

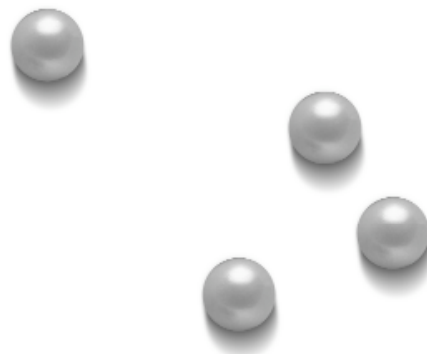
Developing Effective Multi-Channel Marketing Strategies





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A Banta White Paper created for organizations wishing to gain greater rewards through the development of synergistic marketing campaigns, incorporating both print and electronic media.



Developing Effective Multi-Channel Marketing Strategies

Executive Summary: Although multi-channel marketing is the current trend, it is not an entirely new concept. Multi-channel has roots in the age-old “media mix” idea, which essentially said that buyers were reached at different times in different ways, and that the most successful marketing programs contained an appropriate mix of media for the targeted audience. The theory was that effective use of multiple media helped a selling organization become top-of-mind when the buyer was ready to make a purchasing decision.

There are two important developments that helped evolve the media mix concept into what we now think of as multi-channel marketing:

- 1 A transition by marketing and advertising professionals in the 1990s toward integrated communications. This marked a shift in focus from transactions to customer relationships. Even outside the marketing arena, engineers and statisticians were contributing by following the lead of successful Japanese industries that reengineered business processes around customers’ needs.

According to Anders Gronstedt, author of *The Customer Century*, power was shifting to the consumer, and the management of communication processes was being elevated to strategic levels to help build customer relations and drive business results. He contends that leading global companies like Hewlett-Packard, Motorola, FedEx and others helped lead the movement from a “Production Century” model of building products and finding customers to a “Customer Century” model of building customer relationships and integrating communications across multiple channels.

In addition, other market realities continued to fuel the trend toward relationship marketing through expanded communication and sales channels. Consider, for example:

- Competition increased while the cost to acquire new customers soared, making it increasingly important to establish solid customer relationships, especially with those who projected high lifetime values.
- Customers in a satisfied business relationship became clearly recognized as the best source of new business. They were the people who knew you, respected you and had a greater predisposition to buy your products and services.
- Privacy concerns and governmental actions such as the new “Do Not Call” legislation placed greater focus on establishing true relationships rather than trying to blindly attract buyers with hit or miss, mass-communication tactics. Consumer response to the national “Do Not Call Registry,” along with previous “junk” fax legislation and “spam” e-mail legislation, continues to send marketers a clear signal. Consumers are pushing back hard against unwanted and irrelevant intrusions in their daily lives. Using customer data more effectively by personalizing communications, coordinating communication channels and getting consumers to opt-in allows marketers to be more effective.

- ② The number of channels available to marketers increased. Not only was there now recognition of the importance of building customer relationships and integrating communications, but new electronic media such as Web sites and e-mail also added channels. What's more, there was less distinction between pure communication channels and sales channels. Increasingly, the two were becoming one and the same.

Database technologies and personalization advancements were also making it possible to communicate one-to-one through a variety of print and electronic media. And the results of well-executed, personalized communications were stunning. Sellers commonly experienced, and continue to experience, a five- to 10-fold increase in response and conversion rates based on personalized communications. When print, e-mail, Web and telemarketing are combined in integrated, multi-channel campaigns, the results are even greater.

What is evident is that consumers prefer personalized communications, as indicated in **Figure 1**.

