

Stirring the Multichannel Pot



The Right Recipe for Strategic Prospecting and Conversion

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Define Your Strategy



Who, What, When, Test

Diversification

- Portfolio Management
 - Minimize impact of external factors
 - Balance natural ups and downs
- Hard or inefficient to reach by mail
(especially mature businesses, fewer new lists)
- More tools in your “bag of tricks”
 - Less vulnerable to competition

Testing

- Test multiple elements
 - more simply and cost-effectively with other media/formats:
 - paid search, email, solo mailings, inserts
- Faster turnaround on test results
 - web approaches:
 - paid search, email, web ads
 - outbound telemarketing

Grow Your Customer File and Long-Term Sales

- Prospects who are initially more receptive/responsive to other mediums
 - Prospects who need more to make the buying decision e.g. video, implied endorsement from publication, etc.
- Presence in multiple media
 - Be there at the moment the prospect's need arises

Consider Your Channel and Media Options



The intersection of what's
unique about your brand and
each medium

Brand Factors

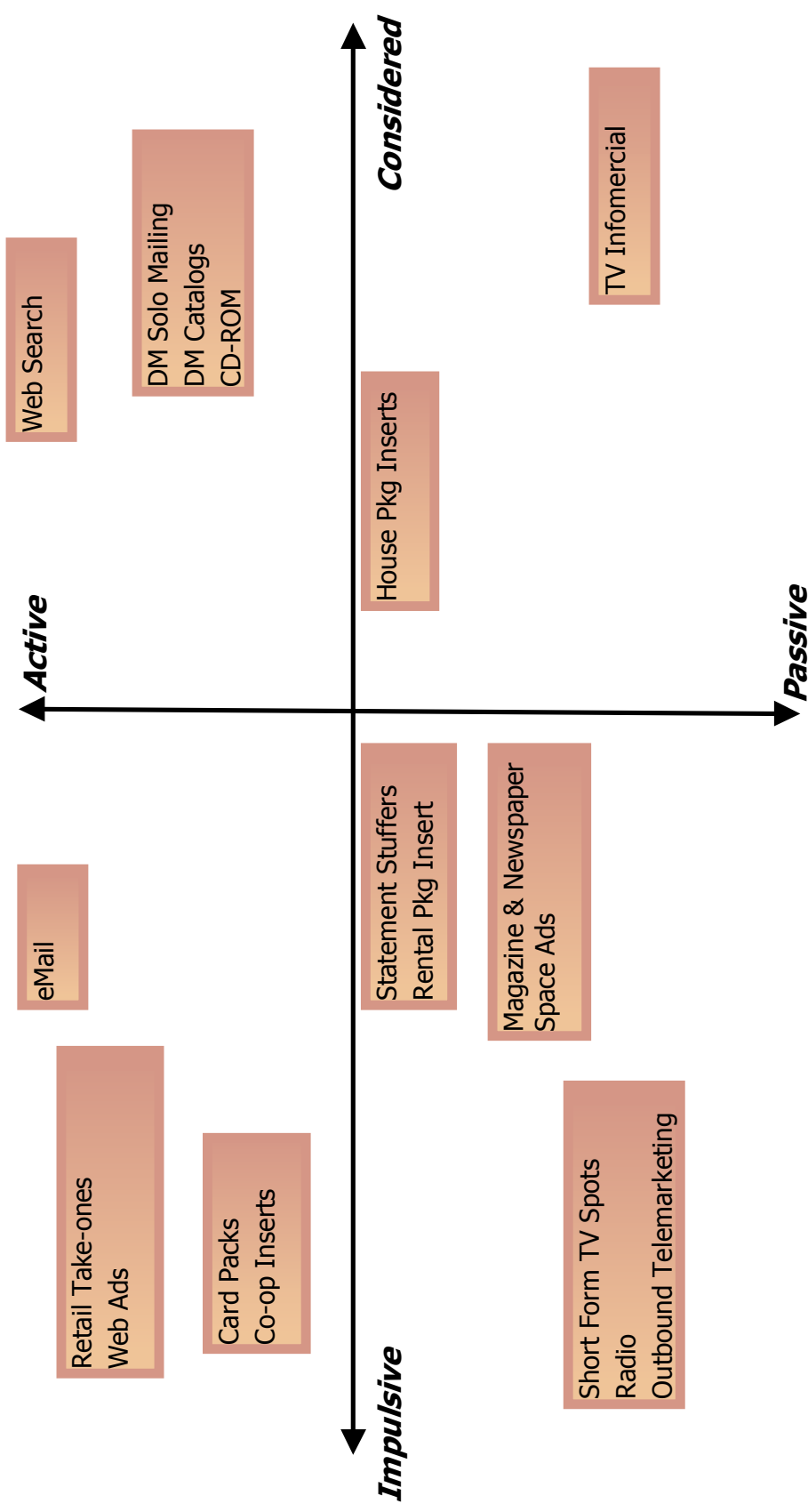
- Product and Offer
- Customer: demographics, psychographics, purchasing timeline, etc.
- Corporate need for short vs long planning or response cycle
- Available resources
 - Budget for creative and fixed costs of entry
 - Budget for ongoing production and media
 - Staff
 - Operational systems

