

Servicing the Multichannel Future: The Role of Agencies

A white paper by



Introduction: The evolution of the multichannel market place

Twenty years ago, if you asked an account handler in an advertising agency group where their direct marketing agency was based, it was quite likely that you would be met with a blank expression. Moreover, if you suggested that the next advertising campaign for your brand featured a telephone number or response address, you might well expect a stony reaction.

The multichannel market place has evolved beyond recognition. Such attitudes are now ancient history: the artificial barriers that once constrained and defined customer communications have become completely irrelevant. Recent research suggests that over 80% of consumers utilise a range of multi-channel touch points to inform their decisions.¹ For instance, a 2008 Royal Mail survey demonstrated that 54% of customers now use a catalogue to inform purchases online or in store, and that customers who consult a catalogue spend 13% more online than those who do not.²

It is clear, therefore, that there is an immense incremental advantage to be had from communicating with individuals through a multitude of touch points, including in-store, digital, catalogue, packaging, telephone and kiosk. Many retailers are embracing the multichannel approach and are actively engaging with and creating integrated multichannel touch points. Estimated spending figures support this: in 2009 estimated UK spend on catalogues alone was over £4.9bn, an increase of 23% from 2008.³ Total digital marketing spend is also predicted to increase by an impressive 14.3% between 2009 and 2011.⁴

Perhaps unsurprisingly, of the 74% of brands that utilise an integrated marketing approach, 87% of marketers rely on the expertise of external agencies.⁵ This paper aims to closely examine the manner in which such agencies market themselves and clients buy into their services. Whilst it is true that both parties agree that an integrated solution is the required response to a multichannel future, the provision of this often lags far behind the need.

The dangers of the '3E trap'

For some retailers, attempts at creating multichannel touch points pose a danger of falling into what McKinsey have labelled the '3E Trap': investing unprofitably whilst trying to provide 'Everything to Everyone Everywhere.'⁶ Ensuring that retailers do not fall into this trap effectively requires a marketing resource that can provide everything from the largest brand campaign to the most specialist advice on a consistent and coherent basis.

With this in mind, the majority of individual agencies have grown out of the particular skill sets of their founders and will instinctively attempt to create a full-service, multichannel offer. However, their proposals often present solutions that match their agency's strengths and are not built around a client's needs. Thus, agencies often fail to build deep and long-lasting partnerships with their clients. Agency groups built on acquisition will often operate in a similar manner on a larger scale: the core of the business leading the way with support from the specialist 'outposts'.

It is arguable that this is not irrational behaviour when one examines how clients buy into agencies. Many select on the basis of personal knowledge and peer recommendation. This means that pigeonholing of agency strengths is extremely common, and makes for an uneven, rather than integrated, selection process. This is often supported by a procurement process that views individual aspects of the marketing mix in isolation.

Building successful client-agency partnerships

The current economic climate has also put a strain on the truism that agencies and clients should build a partnership. Rather, client/supplier relationships, often ephemeral in nature, are developed. These 'relationships' counteract the demands of successful multichannel marketing and work against what clients actually want.

Indeed, research into client attitudes and their desired interaction with agencies shows that the following things are important:

- market knowledge
- transparency
- genuine dialogue
- a willingness to learn⁷

Agencies would do well to remember this when developing their new business programmes: building a true relationship, long before the business is won, is vital. In this way, trust can develop between agency and client in a non-conflicting manner, way ahead of the beginning of a working partnership.

Developing such a partnership will lead to a joint willingness to create solutions to particular marketing challenges: the agency should be a gateway to specialist skill sets and expertise. Such knowledge should often be provided by external agencies: collaboration is key. As Kramer advocates, 'not every agency should be digital, just as not every agency should engage in pure advertising.' Both require deep expertise and knowledge of ever-changing channels.⁸ Agencies should not attempt to build a monolithic internal structure that lacks proficiency and depth in any given area.

What is significant, however, is that through collaboration with other specialist agencies, a single agency can become a facilitator for all of their client's multichannel marketing requirements. This agency will provide an honest and bespoke solution to their client's needs, accessed through a single account management team. This would make for clearer levels of strategic consistency across all communication disciplines, an issue which 42% of marketers cite as being a barrier in the creation of successful multichannel marketing campaigns.⁹ Such an approach would also lead to adaptability and cost-effectiveness: another client imperative, whatever the state of the economy.

Embracing a client-centric approach

The agency community is already welcoming this client-centric approach. The US Direct Marketing Association has recently launched the iDirect Leadership Committee, a group of 23 direct, digital, advertising and marketing executives, with the specific aim of providing thought leadership to the industry regarding multichannel marketing.

Following the launch, John Greco, President/CEO of the DMA, was quoted in DM News as saying:

'This committee's mission will be to help the entire direct marketing community establish the next era for marketing with new and emerging customer-focused actions and processes, all powered by advanced data systems. Whilst we don't know exactly what's ahead with each new economic cycle, we absolutely need to keep up every effort to make multichannel direct marketing a benefit for everyone, creating real value through data-enriched one-to-one marketing, online and offline.'¹⁰

In the UK, the power and success of multichannel marketing is exemplified by Argos. Successfully utilising a range of touch points, 42% of sales at the retail giant were delivered by this route in the first trading quarter of this year, up from 26% the previous year. Managing Director Sara Weller recently commented that:

'The multichannel space is one where there is still opportunity for growth for retailers. At Argos we don't feel we've exploited anything like the opportunity there is.'¹¹

This potential is echoed by Barbara Boyes, Managing Director at Fourninety, the retail communications agency that produces the Argos catalogue, a cornerstone of the retailer's multichannel approach:

'Multichannel marketing is the future. We know, because our clients – like Argos and Homebase – are at the front of its development. For any agency working with major retailers, it's vital to be able to deliver a seamless solution that gives the customer a consistent experience of the brand. To do that, we need to provide our customers with the agency they want – not the one we decide they want.'

Conclusion

In summary, the multichannel future demands a deeply integrated and trusting relationship between agency and client. By collaborating closely, the parties will effectively build a bespoke agency for the client, using the best available expertise to deliver a seamless experience for the consumer across all touch points that is both highly accountable and cost-effective.

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