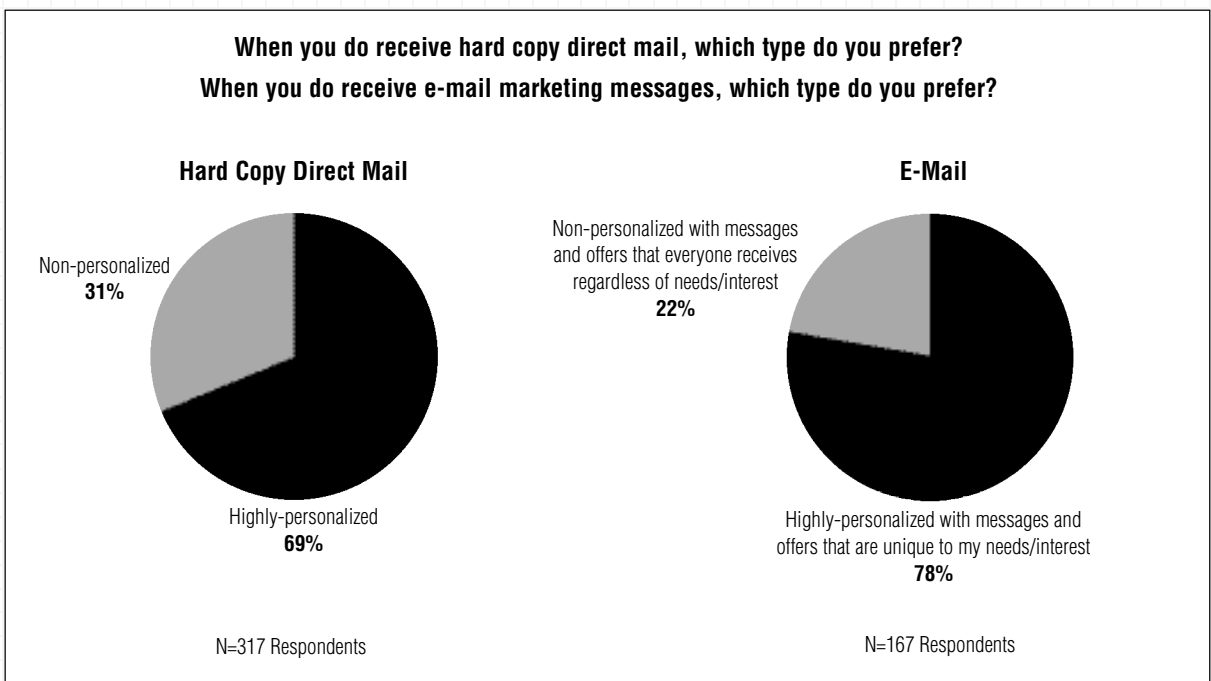


Figure 1: Results of Survey on Personalization (Source: CAP Ventures, 2003)

The purpose of this white paper is to discuss methods for effective multi-channel marketing strategies to enhance customer loyalty and retention efforts, with an emphasis on incorporating customization and personalization for print and electronic channels.

Exploring Multi-Channel Marketing

New methods of marketing are emerging that seek to more effectively use prospect and customer data to filter target lists, construct personalization rules and produce and execute marketing campaigns across and among the full range of media channels available. The most successful campaigns reach consumers in a sequenced and consistent manner. This creates an indirect benefit of enforcing and enhancing corporate branding. Therefore, organizations that can harness the power of other marketing channels and produce more

personalized communications could put themselves in a good position to capture market share from those that don't.

There are two critical components to effective multi-channel marketing:

- 1 Creating relevant offers via personalization
- 2 Coordination and management of multiple marketing channels

In a multi-channel marketing context, personalization means using what is known about the recipient to create the offer, customize the messaging and deliver it to them in the format requested. For channels other than tele-marketing, this can include personalized greetings, relevant messages based on demographics and compelling graphics. A survey completed by YesMail in July 2002 revealed that response rates increase dramatically with an increase in the number of personalization elements. As the number of personalization elements increases from one to seven, the click-through rate more than triples, increasing from 4.7% to 14.8%.

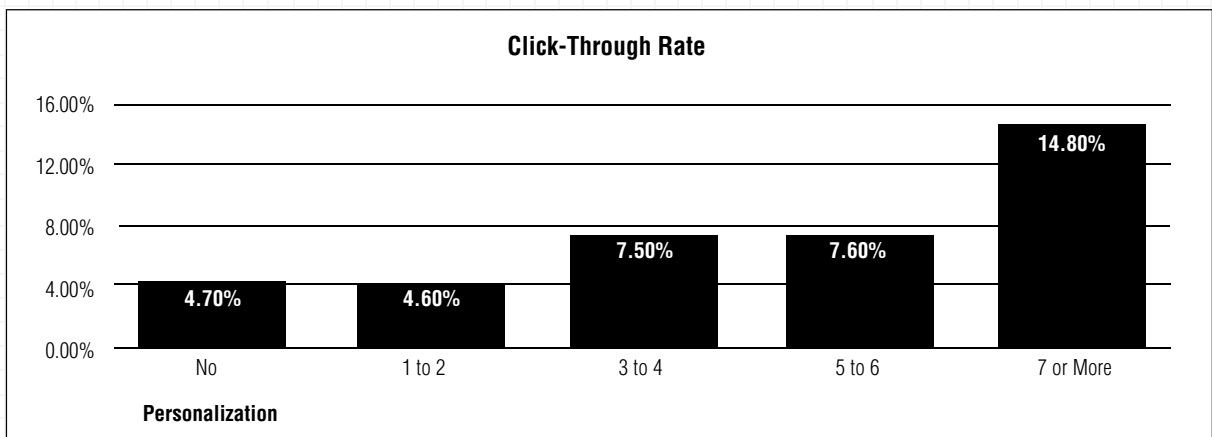


Figure 2: Effect of Personalization on Click-Through Rates (Source: YesMail, 2002)

