

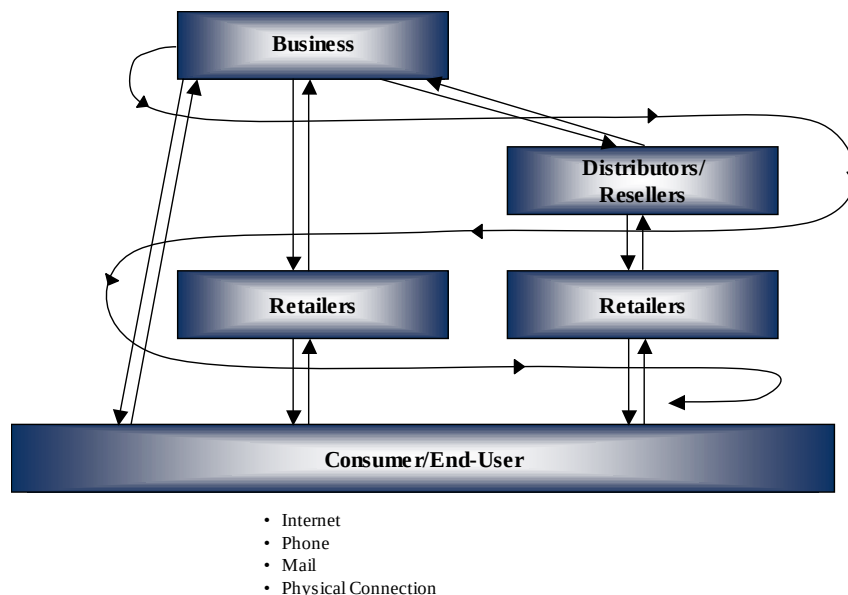
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Cross Channel Sales & Marketing – Survey of Marketers Suggest an Untapped Opportunity.

By Richard S. Guha, Partner – Max Brand Equity, Inc.

Is business getting the results it should from cross-channel sales & marketing? The emphasis is moving from channel conflict to activities which use cross-channel activities to increase revenues in aggregate. There are many overlooked opportunities. A research study among America's top marketers carried out by Max Brand Equity suggests that many well-respected companies have a lot of room for improvement in this area. They may well be losing substantial revenue and profit by not optimizing their actions. Brands could be made a lot stronger by recognition that each consumer touch point must be consistent.

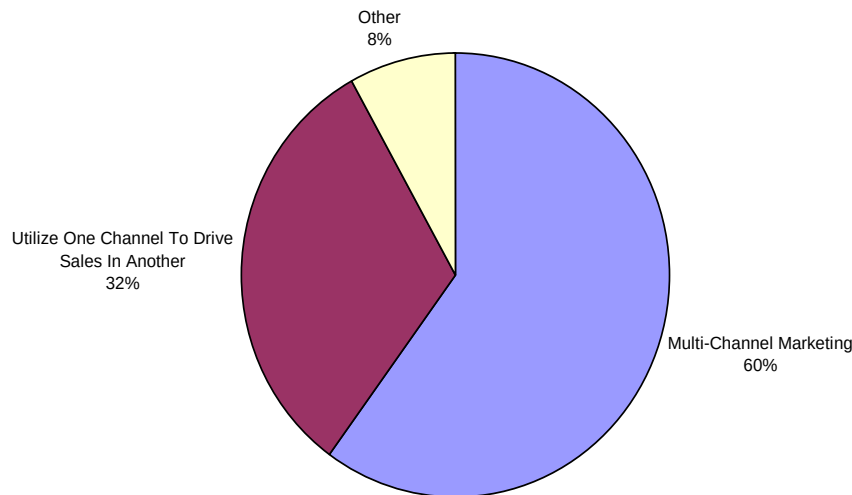
We define cross channel sales & marketing as not only reaching customers through multiple channels of distribution (direct and indirect), but taking advantage of one channel to drive branding and sales in another, e.g. using online sales to drive customers to a retail store, in-store activity to drive direct response sales, or direct sales to drive reseller sales. Brands are equally impacted by how the customer is touched at each point. Historically, channel conflict was a major concern, which has caused some companies to lose sleep and market position. Now we can use technology and multiple channels to benefit revenue and profit. This synergistic approach is growing and Max Brand Equity is heavily involved in this.



