



# 7 things

they don't tell you about  
multichannel marketing



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# 7 things they don't tell you about multichannel marketing

These are hard times for marketers. You all just figured out digital marketing and about half of you have made the switch to spending more than 50 percent of your budgets in digital. But now it appears that this change is only part of a larger move that transformed the job of the marketer into a whole new profession in a period of only 10 years.

That larger move is called multichannel (or omni- or cross-channel; all three terms are used). But what is that new reality all about? We will demystify the practice of multichannel marketing and share some insights we've learned in the past few years through our projects with our customers and partners and the literature on the subject.

First, it is a good idea to ask what channels mechanisms are for? They have 3 objectives: communication, service delivery and transaction completion. This seems obvious, but if you fail to fully grasp this threefold and often simultaneous use of channels, multichannel strategies can be misguided from the start.



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That larger move is called multichannel (or omni- or cross-channel; all three terms are used). But what is that new reality all about? We will demystify the practice of multichannel marketing and share some insights we've learned in the past few years through our projects with our customers and partners and the literature on the subject.

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That is because communication, service delivery and transaction completion are organized in different ways and very often by different departments.

A sound multichannel strategy will have to span all these processes and coordinate efforts in the different departments.

Now, on to the 7 things they don't tell you about managing your multichannel marketing.

1

## Secret number one

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Channel choice and behavior are dynamic

2

## Secret number two

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Multichannel is not always about letting the customers use the channel of their choice

3

## Secret number three

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Implementing a multichannel strategy will not necessarily lead to more marketing opportunities, more revenue or more profit

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## Secret number four

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Multichannel will not necessarily provide you with a competitive advantage

## 5 Secret number five

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Your communications across channels need not be consistent

## 6 Secret number six

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Scenarios and journeys are the new segmentations and funnels

## 7 Secret number seven

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Multichannel is difficult

Secret number one

Channel choice and behavior  
are dynamic





### What they tell you

Multichannel marketing isn't all that hard.

Once you've figured out which customers prefer which channels for which stage of the buying process, you just have to build the channel and start pulling the levers that drive customers to the top and then through the sales funnels.



## What they don't tell you

What you're trying to do is channel-based customer segmentation.

This might work fine when you're sure that customers will behave homogeneously towards channels. When this is the case, multichannel marketing is just like old mass marketing with a little complexity added.

A second case would be where you are or want to make sure that specific customer segments will align (and stay aligned) with specific channels. Then you design and target specific channels for specific segments and the hardest part is to come up with the adequate segmentation criteria.

It gets more complicated when customers use channels for various phases of their decision process or when channel preference and use vary by product category. This still seems possible, you just have to figure out how.

What they don't tell you is that channel choice and channel behavior are most often not dynamic. And when static channel-based customer segmentation doesn't take this dynamic aspect into account, you risk missing the mark, possibly by very large margins. For instance, every multi-channel marketer should closely monitor the channel adoption rate within segments: how long does it take a specific customer segment to start adopting a new channel?




When you take into account all the multichannel dynamics, things can get pretty complicated.

Just try to come up with a multichannel strategy and a set of adequate and actionable metrics for different segments, for the combination of dynamics of time (channel adoption and channel abandonment), product categories (different segments choose different channels for different product categories), and the buying stage (from awareness to post-purchase experience).

You should do this basic exercise in one form or another at the start of any multichannel reflection. It can rapidly result in quite complicated views of what your strategy should be. But you will learn from the outset that implementing a multichannel strategy will be difficult and that it will be more a question of flexible scenario thinking than of rigid strategic forecasting.

Secret number two



Multichannel is not always  
about letting the customers use  
the channel of their choice.



### What they tell you

The definition of global analytics company SAS is typical:

“Multichannel marketing refers to the practice of interacting with customers using a combination of indirect and direct communication channels ... and enabling customers to take action in response – preferably to buy your product or service – using the channel of their choice.”



## What they don't tell you

You are probably putting the cart before the horse if you start from the idea that your multichannel strategy should lead to all customers using the channel of their choice for all communication, service delivery and transaction completion. There are a lot of questions you will have to answer first. Most of them have to do with your goals in terms of revenue and profitability; others with who your customers are and what their preferences and dynamics are in terms of channel choice and behavior.

After you have answered all these questions, the result might be that you decide to implement a multichannel strategy that lets all customers always use the channel of their choice.