Characteristics - 4 Key

Considerations

1. **Amount of selling space/time –impulsive vs considered buying**
 - Postcard vs envelope mailing; 1 minute DRTV spot vs 30 minute infomercial
2. **Active or Passive Interaction**
 - Sitting on the couch watching TV or actively searching on line
3. **Targeted Media (lists) or Self-Selection**
(broad reach – USA Today)
4. **Public (space, DRTV) or Private (direct mail, email)**

The Active/Passive, Impulsive/Considered Continuums



Specifics for Each Channel/Media



A buffet of choices: details and
tactics for decision-making

2005 Direct Marketing Driven Sales and ROI

Source: The Direct Marketing Association

	2005 DM- Driven Sales*	ROI**
Direct Mail (Non-Catalog)	\$483.8	\$15.63
Direct Mail (Catalog)	\$133.4	\$7.09
Telephone Marketing	\$402.6	\$8.55
Internet Marketing	\$284.0	\$22.73
Commercial E-Mail	\$17.1	\$58.82
Direct Newspaper	\$213.6	\$17.24
Direct Magazine	\$89.1	\$10.31
Direct Television	\$150.1	\$6.99
Direct Radio	\$48.0	\$8.70
Insert Media	\$10.2	\$11.76
Other	\$18.6	\$6.99
TOTAL/AVERAGE	\$1,850.5	\$11.49

* in billions US\$

** ROI = Dollars earned for every \$1 spent

Electronic Mediums – Online

- Search
 - Paid
 - Organic
- Email – primarily B-to-B
- Web Ads – individual opportunities; often not as scalable

Paid Search Stats

(from Jupiter Research):

Search is a \$5 billion business now. It will surpass total spending on space ads in 2009.

