

Does Multichannel Produce More Profitable Customer?.

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One of the most intriguing and managerially relevant findings in the multichannel customer management literature is the positive association between the multichannel customer and profits. The question is whether this is an actionable, causal relationship, specifically, whether marketing campaigns can be designed to turn single-channel customers into multichannel customers, and in turn whether these multichannel customers will become more profitable to the firm.

The purpose of this research is to conduct a field experiment to address this issue.

Specifically: 1) Can customers be turned into multichannel customers? 2) How can this transformation be accomplished in concrete actions? 3) Does the newly created multichannel customer become more valuable to the firm?

There are several possible campaigns one could devise to produce multichannel customers. We investigate two key aspects of campaign design: targeting and incentives. First, customers are targeted for conversion to multichannel using a model that identifies the customers most likely to respond to multichannel usage. We estimate such a model and use it to create a targeted vs. non-targeted condition in our field test. Second, we see a fundamental distinction between financial and non-financial incentives. Financial incentives entail 15% discount coupons to customers who use several channels. Non-financial incentives employ communications to advertise the benefits of multichannel shopping. We create a financial vs. non-financial condition in our field experiment to investigate this issue.

We see the field experiment as crucial to the contribution. The reason is that even if statistical analyses suggest that multichannel *causes* customers to become more profitable (and there is debate on that in the literature), it still is not clear that one can start with single-channel customers, devise a plan to make them multichannel, turn them into multichannel customers, and reap the benefits of higher customer profitability. The limitation to our approach is that it is contingent on the particular firm that participates, as well as the specific models and incentives we use. However, the project builds the knowledge base in this critical area by offering guidance on the design of multichannel campaigns, and demonstrating the value of modeling for targeting.