It is more likely you will discover that part of your multichannel strategy will demand some form of right-channeling for some customer segments. If so, right-channeling strategy and tactics, with corresponding efforts and budgets attached, should be an integral part of your multichannel plan.

At this point we are beginning to grasp some of the complexities of multichannel strategy. In the table that follows, we summarize the key decisions you will have to make. You will not be ready yet to decide on everything, but it is useful to know where you're heading.


The main message in the table is filtered from the ideas proposed by Konus et al, 2008 and Payne and Frow, 2004. They indicate that any multichannel strategy exercise should start with a deep analysis of customers' usage of and behavior in channels.

The results of this analysis can lead to radically different multichannel strategies, with huge differences in complexity between the basic channel strategies. There is no such thing as one multichannel strategy.



Customer behavior & preferences	Multichannel strategy	New challenges
Customers behave homogeneously towards channels	Mono-channel provider strategy	None. Multichannel marketing = mass marketing
Specific customers segments align with specific channels	Customer segment channel strategy  Graduated account management strategy (based on existing and future potential value of customers)  Channel migrator strategy	Design & target channels for segments Segments? Right channeling
Customers use channels for various phases of their decision process	Activity-based channel strategy	Dynamic, may change Scenario-based customer journey maps and customer experience design (see secret #6)
Channel preference and use varies by product category	Activity-based channel strategy	Dynamic, may change Scenario-based customer journey maps and customer experience design (see secret #6)
No attempt to influence the channel the customer may want to use	Integrated multichannel strategy	Scenario-based customer journey maps and customer experience design (see secret #6)

Secret number three



Implementing a multichannel  
strategy will not necessarily  
lead to more marketing  
opportunities,  
more revenue or more profit





### What they tell you

It's obvious: customers use multiple channels to search and shop.

If we want to grow revenue and profits, we should follow them. And there's more: we have this intuition that the more active customers are in different channels, the more they will buy from us, if only we open up enough channels for them.

There is even academic evidence for that intuition:

"Empirical evidence that the average multi-channel customer buys more and is more valuable than the single channel customer is reaching the point of an empirical generalization"

(Neslin and Shankar, 2009; Kumar and Venkatesan, 2005; Kushwaha and Venkatesh, 2013).



## What they don't tell you

Yes, there is a lot of evidence that multichannel shoppers buy more and are more profitable. But the direction of the causality in this association is less certain. Does multiple channel shopping lead to more profitable sales? Or are profitable customers more inclined to shop in multiple channels? Does that matter anyway? Yes, if we're not sure which is the primary choice decision: do customers choose channels or choose firms first? It turns out that the costs of creating multichannel customers may not be worth the benefits if the sales growth goes to competitors.

Are you even sure the prime motivation for going multichannel should be to grow revenue? One could well develop a multichannel strategy with efficiency as its primary goal. And even if the goal is more revenue, you have to be more specific. Do you want to reach new customers? Or attract more revenue from existing customers? Maybe you want a multichannel strategy that is specifically designed to segment your existing customer base more efficiently.

Once you have answered these questions and have a clearer view of the goals of your multichannel strategy, you will have to do an a priori analysis of channel economics and dynamics. This is hard work, which you will have to follow up upon with sophisticated analytics once your channels are up and running.

Discussing and answering the following questions should allow you to get a clearer view on the main levers for revenue growth and profitability :

## What are the estimated costs and expected benefits per channel?

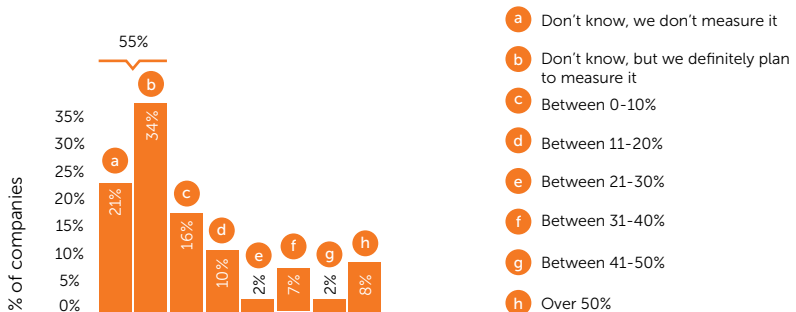
Each channel has fixed costs and costs that vary with the number of users and transactions. These fixed and variable costs should be calculated in the strategic planning phase of your multichannel project. Remember to include communication, service delivery and transaction completion aspects for each channel. To estimate expected benefits, you will have to take into account cross-channel elasticities.