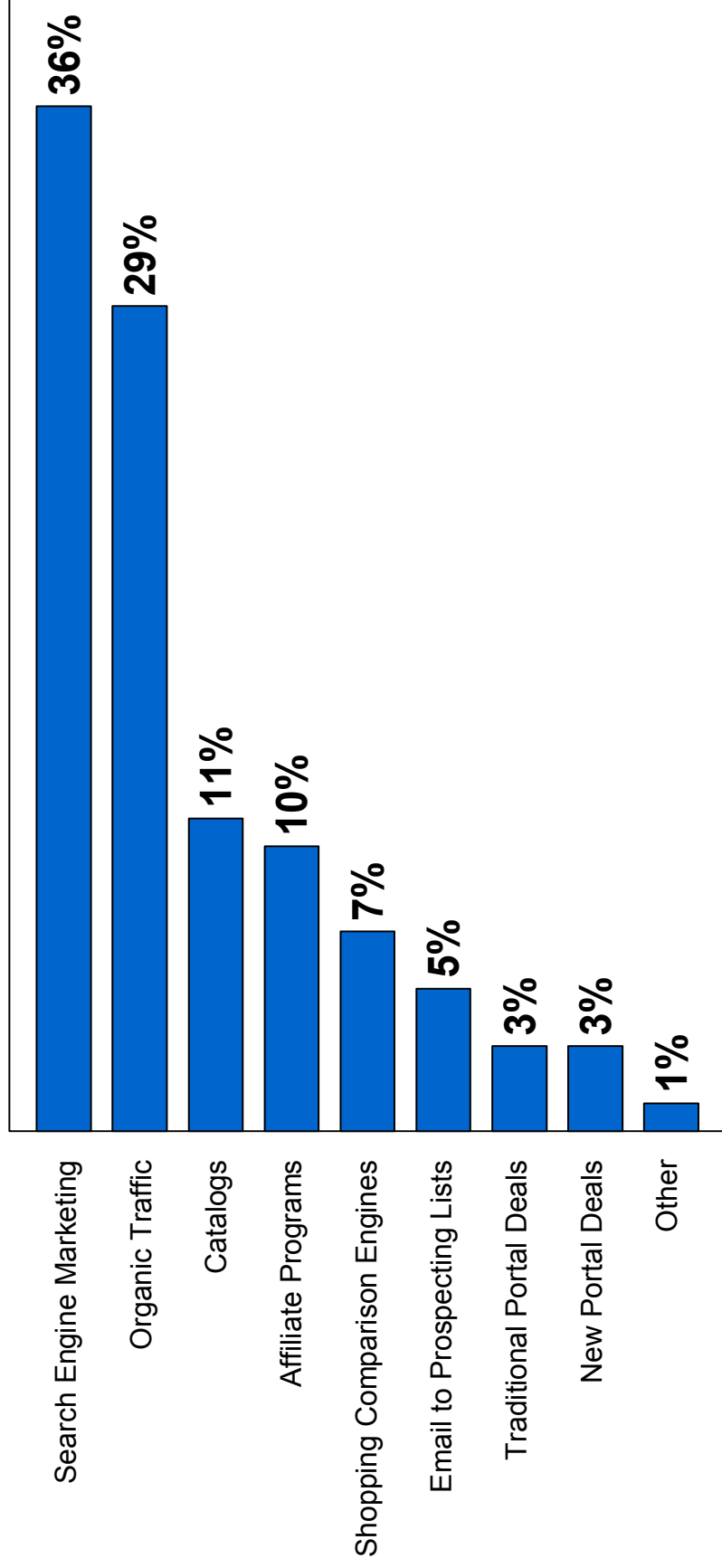
Search Engine Marketing (paid search) is the dominant way in which retailing spends promotion dollars online.

Paid Search

1. Paid search dominates acquisition
2. It's the non-brand search that matters
3. Getting it right

Search Dominates Acquisition

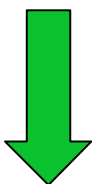
Percent of New Online Customers from Source, 2005



Source: *The State of Retailing Online 2006, preliminary results*

Online Prospecting Costs by Source

	Cost per order	Average order value
Online banners	\$ 81.34	\$ 98.77
Email to prospecting list	\$ 55.93	\$ 63.19
Traditional portal deals	\$ 53.43	\$ 89.38
Affiliate programs	\$ 32.91	\$ 94.09
Comparison shopping engines	\$ 21.46	\$ 91.29
Pay for performance search placement	\$ 21.23	\$ 105.08
New portal deals	\$ 18.51	\$ 48.00
Search engine optimization	\$ 10.96	\$ 95.39
Social networks	\$ 8.33	\$ 2.73
Email to house list	\$ 5.68	\$ 106.51
Pop-up, pop-under, or pop-over ads	\$ 3.33	\$ 33.63
Blogs or message boards	\$ 1.73	\$ 18.67
RSS	\$ 1.13	\$ 8.67



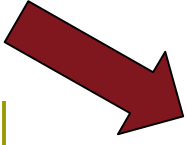
Source: *The State of Retailing Online 2006*, preliminary results

Why paid search dominates

- It works
- Cheap and efficient
- Stands up to scrutiny
- Reflects the current marketplace:
 - Database of Intentions
 - Pull, not push
 - A conversation initiated by your prospectⁿ

Paid Search

1. Paid search dominates acquisition
2. It's the non-brand search that matters
3. Getting it right



What is prospecting?