The other critical element lies in the design and execution of campaigns that coordinate among the full breadth of channels available to reach prospective buyers. Much like personalization, this requires strategic and tactical planning. When marketers can sequence communications and “hit” prospective customers with consistent communications through various media channels, the effectiveness of campaigns increases greatly.

A research study by AMR Research in January 2002 demonstrated that companies that followed up e-mails with other direct communications realized an increase of 5-10% in their response rates, with some organizations seeing increases of 15% or more. This is due in large part to the “multiplier effect” when multiple media channels are coordinated.

Will One Channel Steal from Another?

Many executives fear that one channel will take business away from another. The Web site will steal from the catalog, for example. The truth is that customers who interact with your company over multiple channels are more loyal and profitable than single-channel customers. To become a successful multi-channel marketer, you first need to understand your customers and their preferences, then communicate effectively through the desired channels.

Jack Aaronson, CEO of the Aaronson Group and a frequent lecturer on customer loyalty, profitability and multi-channel solutions, suggests that you think about channels as if they were products. Apply the same marketing techniques you'd use to sell products, including acquisition, retention and share of wallet. These techniques applied to channels assume the higher purpose of making users more loyal by encouraging customer interaction over multiple channels.

To create a channel acquisition strategy, he encourages using the same scoring techniques you currently use to determine which customers would be most likely to buy a new product you market. Score them according to their most likely "next channel." After you've identified these new "channel-ready" segments, use your marketing knowledge to sell the channel as if it were a product.

It's critical to think about encouraging customers to add channels, not to migrate to a different channel. Don't replace a user's preferred channel, but instead, convert a single-channel user into a multi-channel user. Understand what channels and channel combinations a user currently uses. For example, you don't want to introduce a user to a channel that's less cost effective. The exception would be when the climate sometimes calls for loss-leader channels that reach a new audience and will pay off in the future.

Finally, Aaronson emphasizes the importance of thinking of your company as multi-channel. When channels become siloed rather than converging into a unified user experience (unified functionality, voice, look and feel) the company is acting like a consortium of single-channel companies.

Multi-Channel Marketing: Best Practices and Requirements

An example of an organization using effective personalized communications illustrates the possible returns from effective multi-channel marketing.

A financial services provider wants to target new customers for a recently launched retirement investment product. Using all of the collected data about the prospective customers — including key demographic information — the organization generates a full-color personalized brochure. This customized collateral explains the returns the recipient can generate over a long-term investment horizon, based on their current income. The call to action in the direct mail piece is a custom Web page URL. This leads recipients to a page where they can further research the offer or the company, chat live with or be called by a representative and sign up to become a customer.

Coordinated with the printed direct mailing is an e-mail campaign with identical branding and messaging with a link to the same URL. The company can also use telemarketing to follow up with those consumers who visited the Web site and made inquiries, but did not sign up for the service.

Further, the communications and customer responses can be centrally monitored and measured via the Web in real-time. Marketing executives can easily gauge the effectiveness of campaigns and optimize them in real-time based on formatting or messaging that proves effective. They can also more effectively track marketing expenditures with the sales generated from specific campaigns. This provides detailed return on investment information. In other words, this type of system enables marketers to perform "closed-loop marketing."

An example return on the type of multi-channel marketing described above is:

Traditional Campaign	Personalized Multi-Channel Campaign
1.3% response rate	9.4% response rate
3.3% click-thru rate	56% click-thru rate
2.9% order conversion	31% order conversion

It is important to recognize the tremendous multiplier effect from the employment of multiple, coordinated channels. In the example above, if the campaign targeted 1,000 recipients and the average order was \$1,500, the difference would be hundreds of thousands of dollars.

Firms in a wide range of industries — targeting both consumers and businesses — are increasingly taking advantage of this innovative and effective method of running multi-channel campaigns, particularly financial services, insurance, healthcare, manufacturing, automotive and technology companies. Service providers, including advertising agencies and print providers, are also beginning to offer multi-channel capabilities, along with strategy development, to help organizations create campaigns and support content that best leverages them.

The days of tactical, disjointed marketing campaigns and programs are numbered. Given the commercial and custom solutions and services available today, selling organizations are increasingly able to generate sales through multiple channels. Following is a review of several key channels with some usage examples highlighted.

