

# Multichannel Marketing that Matters

**Venkatesh (Venky) Shankar**

Professor of Marketing and Coleman Chair in Marketing

Mays Business School

Texas A&M University

<http://www.venkyshankar.com>

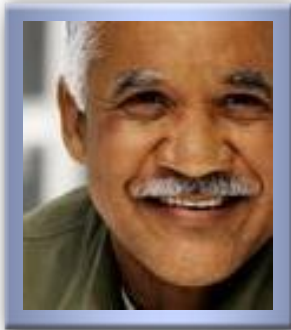
[venky@venkyshankar.com](mailto:venky@venkyshankar.com)

Presented at IADIS Conference, Algarve, Portugal, 2007

*Venky Shankar*

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# Consumer Generations



## Matures

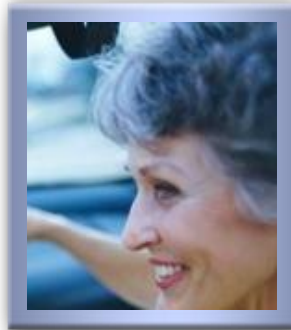
62+

1945 and Earlier  
52 million

- Duty
- Teamwork
- Victory

Ages for 2006

\* Cutoff points for this generation are not yet known – grouping for this generation often includes those for 19 years (same number as Boomers)



## Boomers

43-61

1946-1964  
78 million

- Individuality
- Self-absorption
- Youth



## Xers

29-42

1965-1978  
57 million

- Savvy
- Diversity
- Pragmatism



## Echoes

10-28\*

1979-1997  
79 million

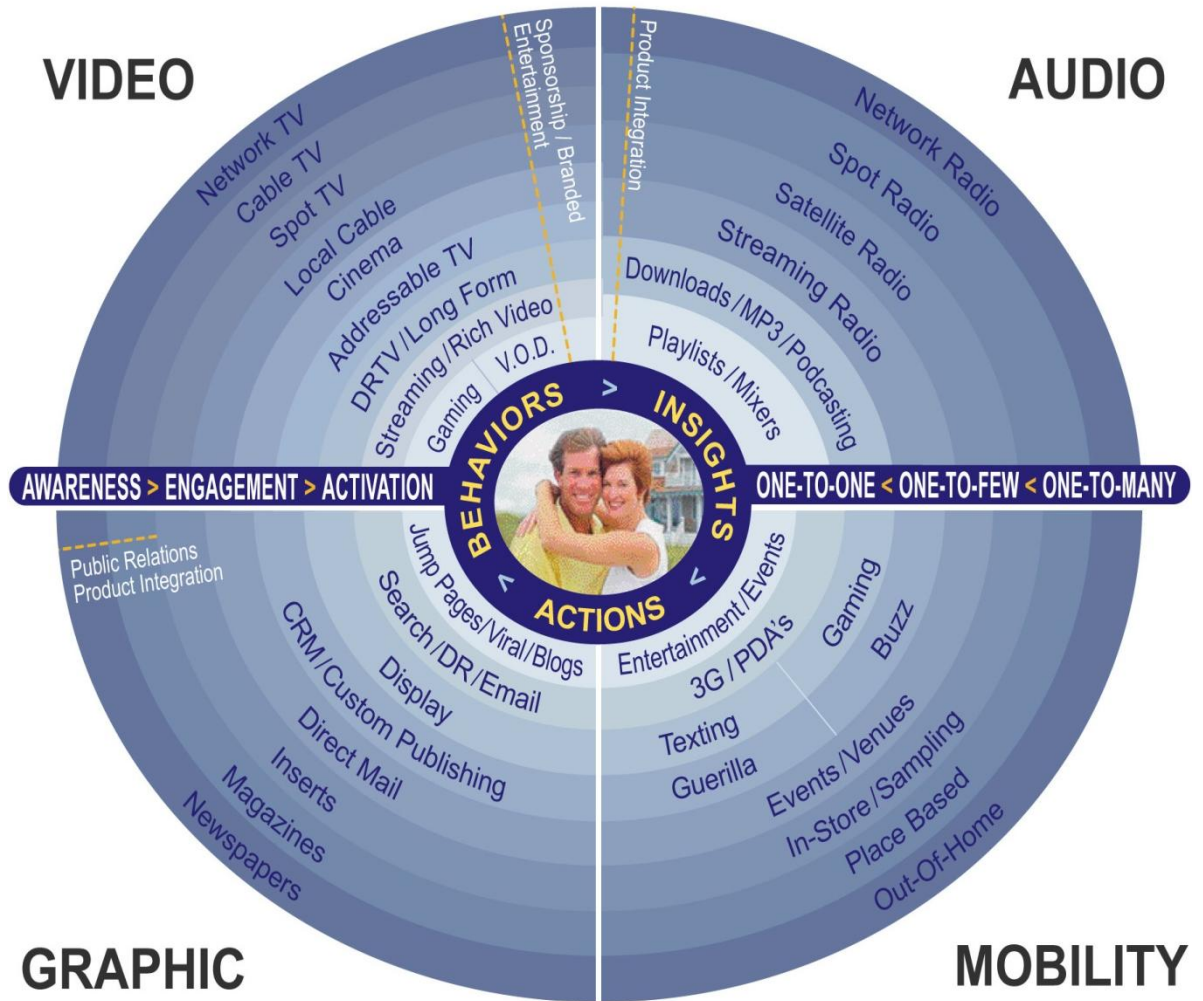
- Authorship
- Autonomy
- Authenticity

# Consumer's 360 Media View

Consumer has more channels and touchpoints to interact and.....