## Will we be able to attribute revenue to channels? How?

This may sound trivial, but in a recent Emakina survey of digital marketers, an astonishing 55% of respondents said they didn't know what percentage of revenue could be attributed to digital marketing.

Attribution is really key and you should think hard about which procedures and technology you will use to measure channel attribution before you launch additional channels.

## What percentage of total revenue can you attribute to digital marketing



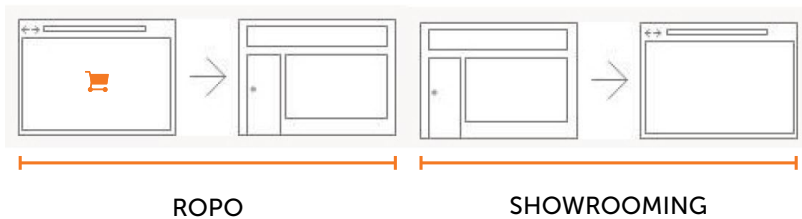
## Cross-channel behavior

Channels react dynamically to each other.

Moreover, the creation of a new channel by one player in the industry will probably have effects on existing channels of competitors.

So, for each of your channels you will have to try to estimate (and follow up) cross-channel elasticities with your own channels and competitor's channels.

- Will you experience channel cannibalism?
- Or will there be synergetic effects between channels?
- How will you handle ROPO (Research Online / Purchase Offline)?
- Will the Showroom-phenomenon (Research Offline / Purchase Online) have positive spill-over effects to your own channels or to competitors?






## Organizational questions

Most organizations hugely underestimate the organizational impact of going multichannel. It should be clear however that the effects on the organization of adding channels can be far-reaching.

Are you ready to adapt your organization and re-allocate resources quickly and flexibly if cross-channel elasticities turn out to evolve otherwise than anticipated? For example, if it turns out that a new online channel brings in fewer transactions than anticipated but has a large positive elasticity with an off-line channel, overall revenue growth might be lower than the potential if channel teams receive incentives on transactions alone.

If part of the motivation for going multichannel is increasing marketing efficiency and effectiveness, are you aiming for economies of scale (more channels = more marketing opportunities) or for economies of scope (marketing costs can be shared across channels)? Evidently, the choice for one or the other will entail radically different organizational designs.

Secret number four



Multichannel will not  
necessarily provide you with  
a competitive advantage



### What they tell you

To quote just two of many examples:

“Multichannel marketing: creating a competitive advantage in today’s complex marketing landscape” - Adobe’s Omniture

“Retailers can drive significant competitive advantage by focusing on the four key elements of Integrated Multi-Channel Retailing”  
- Capgemini.



## What they don't tell you

It's simple: what if everybody or lots of companies are following this advice?

What you'll get then is a classic prisoner's dilemma, nicely summarized by Neslin et al, 2006 (see the table on the next page).

Multichannel strategy is often motivated by a desire to increase customer satisfaction. But what if your competitors also encourage customers to go multichannel?

The harsh message is that the costs of creating multichannel customers may not be worth the benefits, if sales growth comes from competitors or if creating more channels leads to costly price competition.

You can ask any company that has tried to compete with Amazon by adding online channels...





		Firm B	
		Do not add channels	Add channels
Firm A	Do not add channels	Status quo	Firm B gains customers
	Add channels	Firm A gains customers	Firms A and B compete on a broader front: Overall market growth? Costly price competition?

Secret number five



Your communications  
across channels need not be  
consistent



### What they tell you

Consistency is a recurring theme in the multichannel literature:

“Multichannel Strategy: Consistency Is Key” - Perch Interactive

“Consistency, the key to multichannel success”

- Julian Sammells, Sales director Eptica

“Deliver Consistent Multi-Channel Communication” - Salesforce

“The Multi-Channel Paradigm: Reaching Customers with a Consistent and Integrated Experience” - *Microsoft*

“Deliver a consistent experience across all of your customer communications” - HP

“Retailers and cross-channel consistency: A global report”

- National Retail Federation

“Multichannel Retailing: Customers Want Consistency” - Gartner.



## What they don't tell you

We believe that the most persistent theme in what you will hear about multichannel is mistaken. It's not about consistency, it's about coherence.

### CON-SIS-TENT

Always acting or behaving in the same way

### CO-HE-RENT

- logical and well-organised: easy to understand
- able to talk or express yourself in a clear way that can be easily understood
- working closely and well together

People who are proposing consistency as the answer start from the right question: how will we coordinate products, prices and communication across channels?

