Chapter 25
Multichannel Customer Management

Abstract Nowhere is the potential – and challenge – for database marketing more acute than in the “brave new world” of multichannel customer management. Whereas many companies historically interacted with their customers through one channel – the bricks-and-mortar retail store, the bank branch, the company catalog, the financial advisor – today almost all companies are multichannel. This gives rise to several key questions and management issues; for example, “Is the multichannel customer a better customer?” “If so, why?” “Should we encourage our customers to be multichannel?” We have just begun to understand questions such as these, and this chapter reviews what we know and do not know. We discuss the multichannel customer in depth, including the association between multichannel usage and sales volume. We also discuss the factors that influence customers’ channel choices, the phenomenon of research shopping and the impact of channel introductions on firm revenues. We present a framework for developing multichannel customer strategies, and conclude with industry examples of multichannel customer management.

One of the most promising applications for database marketing is the management of customers over multiple marketing channels. These channels include the Internet, call centers, sales forces, catalogs, retail stores, and in the near-future, interactive television. Neslin et al. (2006b, p. 96) define multichannel customer management as “the design, deployment, and evaluation of channels to enhance customer value through effective customer acquisition, retention, and development.” As Neslin et al. note, marketers have always considered channel management to be a fundamental component of the marketing mix (e.g., Stern and El-Ansary 1972; Webster 1991). However, while traditional channel management has taken the perspective of the firm (Rangaswamy and Van Bruggen 2005), multichannel customer management centers on the customer, on the creation of
customer value as a means to increase firm value (Payne and Frow 2005; Boulding et al. 2005).

25.1 The Emergence of Multichannel Customer Management

25.1.1 The Push Toward Multichannel

Company adoption of multichannel customer strategies has been driven by company, customer, and competitive forces. Companies have developed enhanced technological capabilities, particularly in data management and the Internet. The Internet has created an entirely new channel; one that naturally links to other channels. For example, customers can research products on the Internet and purchase them in the store (see Sect. 25.2.5). Customers have rapidly expanded their channel experiences beyond the traditional store or sales call. They are also comfortable with catalogs, the Internet, ATM’s, and call centers. They therefore expect companies to have a presence in all these channels.

Lastly is the impact of competition. Driven by company and customer factors, Company A initiates a multichannel strategy, and Company B has to follow suit. Whether this precipitates a Prisoner’s Dilemma is a major issue (see Sect. 25.3.3.1).

25.1.2 The Pull of Multichannel

Companies have also been pulled toward multichannel management by potential improvements in loyalty, sales growth, and efficiency. Loyalty may benefit from increased satisfaction or higher switching costs. Sales may grow simply because the brand is more available. See Sect. 25.2.2.2 on sales growth and Sect. 25.2.7 on loyalty.

The promise of improved efficiency is driven by the Internet and call centers (see Sect. 25.3.4.1). Both channels are highly automated and may seem antithetical to enhancing customer relationships. However, the choice may not be between personal and automated contact, but rather, between automated or no contact. The customer’s need for company contact has risen dramatically. Consider the multitude of features that now accompany a cell phone. These stimulate customers to contact the company, to inquire about a feature or determine why it isn’t working. The challenge is to develop effective yet low-cost channels for dealing with this skyrocketing demand for service.