HE/SHE IS IN CHARGE.

Center rings = New (emerging) mediums  
Outer rings = Traditional mediums



Source: Gfeller 2007

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**TV**

**Word of  
Mouth**

**Print**

**Store**



**Radio**

**Internet**

**Need for a Seamless Experience**

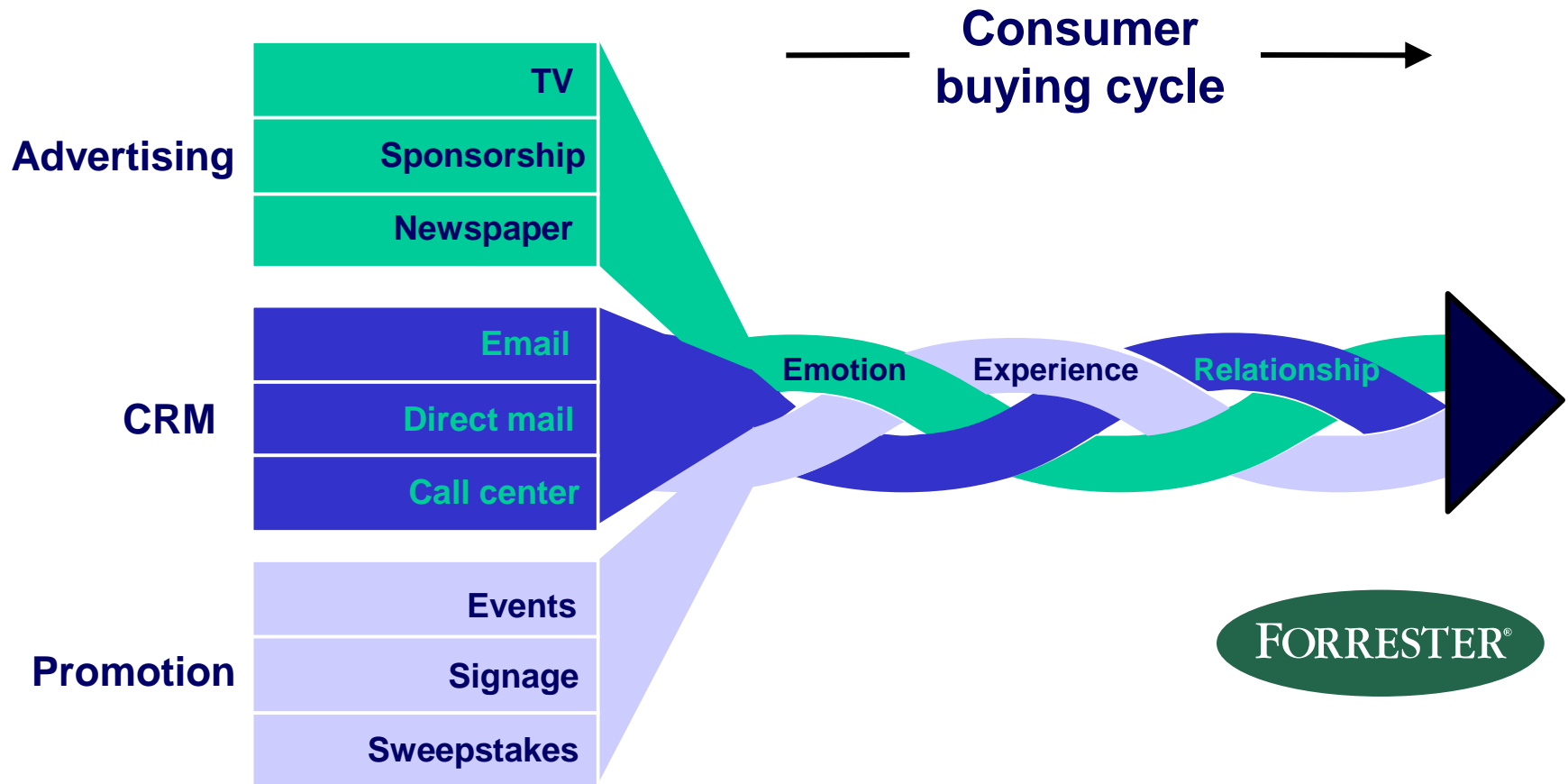
# Multichannel Spending

- Average annual spending per customer on marketing mailers: \$9.10 (*DMA 2005*)
- 2006 interactive marketing spending: \$15.6 billion
- Growing retailer spending on interactive marketing
  - JC Penney Direct: \$127.4 million
  - Sharper Image: \$68.6 million

