

Multi-channel marketing

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Selling across more than one channel may be lucrative but it creates specific challenges for retailers if they are to meet consumers' expectations

quick facts

- Online retail is set to reach £8.9bn this Christmas, but retailers are giving consumers different messages on different platforms
- The definition of multi-channel has evolved from the online/catalogue/in-store approach
- Large high-street retailers including Gap, H&M and Zara are planning to launch transactional websites
- Some retailers are hindered by legacy issues when moving to a multi-channel approach, such as multiple technologies that don't interact
- Online loyalty sites are showing the influence of one channel on another

The challenge of working across multiple sales channels has tested retailers ever since the first stores opened on the web. In 2005, a report by IBM found that consumers were already comfortable with using multiple channels. In a 24-month period, customers for retailer REI across three channels spent 48% more than those using two, while dual-channel shoppers spent 114% more than those using one channel.

So the benefits are well known, but co-ordinating multiple channels has become something of a holy grail for retailers. Data from Lightspeed Research for **new media age** (see Multi-channel marketing: Customers feature) shows 29% of shoppers still experience conflicting information from different channels.

So the first question that arises is whether brands have a united enough approach to defining multi-channel business. Jo Molineux, head of multi-channel at high street fashion retailer Republic, says that while in the early days of the web it was very much online, catalogue and in-store working as three separate divisions, now it's much more fluid.



"Multi-channel for us means offering the best service on any channel at any time," she says. "We want to create a converged, consistent customer experience across all sales and marketing channels."

Seb Villien, ecommerce manager at Kaleidoscope, part of the Freemans Grattan Holdings group, says, "When the first multi-channel retailers launched their transactional websites, ecommerce was seen as an alternative way for existing customers to purchase. Online is now used as a marketing channel in its own right and is often the first point of contact a customer will have with the brand."

"A successful multi-channel strategy translates into offering a seamless experience for the customer," he adds. "This is achieved through using a single tone of voice and ensuring visual consistency, but mostly by putting the customer at the heart of the business."

Andy Houstoun, head of marketing at ecommerce specialist Venda, which develops ecommerce sites for brands including Monsoon, Superdrug and TK Maxx, says, "The definition of multi-channel now is not just about the different channels coming into play, but that a multi-channel customer is more valuable to your overall business. So the challenge is to understand first what behaviour your customers exhibit through each channel, then the optimal way to link channels together to ensure your core customers can interact effectively."

The idea that multi-channel customers are more valuable than single-channel customers has become a given, even if, as LBi UK president Lorenzo Wood says, the IBM study is based on data that's now five years old. "No one asks if there's any evidence that the relationship isn't merely consequential," he says. He expects next year to bring more effective measurement that will alert clients to the value of customers that use several channels.

Some retailers already know the value of multi-channel customers. Robin Terrell, MD of johnlewis.com, says its customers are "sophisticated multi-channel shoppers" and in order to service their needs John Lewis is becoming a sophisticated multi-channel retailer.

"Nine out of ten shoppers on johnlewis.com also shop in-store, so ensuring they receive consistently excellent service is vital," Terrell says. "We're also acutely aware of how shoppers use different channels. A survey by Verdict Research found that 51% of shoppers research online before buying in-store and around 10% of our online sales are collected by customers from their local store."

Missing piece

But does multi-channel necessarily mean transactional on the web? In the last few months key high street names have taken the plunge into ecommerce for the first time. Gap, H&M and Zara are all planning transactional sites. However, there are others, such as Primark, that have yet to let their customers buy online.

Derek Dunlop, practice manager for retail, media and entertainment at EMC Consulting, which has worked on Harrods' ecommerce service and is currently rebuilding River Island's online store, says consumer perception is such that shoppers assume that if you have a high street store then you must be able to buy online as well.

"If you're on the high street there's no reason why you shouldn't have a web presence," he says. "Should that also be transactional? To a certain degree, yes. There's no excuse now, the web is mature enough and consultants have preached and advised about the benefits of getting your operation online and done correctly."

Dunlop cites Morrisons as an example of a retailer that should be allowing its customers to shop online. It's the only one of the big five supermarkets not to let people buy on its website, and hasn't hinted at whether it intends to at any point in the near future. "Morrisons has been growing its business incredibly well after the Safeway purchase, with hefty marketing spend and in-store customer care," says Dunlop. "It has diversified its offering as well as cut back other aspects, but online is still a simple marketing engine for in-store offers and locations."