But they're leaning too heavily on old marketing metaphors such as the sales funnel or the AIDA (Attention – Interest – Desire – Action) marketing model.

we say it's less and less about (**consistently**) pulling customers through a linear sales funnel. Today it is more and more about (**coherently**) designing customer experiences across

journeys that are a whole lot less linear than our old models assume. The difference is in the perspective and the degree of control that is possible and desirable. Consistency is about a uniform perspective from a single point of view. It's nice when it works.

But in a multichannel environment, where the customer owns and decides upon a large part of the communications about your brand and products, insisting on consistent communication will repress valuable differentiation.

Make no mistake: coherence is not about being more loose in the coordination of your communication across channels. To reach coherence, you have to include consistency to some degree for some elements. But coherence is more difficult to achieve and manage than consistency.

In a classic **consistency** world, you would open up your campaign management trick box, add some complexity and volume handling for additional channels, and start pulling and pushing customers through your linear sales funnel. In the **coherence** world, where you discover and design customer journeys and communicate with the customers instead of communicating to them, you have to start trying what we call a 'campaign choreography'.

## Campaign management vs campaign choreography.

Even when there is still a lot of thinking and experimenting necessary before you can even start to develop campaign choreography skills and tools, you already will understand the differences.

Campaign management is linear, with preferably full control, minimum space for differentiation and improvisation, inspired by the military for its efficiency.

Campaign choreography is iterative, with some central control but much space for differentiation and improvisation, inspired by the artist for its impact.

Two examples will illustrate the value of good choreography.

One is an example of what would be cursed in the consistency world: a Human Rights Campaign in the US lets users experiment with its logo. The result, while maybe not always artistically or design-wise correct, is a lot of customer interaction with the brand and lots of new ideas (see the figure below).

Figure 4: User-generated logo variations of the Human Rights Campaign logo (for consistency reasons, we have resized them to the same dimensions)



The second example is about customers involuntarily making mistakes when trying to engage with the brand.

The two-word clouds show misspellings of brand names in the search box of a retailer. the first is for a beverage called **Kidibul**, the second for sanitary pads called **Always**.

Problematic for the consistency-minded marketer, they are interesting examples of a user-generated brand choreography for the coherence-minded marketer.





Secret number six

Scenarios and journeys  
are the new segmentations  
and funnels





### What they tell you

Multichannel marketing is classic marketing with some complexity and volume added.

The goal still is to efficiently segment your customers and then drive them through the sales funnel.



## What they don't tell you

It should be clear by now that we're looking at a new paradigm in which the **journey** metaphor will partly displace the **funnel** metaphor.

It should also be clear that this whole story is not about channels, it's about the customer. We're making a switch from channel and product-based strategy, organization and metrics to a customer based strategy, organization and metrics. However, thinking about channel dynamics has learned us that the road to customer-centricity lies in orientation towards interaction.

Interaction orientation, or a scenario-based approach, will partly displace classic segmenting and funnel-thinking.

The scenario-based approach follows three steps:

## Customer Touchpoint mapping

The first step is to make a complete inventory of all your customer touchpoints. Many companies have rough ideas about these touchpoints, but we haven't encountered any who really have done this work in a systematic way. Making a complete inventory of all your customer touchpoints in a systematic way will entail, among other challenges, a lot of cross-organizational coordination. One of the end goals should be a detailed map of the repositories of the data that each touch point generates. You should probably also start to differentiate in touch points between standard touch points and moments of truth.

## Customer Journey mapping

Once you have completed the inventory of customer touch points, you can start to draw customer journeys. Think in terms of interactions and scenarios here, not in terms of linear push and pull through funnels. Most probably, a diagram of your customer journeys will look more like the image at the right of figure 7 than the one at the left.

Figure 7: From funnel to journey map



## Customer Experience Design

After you have mapped actual and desired customer journeys, you are ready to start designing your customers' experiences across journeys.

Mind you, you are not fully in control here. The customers will often create their own experiences. Be prepared to capture them and to learn from them.

Secret number seven



Multichannel is difficult



### What they tell you

Multichannel is easy!

Buy our tool and get started.



## What they don't tell you

### **Multichannel is hard.**

In our experience, it's a transformation program, not a project. It is telling that among the five main challenges we have identified, two are purely organizational:

### **Main challenges for multichannel**

- Understanding consumer behavior
- Understanding channel dynamics and economics
- Data integration
- Allocation of resources across channels
- Coordination of channel strategies







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