Data and Content Management

More than half the battle in effective marketing campaigns is acquiring and maintaining good prospect and customer data. It is important for sellers to build a repository that allows them to effectively utilize unique attributes to segment prospects and customers. Using these attributes, marketing managers can build the personalization rules and determine which prospects should receive proscribed offers, and more specifically, which messages. Once the campaign is designed, in many cases the seller (and often a third-party service provider such as an advertising agency) creates the content to support the marketing campaign.

Traditionally, sellers have created content specifically for each campaign in a tactical fashion, failing to leverage the messaging and graphical elements for other channels. Sellers are increasingly developing and managing content in a more strategic, collaborative fashion that enables content to be shared not only among media channels, but also across campaigns.

Printing and Direct Mail

From a print perspective, direct mail remains a very powerful tool for marketers. Personalized direct mail campaigns, which utilize variable data printing, have proven to be extremely effective, particularly as the level of personalization leads to increased relevance. Sellers can expect a five- to 10-fold increase in response rates for well-designed direct mailers as compared to traditional static direct mail.

While the cost per page for variable printing has historically been an obstacle, the price is dropping substantially as user adoption increases. Even with a higher unit production cost, the return on investment for producing highly personalized offers can be dramatically greater, as illustrated in the following scenario.

Table 1: Production Cost and ROI for Personalized Direct Mail

Low-Level Targeting & Personalization	High-Level Targeting & Personalization
Production costs: 25,000 pieces @ \$.40 each = \$10,000 2% Response rate = 500 Revenue model: 500 @ \$100 average sale = \$50,000 Production cost as % of revenue = 20% R.O.I. = 5.0 x Cost per response = \$20 Profit = \$40,000	Production costs: 12,500 pieces @ \$.80 each = \$10,000 10% response rate = 1,250 Revenue model: 1,250 @ \$100 average sale = \$125,000 Production cost as % of revenue = 8% R.O.I. = 12.5 x Cost per response = \$8 Profit = \$115,000

Response rate is the most widely used metric for evaluating direct marketing efforts. In related CAP Ventures studies conducted in 1997 and 2001, personalization programs demonstrated the following impact on other important metrics as they relate to printed marketing campaigns:

% Improvement from Using Personalization Programs

Response Rate	34.0%
Average Order Size/Value	24.5%
Repeat Orders/Retention	47.6%
Overall Revenue/Profit	31.6%
Response Time	34.9%

This overall return rate, based on personalized print, should also factor in the costs of developing the content and designing the personalization rules. Certainly, creating content for communications with a high level of personalization will require additional investment on the part of sellers. However, organizations that leverage a content repository have the ability to reuse content across a wide range of marketing and sales activities. Sellers can also leverage variable data personalized printing to reduce the costs of collateral fulfillment by providing collateral materials “on-demand” to those who express interest.

E-mail Marketing

Much like printed direct mail, opt-in e-mail-based campaigns can be a very effective method of communicating with customers. First, the cost of executing an e-mail campaign is extremely low compared to other communication channels. GartnerGroup estimates that e-mail costs about \$5 to \$7 per thousand versus printed direct mail, which can range from \$500 to \$700 per thousand. Along with sender anonymity and readily accessible e-mail databases, low cost is a large part of the reason that spam (unsolicited e-mail) has become such an issue.

While spam e-mail certainly has some detrimental impact on the overall effectiveness of e-mail, permission-based e-mail still remains efficient and effective. Gartner analysts validate that permission-based and opt-in marketing strategies are critical to higher e-mail response rates.

In general, they assert that response rates measured by action taken from direct mail are the same as e-mail, hovering at 1 percent. On permission-based e-mails, the average click-through rate is between 6 and 8 percent.

Furthermore, the speed at which e-mail campaigns can be executed is much faster than other channels. E-mail campaigns can often be run over the course of seven to 10 days, where it generally takes four to six weeks to execute a direct mail campaign.

Like many of the other forms of customer communication, the keys to successful e-mail marketing lie within the following factors:

- **Quality of the e-mail list** » E-mail campaigns are most effective when targeted at recipients where more is known than just an e-mail address. Existing customers are a good fit for e-mail communications because the offers can be tailored based on their purchase history, registered products or stated preferences.
- **Design and measurement of the e-mail** » Including desired customer behavior when opening the e-mail, clicking on certain links and converting to a registration or purchase.
- **Consistency with other campaigns and corporate branding guidelines** » Including the use of rich text or html-based e-mails, which draw the recipient's attention and use familiar branding that can drive read and response rates.
- **Frequency of communications** » While it is often tempting, organizations want to ensure that they do not overuse e-mail and ensure that they explicitly offer customers an interaction channel to alter or discontinue e-mail subscriptions.