# Why Multichannel Marketing?

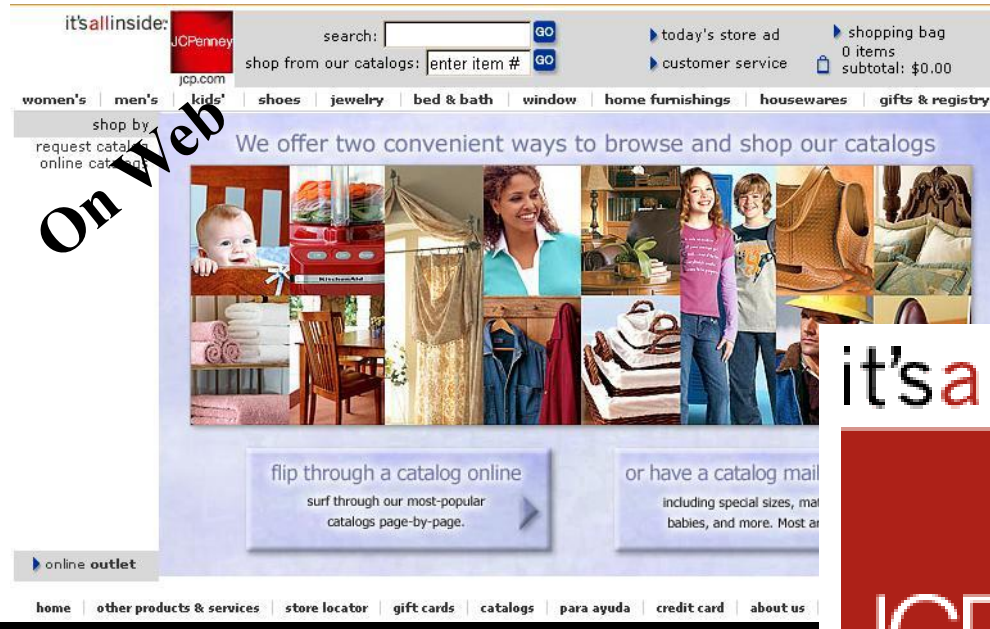
- “It is anticipated that this (cross channel optimization) will ultimately ..... bring increases in effectiveness, efficiency, and asset productivity” – *IBM Business Consulting Services (2005)*
- J.C. Penney: Multichannel - \$887, Website - \$150, Store - \$195, and Catalog - \$201 (*Wall Street Journal*)
- Customers using multiple channels spent two to four times as much as customers using single channel (*McKinsey & Co.*)
- 60% of retailers claim that their multichannel customers are more profitable than customers using one channel (*Aberdeen Group*)

# Integrated Multichannel Marketing



Source: Shar Van Boskirk, Forrester 2006

# Multichannel Marketing



On Web

Through Catalog



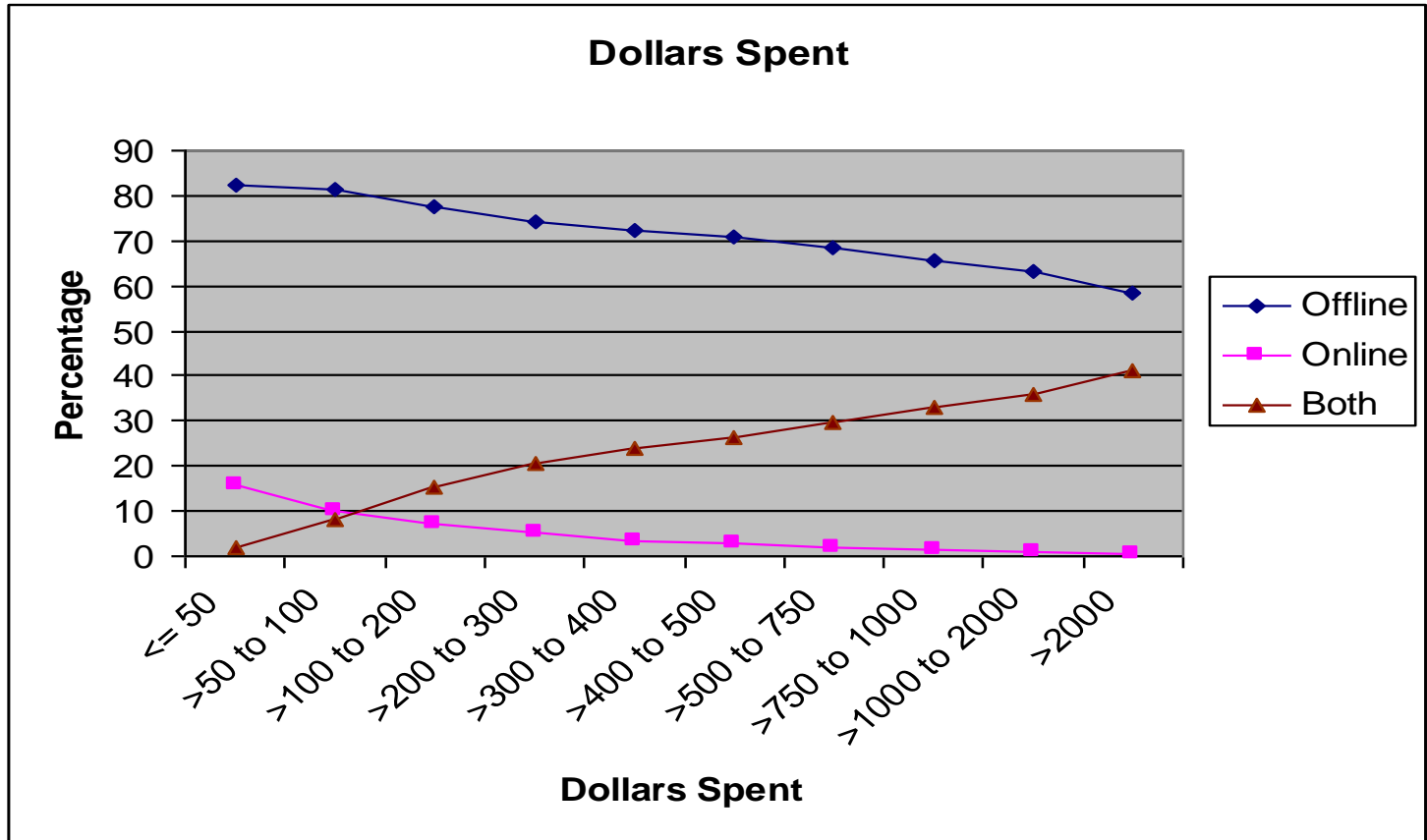
Stronger Relationships  
 Segmenting and Targeting  
 Resource Allocation



