also be used to give retailers opportunity to quantitatively measure product interest and source of interest, coming from e-mail, retail store, direct mail, advertising, or any other marketing channels.

Complications of Multi-Channel Marketing

Multi-channel marketing can put a business on the road to success. However, multi-channel excellence can be elusive and there can be pitfalls and complications that a business should watch out and plan for.

Inadequate Technology in Place

In a Forrester Research survey conducted in September 2001, the results showed that 63% of retailers and travel suppliers expect to use 3 or more sales channels by 2003. But, they need to ensure that the systems and infrastructures across channels are in place. Often companies are faced with data silos. Their e-mail database may be in one place, website transactions and interactions may be in a separate system, and another for the customer and prospect master files.

A true CRM solution integrates all of this, but is a very expensive undertaking.

So, data integration is an issue. Many marketers (catalogers, in particular) will do a match back after a direct mail or e-mail campaign is over. They will take all web orders and match it back to the original mail file. This is a less than perfect solution, but it is a cost effective compromise and does help indicate trends.

Myopic Vision

Retailers need to know how and where the consumers are spending in each channel in order to intelligently allocate marketing budget across multiple channels correctly and formulate their marketing strategy accordingly. If a retailer only looks at a single channel's numbers, he may make an incorrect decision based on those numbers and assign large portions of the marketing budget to a channel that will not yield strong results.

Limited Senior Management Buy-In

The 2001 Multi-Channel Retail Report found from discussing with 44 retail executives that there is a large difference in understanding and acceptance of multi-channel marketing. Some retailers have already received buy-in from senior management, and senior management is consistently using channel-combined Return-on-Investment (ROI) calculations to make their informed business decisions. Other retailers are just starting to brief senior management on multi-channel marketing, and are struggling with ways to ensure they are not double counting customers from different channels.

Eight Steps to Successful Multi-Channel Marketing

1

Develop a Multi-Channel Strategy

Layout all the touch-points and decide how you can best integrate efforts. You should monitor changing customer preferences, so that you can take the best advantage of developing a contact strategy. For example, you may see that more customers are ordering from e-mail and the website -- does this mean you should adjust the number of times you direct mail to them? Should you look at introducing more content online to both inform and gather additional information?

2

Train Your Staff So They are Aware of the Campaign

Your staff is the first line of defense when it comes to the battle of fighting market share. When a customer calls your 1-800 number or walks into your retail store to inquire about a special that he has learned from an e-mail, the web, or a direct mail he received, your staff should be fully prepared to assist the customer. The reverse, honoring a store special when the consumer is online, also holds true. You want your customer to have a single view of your business, no matter what channel he is using. If he saw a special advertised in your retail store, and was interested enough to go online to purchase that merchandise via the web, he should expect to get the same deal. Better customer service goes hand in hand with greater sales. A customer experiencing bad

service will very likely not be a repeat customer again.

3

Send E-mail to Complement Direct Mail

You should send an e-mail to pre-announce the direct mail that will be coming. If you are using HTML in your e-mail, you can include an image of your catalog, or the outside envelope of your direct mail piece. This will remind people to keep a lookout for the mail, and they will recognize the mail when it does arrive.

Try to personalize the e-mail as much as possible using the data available in your database. Your e-mail recipient will be more likely to click on the e-mail that has more of a one-to-one feel.

Make your e-mail recipients feel special. Tell your existing customers and prospects that they are getting an advance preview online. An exclusive offer such as free shipping and handling with all orders over \$100 is another great incentive. Everyone wants to feel special.

Timing of the e-mail is important. Many marketers try to time the e-mail to arrive 4 days before the direct mail is to be delivered, so that the electronic reminder is still fresh in the recipient's mind when the direct mail arrives.

Some retailers reverse the process, but get good results just the same. Geerlings and Wade, a wine cataloger and retailer, were able to increase conversion rate from e-mail from 2% to 10%. How did they do it? Instead of sending an e-mail before, they sent an e-mail after the catalogs were shipped to reinforce the offline offers advertised both in their catalog and retail store. The high conversion rate allowed Geerlings to trim their catalog circulation by 2 million, saving time and money to produce and mail these extra catalogs (source: DMNews).

This phenomenon is not restricted to just one company. A study conducted by AMR Research in January 2002 showed that 61%

of companies who followed up e-mails with other direct communication saw an increase of 5% to 10% in their response rate, while 5% saw an increase of 15% or more.