We asked 81 senior marketers in April, 2006, from Fortune 1000 companies about their perceptions and usage of cross-channel sales & marketing. While 73% said they were aware of it, and 65% said they had used it, only 32% defined it correctly. Many defined it as the same as “multi-channel,” and some defined it incorrectly as “common data-base,” or even “price-fixing.” This suggests that many companies face opportunities which they have not yet identified.

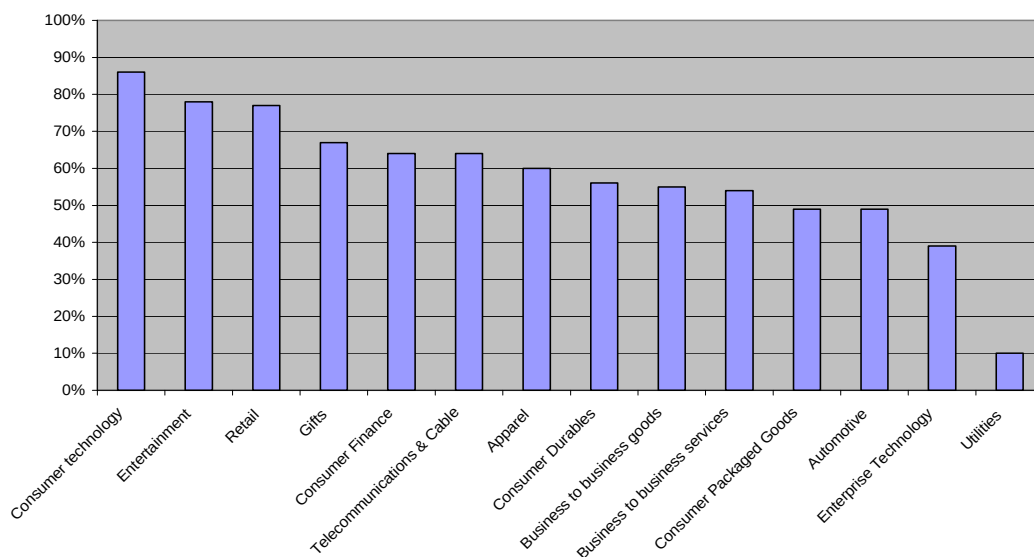
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How Would You Define Cross Channel Sales & Marketing?



Nevertheless, once the definition had been provided to the respondents, an overwhelming 96% believed that cross-channel sales & marketing would grow in importance. The respondents, who came from a broad range of industries, believed that consumer technology and entertainment would show the largest growth.

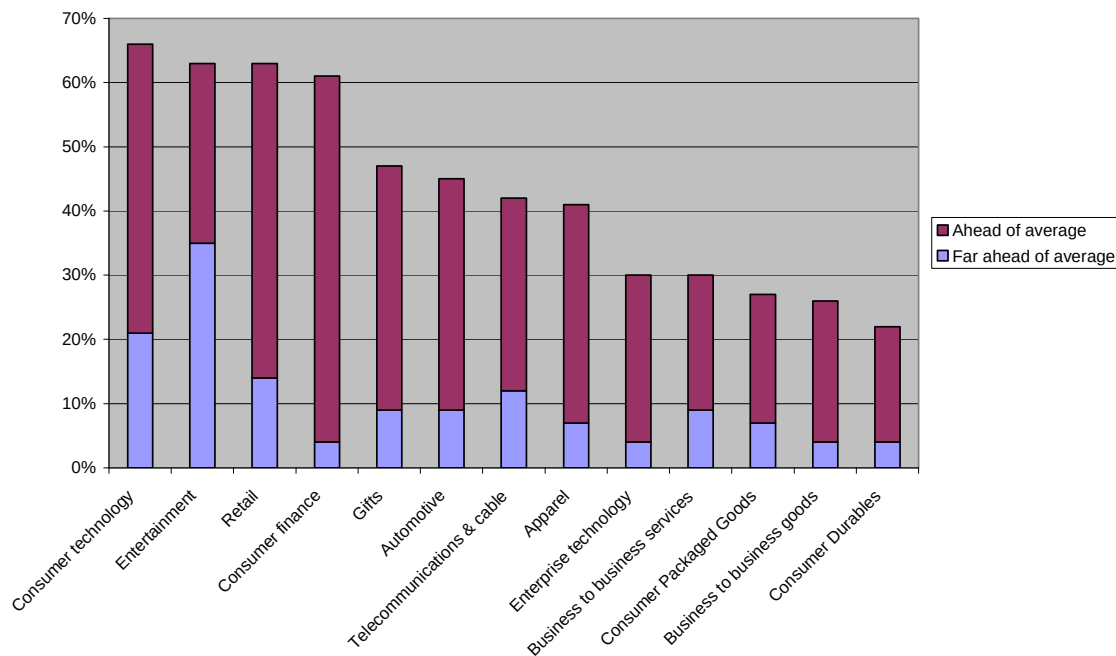
Which Industries Will Have "High" or "Very High" Growth in Cross Channel Marketing?