In Store

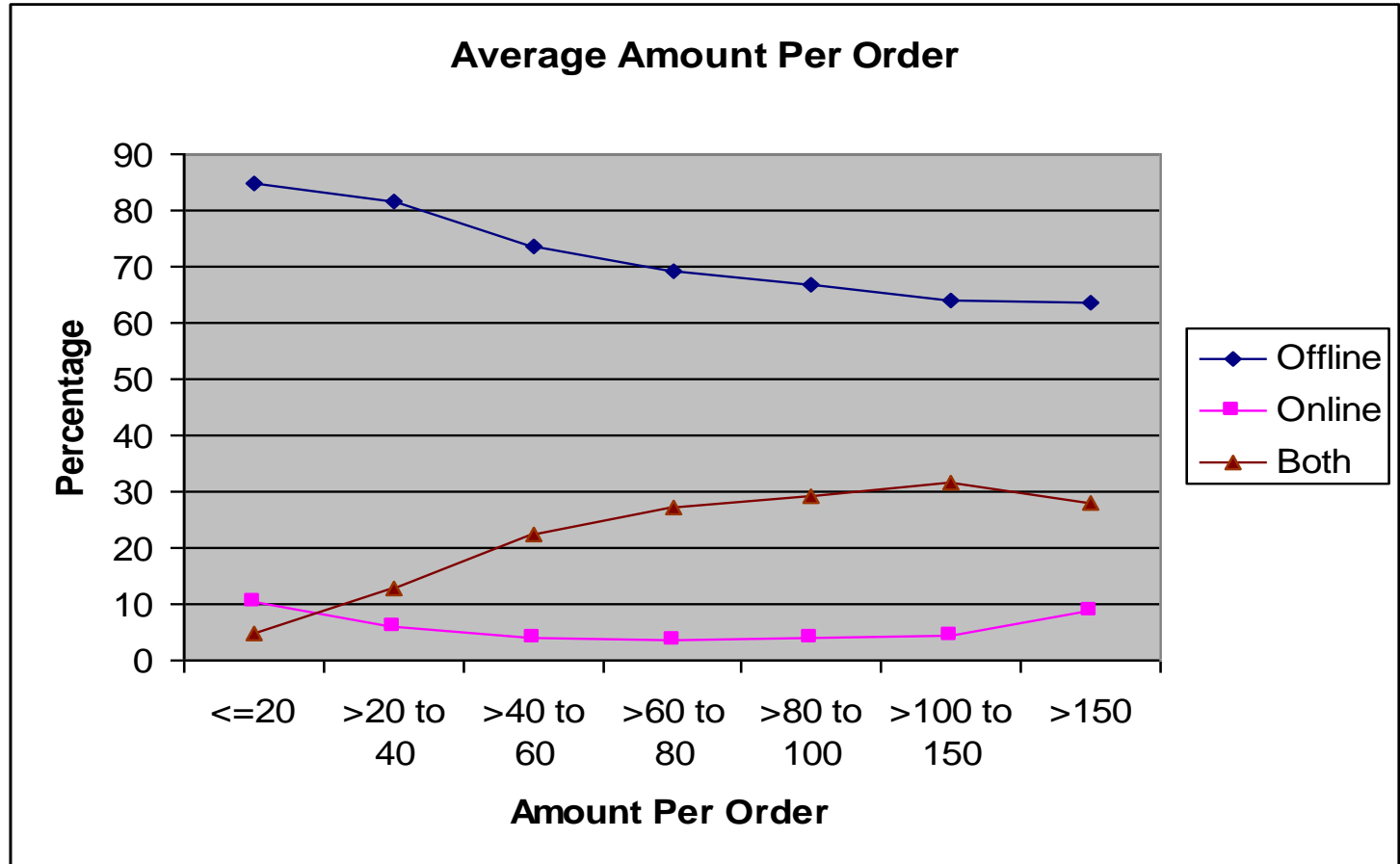
Venky Shankar  
 Courtesy: JCPenney

# Dollars Spent by Channel



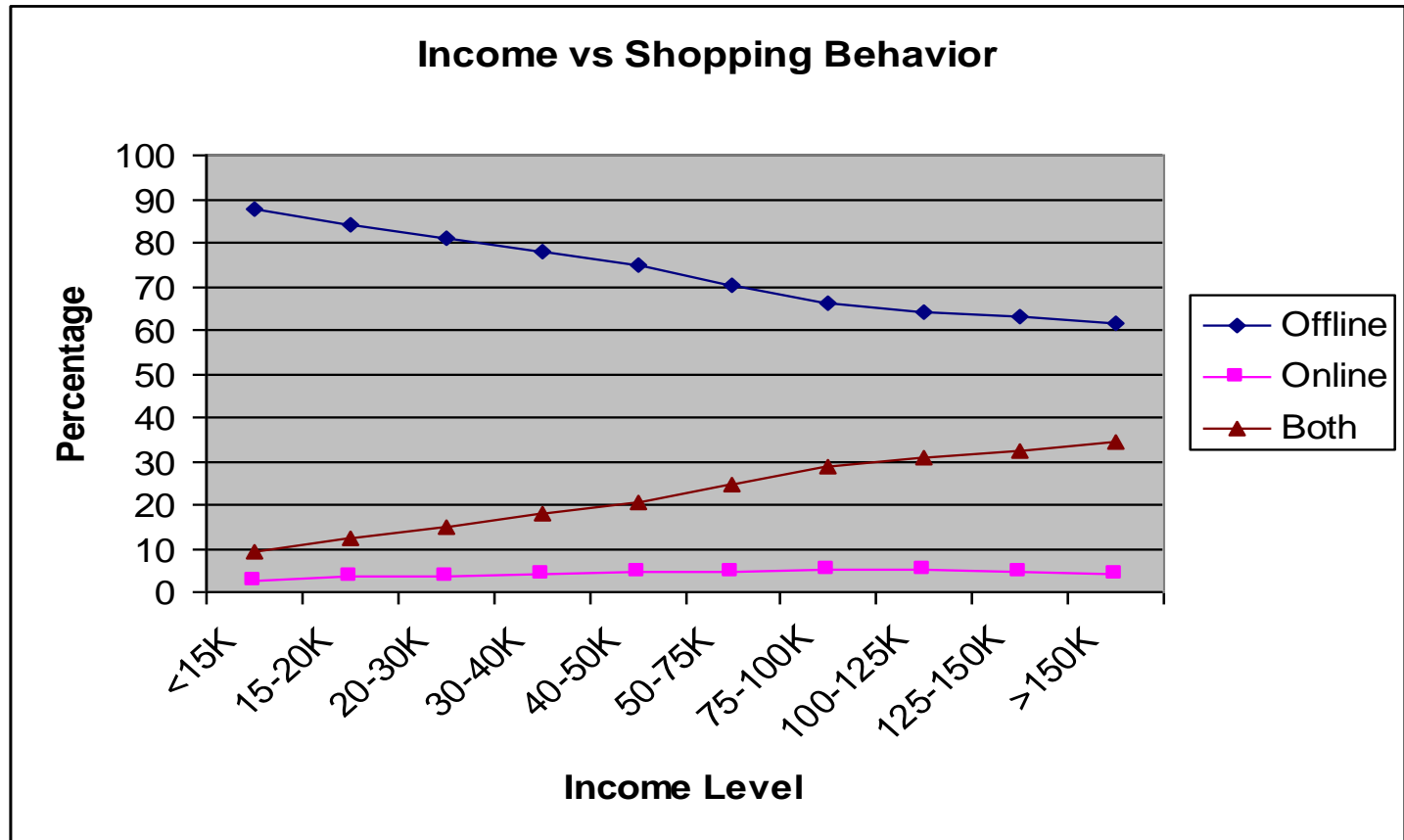
***More consumers shop multichannel relative to online/offline when total spending is high than low.***

