Harnessing the Power of MultiChannel Marketing for Customer Development and Relationship Management

MultiChannel Marketing has emerged as a powerful strategy for customer development and relationship management.

Marketing, as we know it, has undergone a dramatic revolution. The days of one-size-fits-all mass marketing are rapidly disappearing, and in its place, organizations are implementing one-to-one Customer Relationship Management (CRM) solutions that personalize interaction with customers through both traditional and Internet channels. Smart marketers are moving aggressively to replace product-centric marketing efforts with MultiChannel Marketing, a customer-focused strategy that integrates and synchronizes customer interaction across vital customer touch points.

The enthusiasm for MultiChannel Marketing is being fueled by the desire of companies to integrate their “bricks and mortar” operations with their “clicks and mortar” operations to provide a seamless customer experience. For those organizations that have made the move to MultiChannel Marketing, the rewards have been improved marketing ROI and better bottom line results.

According to a study involving 400 retailers conducted in 1998 by the Boston Consulting Group (BCG), multichannel retailers (companies with both physical and online stores) generated 62% of online revenues while pure online retailers accounted for 38%.

Three additional findings of the BCG study confirm why MultiChannel Marketing is catching fire:

- **MultiChannel retailers attract customers more efficiently.** Online-only retailers spent $82 to acquire a customer versus $12 for a MultiChannel retailer. (This was due to high offline advertising spending by pure online retailers to build brands.)
- **MultiChannel retailers invest less of their revenue in marketing.** Marketing expense as a percent of revenues was 119% for online-only retailers versus 36% for MultiChannel retailers.
- **MultiChannel retailers convert one-time buyers to repeat buyers more successfully.** Repeat customers of MultiChannel retailers comprise 34% of the customer base and 45% of revenues while repeat buyers at online-only retailers represent 27% of the customer base and 30% of revenues. For computer retailers like Dell Computer and Gateway, retail brokerage firms like E*TRADE and Quick & Reilly, catalogers like Coldwater Creek and Land’s End, and home appliance marketers like GE and Whirlpool, MultiChannel Marketing has become the core strategy for accelerating and growing customer relationships. But the biggest payoff may be the distance it puts between them and their competitors.

**Why MultiChannel Marketing Works**

MultiChannel Marketing utilizes a well-coordinated combination of direct and indirect communication channels to interact with current and prospective customers. Indirect communications channels such as media advertising, retail promotions, and product publicity are used to attract customers and generate sales leads. Direct communications channels including direct mail, email, e-newsletters, websites, call centers, and now, PDAs and cell phones, are used to deliver personal, relevant, and timely offers and information.

This strategy enables organizations to stay connected with the customer through each stage of the CRM life cycle – from product consideration, to first purchase, to repeat purchase. By integrating marketing and sales contacts through online and offline channels, companies are achieving double-digit response rates, increasing sales revenues, and maximizing marketing ROI.

One of the real strengths of MultiChannel Marketing is its ability to “finish the customer acquisition job” started by media advertising. According to Forrester Research, approximately 70% of the $200 billion spent on mar-
Marketing in the U.S. each year goes toward building brand image and awareness through channels such as TV, radio, and print advertising. Jim Nail, a senior analyst at Forrester, believes that a company’s website can build momentum toward purchase by giving the prospect the information needed to become a customer.

“Our research proves that consumers are using the Web for information and communication,” said Nail in a recent article published in Beyond Computing magazine. Once the customer has been ‘attracted’ to the website, the Web can move a prospect through the consideration and preference phases all the way to purchase – a task traditional marketing channels do not do as quickly or efficiently. By making it easy for consumers to find answers about its products, a company can actually increase sales of those products. Nail notes that 30% of new car buyers and 40% of appliance and consumer electronics buyers do online research before they make a purchase.

One of the best examples of MultiChannel Marketing in retailing is Circuit City, one of the country’s leading retailers of consumer electronics. Recently, the company introduced its new E-Superstore that allows customers access detailed product information, to do comparison shopping, and to order products online without ever setting foot in a Circuit City store. Any time a customer has a problem with a product they purchased online, they can return it to any Circuit City store.

But Circuit City is not stopping there. Another component of their customer-centric strategy is customer registration. Once a customer is registered on the Circuit City E-Superstore website, all billing, shipping, product, and store preference data is stored online. This information can be updated by the customer and will eliminate the need to re-supply it each time a purchase is made. And with the customer’s consent, Circuit City will use this information to trigger e-mail announcements about relevant sales and product promotions.

Making It Work
Automating MultiChannel Marketing

The backbone of an effective MultiChannel Marketing strategy is a closed-loop marketing process, which is engineered to ensure that the right message or offer is presented to the right customer, delivered through the right channel, and communicated at the right time.