1996

Prospecting is getting an order from
someone who is not on your housefile

2006

Prospecting is getting an order from anyone who's
willing to buy from someone else



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Web

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In other words ...

- “Your” customer is always in play
- Think share of wallet
- Demand incremental benefit for each acquisition effort

Brand vs. Non-Brand for Catalogers

- Typical cataloger:
 - Brand = 38% of PPC sales
- Those are the sales seeded by your print
- It's the other 62% that determines profitability and success.

Source: Incremental Effects of Paid Search Study
Rimm-Kaufman Group, LLC www.rimmkaufman.com

Non-Brand Search by Business Type

Category	Non-Brand % of Site Sales
Cataloger	14%
Distributor	4%
Pure Play	52%
Retailer	7%

Non-Brand Search by Category

Category	Non-Brand % of Site Sales
Apparel	8%
Auto Parts & Accessories	22%
Consumer Electronics	19%
Food	8%
Gifts	12%
Home Decor	4%
Jewelry	4%
Sporting Goods	16%
Technology	3%
Tools	3%

Non-Brand Search for Lead Generation

- 52% of leads taken by sites come from non-brand PPC ads.
- Lead quality appears to be as high or higher than those generated by other media

Source: Incremental Effects of Paid Search Study
Rimm-Kaufman Group, LLC www.rimmkaufman.com

Paid Search

1. Paid search dominates acquisition
2. It's the non-brand search that matters
3. Getting it right 

Getting paid search right

- ❑ Exhaustive term lists
- ❑ Targeted copy
- ❑ Precise destination pages
- ❑ Smart bidding:
 - Robots and humans
 - Boulders and pebbles
- ❑ Good data for good decisions:
 - Tracking, reporting, audits

Electronic Mediums – Off-line

- DRTV
 - drives large volumes of prospects when it works
 - lead generation or a “hero” product and a story to show or tell
- DR Radio
 - lead generation or products that don’t require visuals
- Outbound Telemarketing
 - B-to-B still viable for acquisition

Printed Mediums – Off-line

- Direct Mail
 - Solo packages -Need a hero product or use for lead generation
 - Self-mailers and postcards – used for lead generation, especially B-to-B
- Inserts
 - Package
 - Statement
 - Co-op
 - Card Packs
- Space Ads
 - Magazines
 - Newspapers
- Retail Take-Ones

Space Ads: Magazines & Newspapers

- ❑ High Lifetime Value
- ❑ Harder to track in Multi-channel world
- ❑ 'Targeted' Mass (broad reach) Advertising
- ❑ Can increase brand recognition to targeted prospects

Magazines – One-Step Advertising

- Advertise specific product(s) on the page
- Direct response mechanism
 - 800# (dedicated is better for tracking)
 - URL (name/ad doesn't usually work)
 - mail-in coupon (can lift response, even when not used)
- Lower response than 2-step, but higher conversion

Magazines – Two-Step Advertising

- Catalog Request Vehicle
- Must include the cost of all the follow-up (catalogs, mailers, etc.) to inquirers in analyzing profitability

Insert Media

- Sell products directly off the insert (single or mini-catalog) or can use 2-step
- If 2-step, include the cost of all the follow-up to inquirers in analyzing profitability
- 2-step can take a long time to convert
- Can be very targeted

Identify and Map out Your Multi-Channel Plan

Crutchfield Case Study -
Putting Strategies into Action

Who is Crutchfield?

- ❑ Consumer Electronics
- ❑ Catalog since 1974
- ❑ Website since 1995
- ❑ Actively selling online since 1996
- ❑ Alexa ranking 2129 (May 1 '06)
- ❑ Circ approx 35 million catalogs a year

Who is Crutchfield?

- Multi-channel marketer
- Use rental lists, coops, search, price comparison sites, partnerships, affiliates, email, magazines, radio, etc. to acquire new customers.