# Average Order Value by Channel



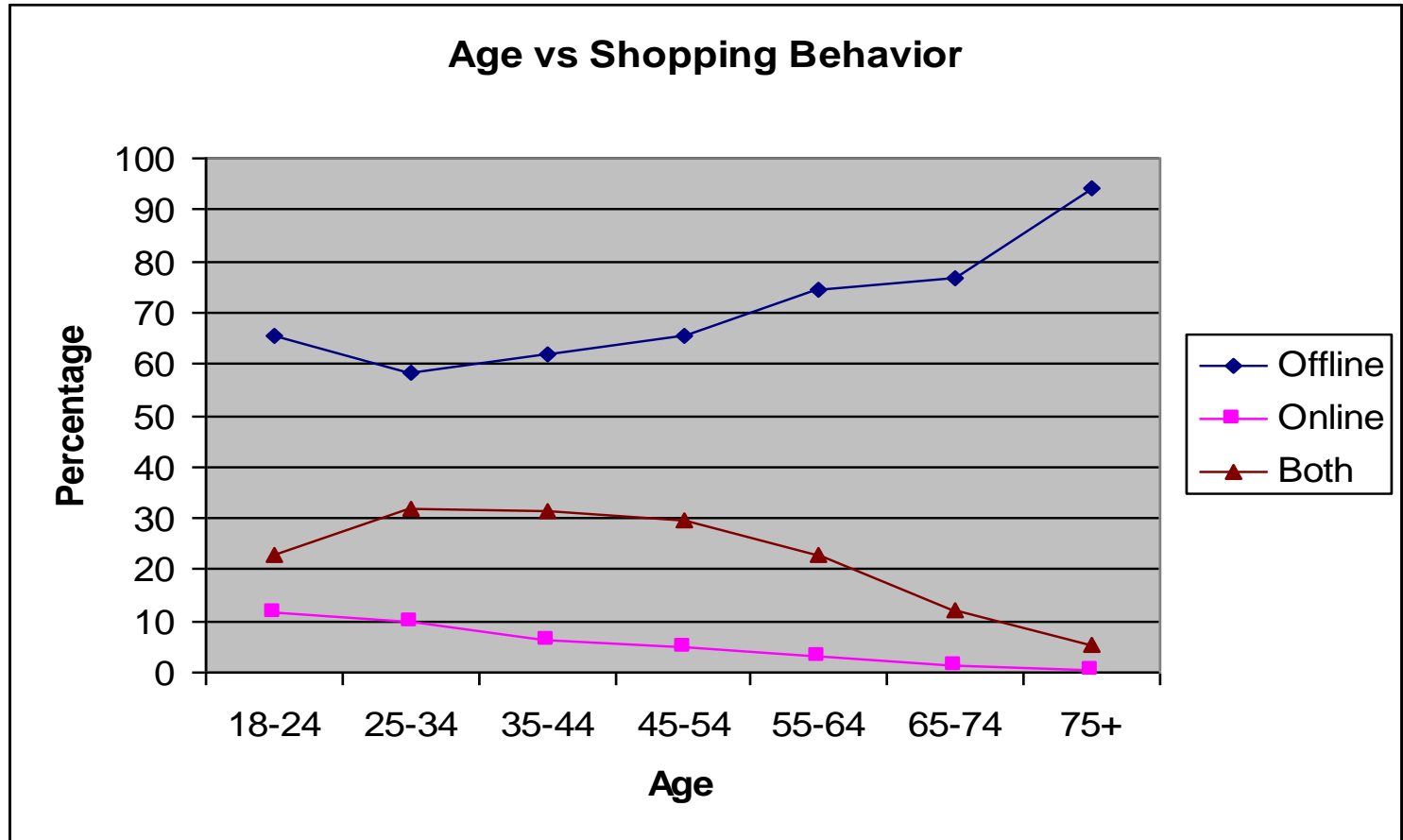
***Proportion of multichannel shoppers increases with average \$ value of the order.***