4

Keep Messages Consistent Across Multiple Channels

There should be synergy between the different marketing channels. The tag line, the coloring, the style can all contribute to the consistency of the marketing campaign.

Eddie Bauer, an 82-year-old retailer with 600 stores, catalog and website business, attempts to retain its market share by launching a multi-channel marketing campaign that focuses on a rugged outdoorsy style that involved radio, print and the internet. The campaign capitalizes on the strength of each channel, yet keeps the message consistent across multiple channels.

Colour print ads were placed with national newspapers and magazines like the Wall Street Journal and The New Yorker to reach out to consumers that influence others. Radio buys complemented the message by describing the rugged journey made by Lewis and Clark in the 1800's. Rich-media advertising on 5 prominent websites was designed to drive visitors to eddiebauer.com and its retail stores.

5

Collect E-mail and Customer Information Whenever Possible

As people change jobs or get married, their personal information changes. Industry experts estimate that 30% of e-mail addresses become obsolete each year. To keep the data in your file current, collecting up-to-date information is a very good idea. Collect more than just e-mail address when people sign up to receive your newsletters and promotions.

A national software retailer who sells wholesale memberships had a dilemma. People were hesitant to purchase

memberships over the phone. So, the company decided to use e-mail as an alternative promotion channel for those who showed reluctance over the phone. The company trained the telemarketing staff to request e-mail addresses and ask if they would be interested in receiving future information on membership programs via e-mail. The company then followed up with a personalized e-mail, including the prospective customer's name, rep's name, and reference to products of interest. As a result of the e-mail, the company saw an 11% increase in membership (source: Opt-in News). The customer information collected not only allowed the company to increase sales, but gave them the vehicle to conduct future targeted marketing as well.

A prominent national bookseller also recognizes the importance of e-mail addresses for future promotion opportunities. It aggressively attempted to convert store buyers into house file e-mail names by creating in-store promotions that encouraged customers to complete a reply card and send their e-mail addresses to the company. In exchange, the bookseller sent consumers a 10% off coupon via e-mail, thus beginning the e-mail dialog. The company also set up an incentive program for its store sales staff where they would receive bonuses for each e-mail address collected.

6

Allow Customers to Reach You Through Multiple Channels

Prominently display toll-free number, e-mail, URL and store address whenever possible for all channels, to give people the choice of using the channel that is most convenient to them. Allow them to purchase and/or return across all channels.

Boston Proper catalog featured their URL multiple times in their catalog, and they were able to attribute 60% of their new online customers to their catalog mailings.

Victoria Secret included their 1-800 number in all their e-mails, and they have found that 20% of the e-mail recipients actually called

the toll free number to place an order, instead of ordering online.

7

Track Responses from Different Channels

Measuring responses from different channels is difficult, but there are tricks you can use to segregate the results.

One way is to establish separate toll-free numbers and e-mail addresses to measure responses coming from different channels.

Another is to use different coupon code if you have discount offers. For each trade journal or newspaper that you advertise, you set a different code so that when the coupon is redeemed, you know where the customer actually saw the ad. You can also have a code for e-mail, and another for the web to again distinguish the source of the initial touch point.

8

Look at Your Top 20% and Bottom 20% Customers

The top 20% of your customers is generating the most revenue for you. Why not increase the revenue potential by linking the master file data of these top 20% customers with behavioral data. This way, you can better tailor your marketing messages and use the different channels intelligently.

For your bottom 20%, examine e-mail recipients who have not clicked over the past two or three months and modify your contact strategy for them. Are you mailing to them too frequently? Do they respond to offline marketing better, or online? Would a targeted special offer entice them out of the hibernating state? Look at the domains of the e-mail. If the extensions are Yahoo or Hotmail, these e-mails maybe supplemental mailboxes. Try experimenting with text versus HTML, and see what kind of response you get.

These are just some of the steps you can take to improve the success rate of your multi-channel marketing campaign. You can implement a portion or an all-channel strategy, depending on the extent of your marketing budget and timeline.



About Digital Connexions Inc.

Digital Connexions is a leading provider of specialized online marketing solutions that provide publishers and direct marketers the ability to manage their subscribers, enhance subscriber data management, and deliver intelligent communications.

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