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Shipping Preparation Crew
- Crutchfield Distribution Center



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The latest in car audio [Go»](#)

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- Outlet
- Scratch & Dent
- Retail Stores
- Gift Cards

Learning Center

This week's highlights:

- Help Your TV Make the Most of Every Signal by **Steve Kindig**
- Car Audio for the First Time Buyer by **Charlie Pastorfield**

Plus, see all 650 helpful articles and videos at [CrutchfieldAdvisor.com](#)

Why Crutchfield?

We tune in to your wavelength
See how...



Steve
Senior Editor

From: The Crutchfield Team [News@mail.crutchfield.com]

To: Ricky Michele

Cc:

Subject: Free TV shipping, guaranteed safe: get it home in great shape

Sent: Mon 4/17/2006 6:51 PM

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Free, safe TV shipping

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- Free in-home delivery for larger models
- No payments, no interest for 18 months

Shipping Preparation Crew
- Crutchfield Distribution Center



TV closeouts: Save up to \$500

The latest in car audio

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Product Spotlight

Weekly Highlights



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- Get free installation accessories when you buy a head unit over \$129⁹⁹. For example, if you own a 2002 F-250 Super Cab, you get over \$60 worth of installation accessories when you buy a head unit and two pairs of speakers.
- Performance parts & custom accessories from APC, Borla, Beltronics, Carriage Works, Crime Guard, Escort, Hypertech, K&N, StreetGlow and more.