# Channel Patronage by Income



***Higher income consumers are more likely to be multichannel shoppers.***

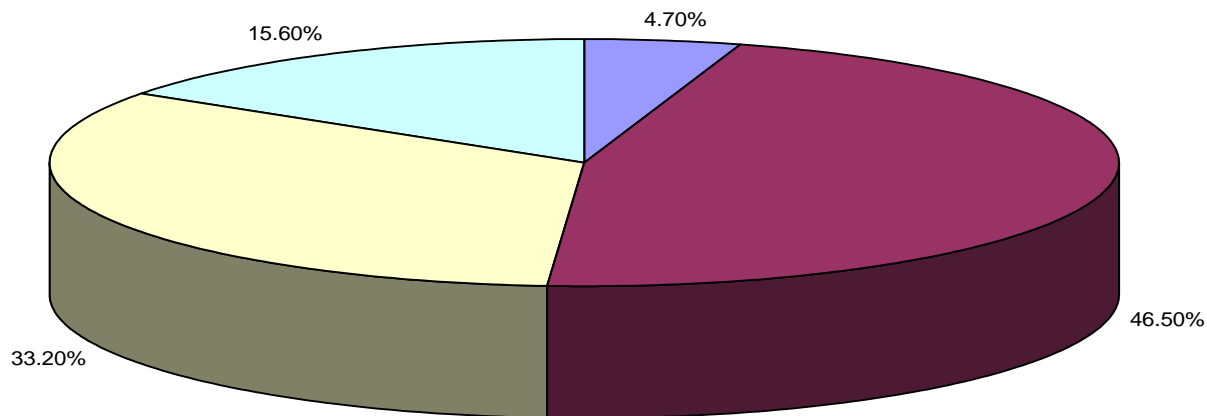
# Channel Patronage by Age



***Multichannel shopping highest for 25-34 age group.***

# Purpose of Web site Visit

Purpose of Web Site Visit



■ Search ■ Content □ Communication □ Commerce

Source: OPA/Nielsen Net Ratings, March 2007

# Keyword Search Metrics

**Search**

- The set of keywords in the bid list

**Impression**

- The number of impressions served and average position for each

**Click**

- The number of clicks and the cost billed for those clicks

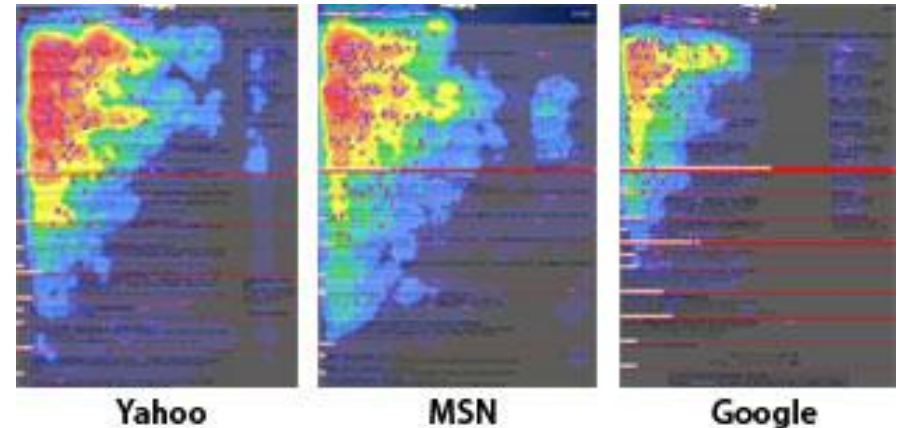