Along with direct e-mail offers, e-mail newsletters can be an effective means by which to communicate with both prospects and customers. Newsletters provide useful information to consumers, which can build credibility and loyalty, while also providing important links for creating a purchase opportunity.

Internet Solutions

Internet technologies continue to gain importance as an essential component for multi-channel marketing by acting as a communications medium and a method to inexpensively facilitate transactions and process orders. The nature of Web technologies also provides tracking and reporting mechanisms that offer marketing executives a wealth of information, including trend analysis and real-time analytics.

Of the many ways in which the Internet improves marketing processes, three key areas are important to this discussion:

- ❶ As demonstrated previously in the deployment scenario, the Internet complements other marketing channels by providing an information-rich, low-cost means for customers to interact with a selling organization.
- ❷ Web technologies can facilitate the collaboration among the marketing content, campaign development and deployment teams. This collaborative environment can be used to quickly create virtual teams composed of multi-company, multi-disciplinary resources.
- ❸ Finally, the Internet can provide a centralized console for the management, operation and reporting of marketing campaigns. When these elements are combined, such as in a self-service customer portal, the efficiency and effectiveness results are very high.

Five Key Strategies for Effective Multi-Channel Marketing in Today's Business Environment

- ❶ ***The Customer (Data) is King*** » Just as an oil company would not blindly drill small holes in the earth in search of oil, your organization shouldn't contact millions of consumers blindly, banking on a very small portion accepting your offer. Rather, seek out or build a repository that identifies which consumers are more likely to find your offer compelling.
- ❷ ***Get Customers to "Opt-in"*** » Companies that can build their own opt-in lists, or use qualified industry opt-in resources, are in a better position to communicate and market to both consumers and businesses. Explore methods, such as periodic e-mail newsletters, that provide valuable information and purchase opportunities simultaneously.
- ❸ ***Invest in Personalizing Communications*** » The overwhelming response to the "do not call" registry underscores consumer frustration with intrusive, irrelevant communications. Research shows that by a ratio of over 3:1, recipients prefer personalized communications. Research also shows that the more personalized an offer is, the higher likelihood of response. It will require an increased investment in creating content and designing campaigns, but you can expect double-digit response rates.
- ❹ ***Leverage More Effective Customer Channels*** » Design and execute new marketing campaigns that leverage the full spectrum of marketing channels. Personalized direct mail, permission-based e-mail and Internet technologies can be employed to dramatically increase the returns on the marketing dollar. Coordinate marketing campaigns using multiple channels and take advantage of the "multiplier effect."
- ❺ ***Simplify the Transition by Using Service Providers*** » Personalizing communications and running multi-channel campaigns can be a challenge for those selling organizations that do not currently have the technology or process infrastructure to develop multi-channel strategies, manage customer data, manage marketing content and execute integrated campaigns. Sellers will find that there are several service providers that can help them transition from their current practices to leverage more effective marketing practices.

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About Banta

Banta offers a variety of services and a robust, integrated suite of solutions to help you create powerful turnkey, multi-channel marketing programs including:

Services

- Strategy Development
- Database Management
- Design Expertise
- List Services

Solutions:

- Online Collaborative Tools (e-Merge)
- Internet-Based Marketing Tools (Sync Interactive Marketing Suite)
 - Sync Print (personalized print)
 - Sync Email (personalized email)
 - Sync Web (personalized Web landing pages)

Our proven solutions and expertise can help you enhance your marketing program and improve response rates. By developing an integrated, multi-channel approach that incorporates the services and solutions best suited to your needs, we help create a roadmap for your success.

Because our solutions are scalable and flexible, Banta provides you with a platform for growth. This enables the solution to grow with you and meet your additional requirements. Our focus is on recommending and implementing the most appropriate solutions that work within the context of your overall organization; making sure that the goals of your print, online and e-mail marketing initiatives are aligned with your business goals.

We invite you to learn more about these services, as well as Banta's complete range of capabilities, by contacting your Banta representative, visiting our Web site at www.banta.com or making an e-mail request at info@singlesource.com. Discover for yourself why more and more companies choose Banta.



Production Notes:

Document copy originated as a Microsoft Word file with design completed in QuarkXPress. The digital file was electronically transmitted to a Banta Marketing Distribution Center where it was output and bound on a Docutech printing system.

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