Free catalog

Call 1-800-313-5451

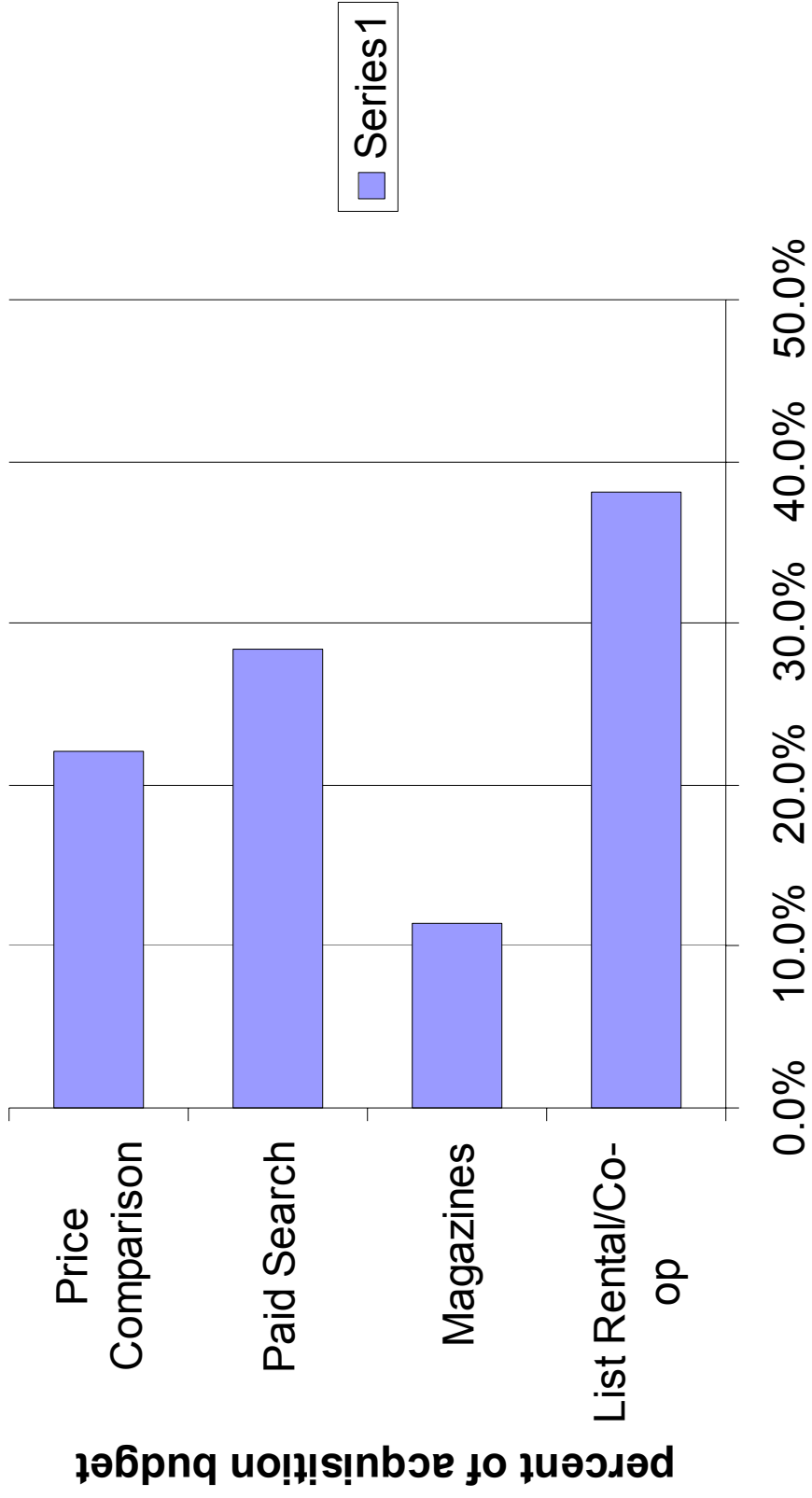
or visit www.crutchfield.com/tkn

* kits, harnesses, connectors and instructions are available for most, but not all, vehicles. Some vehicles require no kit. Call a Sales Advisor at 1-888-955-6000, or visit www.crutchfield.com/whattits for more details.

Crutchfield Marketing

- ❑ Competition for internal (Creative, IT) resources as well as financial resources regardless of type of program
- ❑ One 'Marketing' Budget that covers ALL expenses
- ❑ Broken out between retention and 'acquisition'
- ❑ Acquisition broken out between various offline and online sources

Crutchfield Acquisition Spend



Plan Across Channels/Media

- ❑ Look at all your available acquisition sources
- ❑ Look at the costs and expected new customers of each
- ❑ Look at the internal resources needed to advertise there
- ❑ Look at how they perform once they are on your file
- ❑ Come up with your initial budget/forecast

More Sources = More Complexity

- ▣ Sources respond to your catalogs very differently
- ▣ Can't just use one CPNB metric
- ▣ Granularity of information can be a good thing

Example of Gross Level 1-Yr Value

PROGRAM	Indexed 1-yr Value
Web Tracked (came in from paid link)	68
Web Untracked (just typed www.)	76
Rental	110
Magazines	97
PIPs (all insert and alternative media)	99
Friends -- send my buddy a catalog	97
My Friend Told Me	81
Untracked Non-web (calls generic #)	149
Other	75

Example of Detailed 1-Year Value

PROGRAM	Indexed 1-yr Value
Email	128
Search Engine Spiders	93
Web affiliates	129
Web Other	111
Web Paid Inclusion	103
Web Paid Search Listings	88
Web Partnership	58
Web Portals	94
Web Price Comparison	80
Web, primarily going for cat-requests	116

What About 'New Stuff'?

- Use the general 1-yr ROI as a guideline in evaluating new opportunities.

For example: You get a good rate on a new magazine. If you apply what you 'historically' see with like-targeted magazines, you can see if you have a realistic shot at making the program work.