**Purchase**

- The number of purchase conversions associated with each keyword

**Source: Bucklin 2007**

# How Search Results Are Processed

- Golden Triangle of Eye fixations
  - Top sponsored links receive 80-100% visibility
  - Side sponsored links receive 10-50% visibility



Enquiro Eye-Tracking Study

Source: Bucklin 2007

# Online Conversion Rate

- Benchmarks
  - Poor: < 2%
  - Average: 3-5%
  - Excellent: 6-9%
  - Outstanding: > 10%
- Key Trust enablers
  - Ease of navigation
  - Brand and advertising
  - Performance
  - Convenience
  - Word of mouth

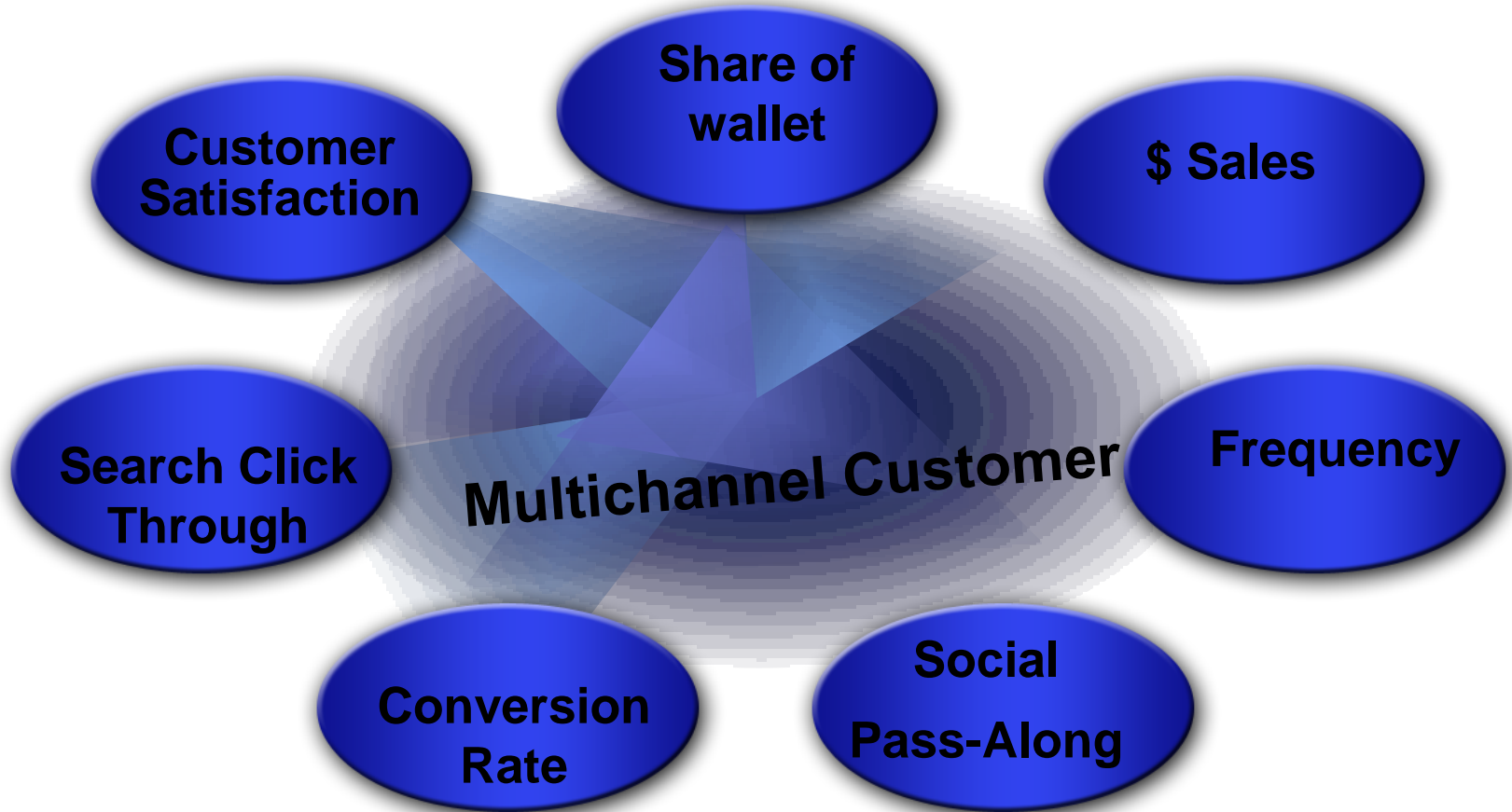
Source: Bart, Shankar, Urban, and Sultan 2005