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However, they expected even lower rated industries, such as Consumer Packaged Goods or automotive, to show substantial growth. Other industries with high expectations included: retail, gifts, consumer finance, telecommunications & cable, apparel, B2B services, and B2B goods. Ratings for sophistication of each industry were generally well behind the potential. Consumer finance, which includes banking and investment, was seen as providing particular opportunity.

Which Industries Are Far Ahead of Average or Ahead of Average in Cross Channel Marketing Sophistication?



When asked which companies were doing a particularly good job, Dell was rated highest, with Amazon, eBay and Apple close behind. On an open ended basis, “none” scored higher than any company! It seems that the most common shortfall may be that “clear strategy” was regarded as by far the key attribute needed for success in cross-channel sales & marketing. The respondents rated customer database, retention programs, strong brand, and customer acquisition as the next key attributes. Our experience has taught us that there are some definite priorities and rules. We know that much of what marketers believe is wrong, or at least, not as effective as it could be.

We have found that a clear strategy is critical to success. Strong branding is a valuable component, as is an effective customer relationship management capability. However, there are a number of key overall elements which have to be addressed in order that the business is completely successful.

Many of the most effective cross-channel marketers are not whom you might expect. While clearly Dell and Amazon are leaders, they are primarily online marketers with physical presence being weak to modest. Apple computer has a much better balance than either of these, selling effectively through multiple channels. Costco has a clear and effective cross-channel approach, with online activities and in-store activities

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complementing each other. Ducati Motorbikes was one of the early cross-channel markets in its segment, while Nieman-Marcus has been an innovator as a retailer, Cisco a leader in B2B cross-channel sales and marketing, and University of Phoenix in building a completely new business. Simply having a great website, or even superb online transactional capabilities, is not enough. Nor is a great physical store with a “brochureware” web-site, as IKEA has, enough. The objective is to use each of the available approaches to maximize synergy so that the whole is greater than the sum of the parts.

A few years ago, it was believed that the online retailers would make the traditional “bricks and mortar” retailers obsolete. Instead, we see convergence, with a few traditional retailers building strong complementary online capability, and online/telephone marketers building a retail presence. Coldwater Creek, once a catalog retailer, then an online retailer, has built retail stores using demographic data from online sales for site selection. It makes heavy use of in-store kiosks to limit inventory. REI, the recreational equipment and clothing retailer has also linked retail and online very effectively. Any business with retail outlets, online presence, catalog, and indirect distribution has most opportunity to be extremely effective at creating this synergy. A very few banks, such as Commerce Bank of New Jersey, have tried to get ahead of the curve in branch banking, but all have real opportunities. We have identified a number of companies which have the potential, but are not taking full advantage of it.

We have been involved in multi-channel marketing for many years. From this we have determined that there are a number of guidelines which seem to apply more than ever to the new direct to end-user model:

- ◆ Clear vision is critical.
- ◆ Strong brand is more important than ever, but traditional advertising is not the only way to build one.
- ◆ A culture driven by innovation, where finding a better way is at the top of everyone’s mind.
- ◆ On-line presence not driven purely by the needs of bricks and mortar stores, but all channels work synergistically.
- ◆ Sense of community for consumers and customers.
- ◆ Has stories/mythology to draw in consumers and customers.
- ◆ Viral marketing more than outbound marketing.
- ◆ Deal with shipping/tax issues creatively.
- ◆ Usability determined in sophisticated, objective ways.
- ◆ Range of items wide, but search capabilities powerful.
- ◆ Site updated easily and rapidly, but overarching vision slow to change.

Max Brand Equity works with corporations, turnaround managers, and private equity firms to understand and maximize the value of their brands – often the most valuable part of a business.