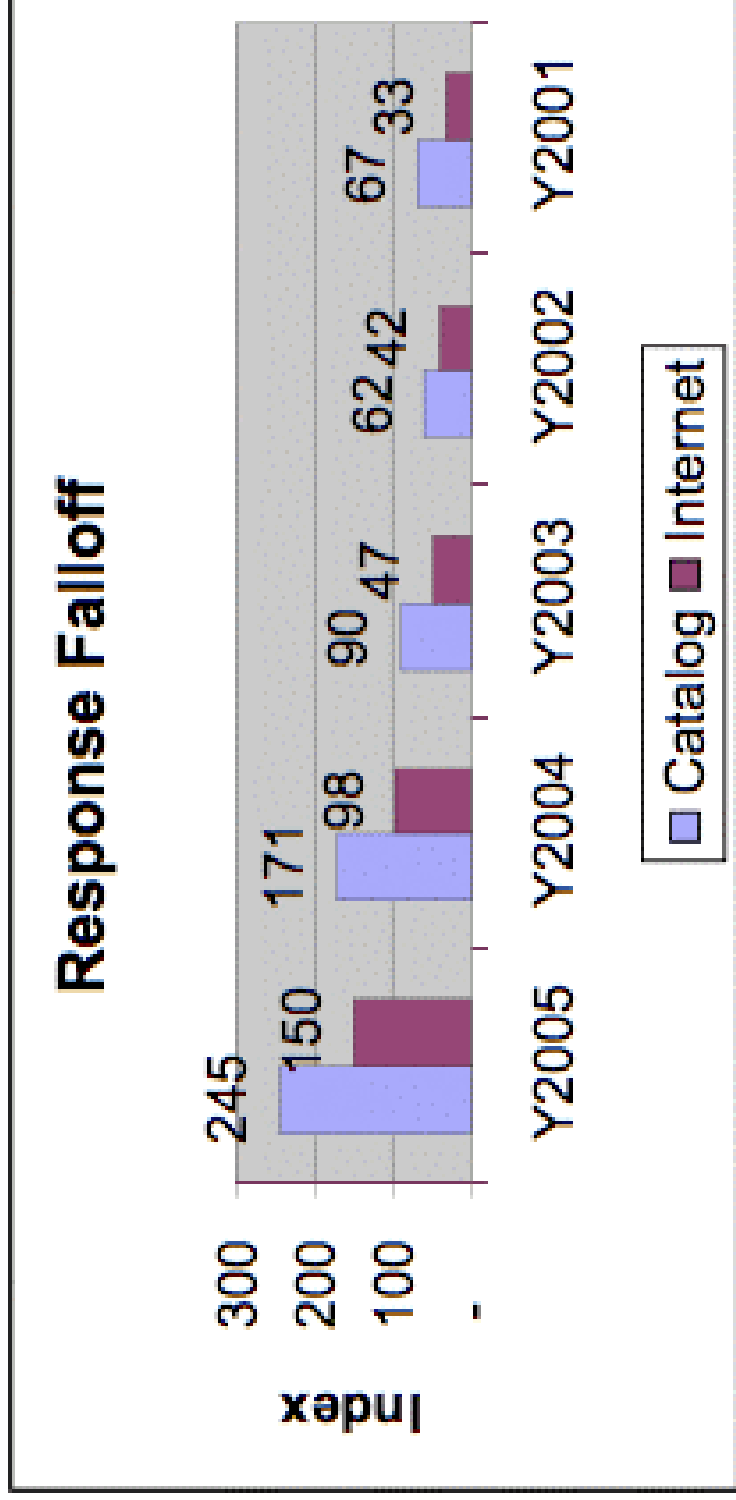
Tracking

- ❑ Some vehicles are more easily tracked than others. Keep this in mind when evaluating results or objectives.
- ❑ Use different 800#s
- ❑ Embedded link/inq codes

Things to Consider – Acquisition Planning

- ❑ 1-Year Value
- ❑ Seasonality of First Purchase
- ❑ The potential to scale your efforts
- ❑ Resources available (internal and financial)

All Buyers are Not Created Equal



Slide courtesy of Todd Miller, LENSER

-
- ❑ Need to differentiate between internet and catalog buyers when planning catalog circulation, but potentially between 'Paid Search' and 'Price Comparison' internet buyers.
 - ❑ Need to look at WHAT customers are buying in addition to WHERE they are buying.

-
- Need to use this information to circ
different groups (by source) differently
 - Different page counts
 - Different frequency of mailings
 - Different depths
 - Email as bigger portion of the mix

Summary & Lessons Learned

- ❑ Don't just use one target number across segments – look at the ROI of the various segments and treat accordingly
- ❑ Keep in mind all of the goals. Some programs might have awesome acquisition costs, but they don't scale.
- ❑ Put your money where you have the biggest bang for the buck

Summary (continued)

- ❑ Don't sabotage your acquisition efforts by mailing everyone the same
- ❑ Optimize each group
- ❑ If at all possible, when not spending in one area look across all channels and decide where it's best to invest that 'saved' dollar.

Questions?

THANK YOU!

Please fill out your evaluation.