# The Rise of Social Networking

- 70% of 15-34 age group on social networks
- Social momentum: Pass-along power of consumer-consumer communication
- 40% use social networks to learn about a brand/product
- 28% have had products recommended by friends
- Myspace: 100m users, 80% satisfaction

Source: Fox Interactive Media 2007

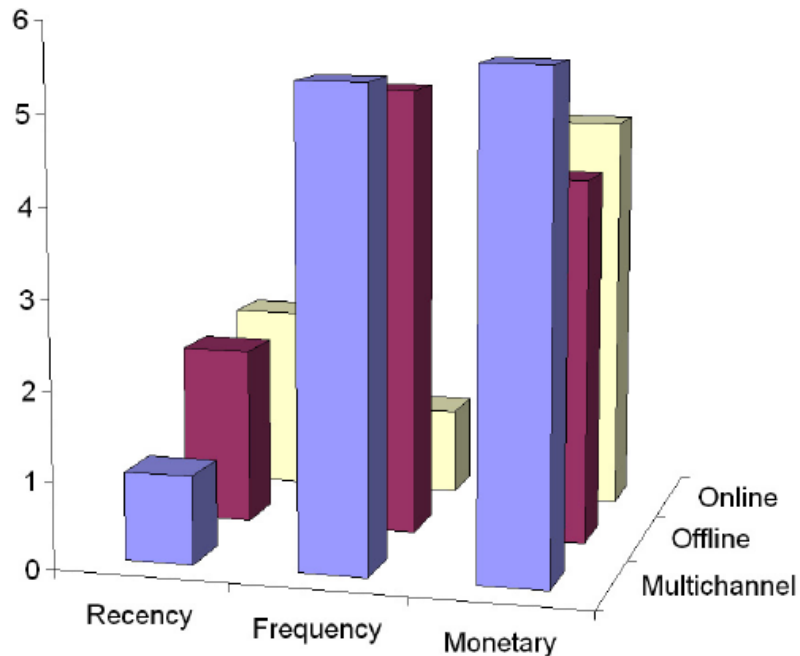
# Customer-Centric Metrics



*Need Customer's 360 View*

# Insights: Online vs. Offline vs. Multichannel

## Outcomes of Channel Choice



## Drivers of Channel Choice

- Customer demographics
  - Age
  - Income, Education
- Customer shopping traits
  - Length of experience
  - Cross-buying
- These effects vary across product categories

## Implications for Retailers

- Identify and target more valuable customer segments
- Product category specific targeting

# Insights: Value of Multichannel Shopper

- Greater monetary value
  - \$200 and \$523 more than offline and online only customers
- Higher frequency of purchase
  - 0.4 and 7.7 more orders than offline and online only customers
- Higher recency in purchase
  - 0.7 and 3.8 weeks earlier than offline and online only customers

Source: Kushwaha and Shankar 2007

# Insights from Multichannel 360 Analysis

- Multichannel and Catalog segments buy more, more often
- Store segment provide more margin
- Web and Multichannel segments price conscious
- Discounts work well for store segment
- Average return by multichannel > catalog > store > Web customers
- Profits can be substantially improved by incorporating multichannel behavior

Source: Kushwaha and Shankar 2007

# Cross-Channel Shopping

- 27% of online buyers make additional purchases at pick-up (Shop.org )
- Integration of online and brick and mortar with site pick-up (e.g., Wal-Mart )
- Customers using on-line/store pick-up spend 40% more than store-only consumers (CompUSA )
- Integration of online with offline—online kiosks in brick and mortar stores (e.g., JCPenney)

# Questions to Ask

- Which customers do you want to target?
- What channels do they use? For what purposes?
- What activities do they undertake in those channels?
- Are you attracting the right people in the right channels?
- Are you engaging the right customers and guiding them to the right channels?
- What is your social network momentum?
- What is your multichannel conversion rate?
- What are your customers' RFM? Share of wallet?

# What Should Managers Do?

- Use metrics that capture a 360 customer view
- Use channel as segmentation and targeting tool
- Match marketing instruments to customer segments
- Improve profits by optimizing marketing resource allocation across customer-channel segments

# Trends in Multichannel Marketing

- Increased personalization and enhanced “user experience”
- Companies are beginning to explore creative ways to create brand experiences beyond the Internet
- Consumers will have greater control over brand identities and the ability of marketers to communicate them
- Marketers will expand into new, creative mediums to meet customer desires

# Key Research Issues in Multichannel Marketing

- What is the cross-channel shopping and elasticity matrix?
- Which products to sell in which channels?
- What price in each channel?
- How can we enhance marketing performance in each channel through efforts in other channels?
- What is the best of mix channels for acquisition, retention and reactivation?
- How to manage competitive and loyal research shopper?

# Key Research Issues in Multichannel Marketing

- Should the channel organization be merged or independent?
- Should customers be “right” channeled?
- Is multichannel marketing segmentation or customer satisfaction strategy?
- Neslin and Shankar (2008), “Key Issues in Multichannel Management: Current Knowledge and Future Issues,” under review, *Journal of Interactive Marketing*, 10<sup>th</sup> Anniversary Special Issue.

**Thank You !**