Enabling this process is enterprise marketing automation (EMA) technology. Principle technology components include:

- **Analysis and Modeling** technology is used to identify customers who represent opportunities for cross-selling and repeat purchase.
- **Campaign Management** technology is used to plan and execute marketing campaigns that interact with customers through multiple channels.
- **OLAP Reporting** technology is used to monitor campaign response, track purchases and generate reports for campaign performance analysis.

*Customer Analytics* provide the insight and intelligence necessary to customize messages, product offers, and service according to individual customer needs. *CRM Business Rules* provide the business logic and guidelines that define how communications, sales contacts, and customer service interactions will be personalized and differentiated based on the customer’s needs, purchase behavior, product usage practices, and relationship life stage.

The ultimate goal of MultiChannel

---

**Figure 2 – Campaign Planning and Execution**

**Figure 3 – MultiChannel Marketing Solution**
Marketing is to optimize the performance of the company’s customer portfolio. This requires astute management of the customer interaction process in a manner that reinforces the customer’s relationship with the company, generates repeat purchases, and maximizes “share of customer” by expanding product and service usage.

Building an Infrastructure for MultiChannel Marketing

An organization’s MultiChannel Marketing strategy will only be as successful as the infrastructure that supports it. Unfortunately, this is an area where many companies fail to devote sufficient time and resources for needs assessment and strategic planning.

Building an integrated infrastructure to support a MultiChannel Marketing strategy requires proper alignment of the Customer Insight, Business Processes, Organizational Structure, and CRM technologies that enable its implementation and management.

Planning and building an integrated infrastructure for MultiChannel Marketing strategy begins by understanding individual customer needs, and defining how, through a MultiChannel Marketing approach, the company can increase revenues, maximize customer profitability, and build lasting customer relationships.

Companies planning to put a MultiChannel Marketing strategy in place to drive sales and manage customer relationships should consider the following “Top 10” lessons learned from organizations that have done this successfully:

- Define your CRM strategy and objectives. Link the CRM strategy to the organization’s business objectives. Create a “CRM Blueprint” for developing and executing the strategy.
- Establish CRM communications business rules that serve as guidelines for planning and managing customer interaction based on customer profile and purchase transaction data.
- Create a customer analytics framework that supports customized communications, sales, and service contacts based customer demographics, predicted product/service purchase, customer value, and life-cycle stage.
- Develop a “Closed-Loop” marketing process for planning, executing, and measuring MultiChannel Marketing communications programs.
- Establish a CRM support center to provide enterprise-wide support for marketing program planning, execution, and measurement. Staff this group with people experienced in customer-focused marketing.
- Integrate data on current and prospective customers in a central marketing database. Eliminate the usage of multiple customer databases used to support communications, sales, and customer service. Create a “single view” of your customer.
- Develop an enterprise customer data acquisition strategy for developing and maintaining customer insight. Implement a customer profile review to regularly verify and update customer needs.
- Employ the use of high-performance marketing automation technology to enable the planning, optimization, execution and measurement of MultiChannel Marketing campaigns.
- Develop metrics for measurement and analysis of marketing program performance. Use these “key performance indicators” to monitor program results and refine marketing strategy.
- Align marketing, sales, and customer service processes by integrating marketing automation, sales force automation and customer service / call center systems to provide a single view of the customer throughout the enterprise.

The Wall is Coming Down

Are You Prepared?

The ground rules for marketing have definitively changed. No longer is the goal market share, or return on sales and assets. The goal now is increasing customer share and maximizing customer profitability. In short, building customer equity.

Having the best product is no guarantee for business success. The road is littered with case studies of companies that had a great product but no customers. Progressive companies have discovered that the key to long-term success is the ability to attract, retain, and grow customers.

WEBLINK

MultiChannel Marketing is discussed in further detail by Kap Attawar in his white paper, “Driving Direct Success from a MultiChannel Model,” http://attawar.CRMproject.com
Doing this well requires the ability to “know” your customers and use this insight across the enterprise to personalize and leverage every interaction.

The backbone of an effective MultiChannel Marketing strategy is a closed-loop marketing process, which is engineered to ensure that the right message or offer is presented to the right customer, delivered through the right channel, and communicated at the right time.

As the “wall” between the offline world and the online world collapses, customers will make no distinction between the two and will have little patience for companies that cannot deliver an online experience that is inconsistent with their offline experience. They will expect the company they do business with to remember them and treat them consistently whether the interaction is through a website, the call center or at the retail store. If the customer buys a product through the online store or catalog, they will want the option of exchanging it or returning it at the retail store if that’s their preference. If they want to use the website to gather information needed for product comparison before they make their purchase, the process should be easy. And if the customer wants to talk to a customer service representative while they are online, the CSR should have immediate access to the customer’s profile and product preferences.

The bottom line is this. Those companies that create a single view of the customer and use this insight to interact with customers across online and offline channels in a manner that is personal, relevant and timely will experience tremendous advantage. Those companies that don’t will find it difficult – if not impossible – to compete.

Joel Book can be contacted at Book and Company by calling 608.364.0083, or by emailing him at JoelBook@aol.com.