But those retailers not selling online can still see how one channel can affect another. Online loyalty schemes, for example, have pioneered cross-channel offerings, which can show the influence of the web to in-store. For example, Greasypalm uses technology developed by loyalty network Reward that recognises the 16-digit debit or credit card number of members when scanned at point of sale in stores including Burton, Cineworld, Halfords, JJB Sports and Superdrug, providing them with cashback of between 2.75% and 5% depending on the store.

One ecommerce manager at a leading high-street fashion retailer stresses the importance of tracking. "No matter what you do, in-store or online, the important thing is to track it," she says. "Give your customers a unique ID, capture their email address and store all this data in the one place so you get a good picture of who your customers are, how they shop and what they buy."

Interpretation is the key. Data has no value if you don't know what it means or its benefit, says Kaleidoscope's Villien. "The risk in collecting data is to feel the need for more without knowing what it'll be used for," he says. "The key is to make sure that all data you collect can be used to improve your business."

Fighting tradition

There's a legacy issue, however, according to Fadi Shuman, co-founder of digital agency Pod1, which has created ecommerce sites for brands including Kurt Geiger, Reiss and Uniqlo. There are plenty of retailers that are yet to unite their infrastructure across all their touchpoints. This is often due to money, he says.

"Too many retailers still think in terms of disparate business units - online, stores, catalogues - with separate accounting processes, structures and reporting lines. Amalgamating these takes time and money," says Shuman. "The big retailers are starting to invest in this and break down the silos, integrating their marketing and commercial teams across channels. Ultimately it's about looking at customers as a whole, wherever and however they shop, not fighting over the transaction itself."

Part of the reason some retailers have yet to sell online is that they're not convinced the required investment will be covered by the extra custom, according to Venda's Houstoun. "Profitability from distance selling usually happens at around the £40 mark. So if you're selling low-price products, getting to this figure can be a challenge," he says. "There are myriad promotional and merchandising techniques - bundling, for example - that can be used to drive up the average order value, but the challenge then is to find a cost-effective yet sophisticated way to deliver your customers the experience they'd expect and the value you want as a business."

Despite the confidence consumers now have in buying online, retailers going transactional in 2009 face more challenges than those that launched stores earlier in the web's lifetime, primarily due to lack of experience. One ecommerce manager says, "Competition is the big thing now, not just in the marketplace but also in gaining space on key online marketing channels."

She says the established brands stand at an advantage on search engines. "They'll have high quality scores and will be way ahead in terms of search optimisation, so there will be a lot of catching up to do," she says.

The final point goes to Molineux at Republic, who stresses that those who want to succeed in multi-channel retailing need to be pragmatic in their approach and understand the need to change to suit their customers' needs, rather than the other way round.

"The retail landscape is continually evolving. Channels no longer matter as much as they did," she says. "Customers choose to engage with brands and want a consistent and convergent experience when they choose. The retailers that flourish will be those that adapt from a systems-and-process approach to fulfilling the changing needs of the multi-channel customer."

case study Tesco opens its systems to third parties

Tesco, Britain's biggest retailer, is undergoing perhaps the most significant change to its online offering by switching from one ecommerce platform (the infrastructure for everything on its website) to a new one, known as

Martini.

At the same time, the company has opened up its application programming interface (API) to allow third-party developers to create new ways for shoppers to buy from Tesco. The first to be launched was actually developed by Tesco itself and was a truly multi-platform service: an iPhone app that lets users locate products within their local store.

Nick Lansley, Tesco.com's head of research and development and head of special projects, explains why something very technical needs to be very simple. "My main objective for multi-channel is to create its foundations with a simple API that's abstracted from systems and hides their complexity. Then we can build apps that satisfy one or more channels."

Lansley says this has two advantages. The first is that simple interfaces are less prone to misinterpretation. Second, a simple

API is secure. "For example, logging in is a complex procedure involving accessing encrypted databases and special secure layers that protect customer data and prevent hacking," he explains.

"In the API, however, this becomes a simple call that says whether the login worked or not. A hacker has no idea how the process works under the cover and we can -change that process at any time, re-crafting the API to work with the new one. Once we have our simple, secure API, both ourselves and third parties can easily build apps that can work on any particular channel."

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