



FINDING THE RIGHT CHANNEL COMBINATION: WHAT DRIVES CHANNEL CHOICE

Consumer Channel Preference Study

August 2010



INTRODUCTION

TUNED IN

A popular comedian is fond of recalling that the household he grew up in was so strict that his family’s dinner menu consisted of two choices: take it or leave it. Fortunately, most North American kids don’t have it so rough today. In fact, the modern day economy is characterized by virtually unlimited choices — not just in what consumers can buy or watch but in how they gather and receive information.

Today’s recipient of marketing communications, offers and promotions is inundated with channel choices - from personal interactions with friends, family and professionals to on and offline channels such as newspapers, company web sites, television, radio, direct mail brochures and flyers, email, mobile and social media.

Consumers Today Have More Choice Than Ever



And It’s Only Getting Worse...

The proliferation of channels presents marketers more opportunity than ever to engage customers, understand their desires and meet their evolving needs. At the same time, it challenges marketers to abide ever more fervently by the first commandment of marketing: **Know Thy Customer.**

To that highly worthwhile end — knowing customers’ channel preferences in regard to marketing information — ICOM, a division of Epsilon Targeting, embarked on a national survey in January 2010. U.S. consumers were asked in-depth questions to determine the sources used to gather information, preferred ways of receiving information, attitudes about various channels and the levels of trust they place in different channels. A similar but separate survey was sent to Canadian consumers during the same timeframe.

In the U.S., ICOM received 2,569 completed surveys from consumers ranging in age from 18 to 55 and above. The survey responses were evaluated against the results of a similar survey taken in 2008 in order to measure changes over time. In Canada, 2209 responses were received.

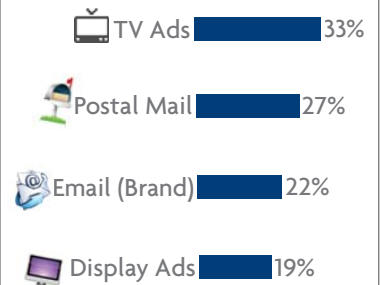
The 2010 research validated North American marketplace fragmentation, that is, consumers are using a greater variety of sources to meet their information gathering needs. The research, importantly, showed that the **factors that drive channel choice include convenience, trust, robustness of content and environmental values.**

The research reinforces that marketers must employ a **fully integrated data-driven multichannel, multi-touch approach in order to ensure maximum engagement with customers.** This integrated approach, ICOM experts say, is the single winning strategy for achieving increased sales, greater brand awareness and more loyal customers.

This may not seem groundbreaking. After all, an integrated approach to marketing has been suggested over the last few years. The critical difference in this report is the focus on a **winning formula – the idea that there is an ideal combination of channels for each segment you are trying to reach and influence** – deciphering this “formula” for your target audience will result in more engaged customers and long term business growth.

Whether one argues that people have become used to paying attention to certain mediums or not, the fact is that many of the so-called “traditional” still do their job – in fact, this suggests that marketers spend more in these key areas in order to reach and influence their customers while building the foundation for emerging mediums – in line with their familiarity, usage and future potential.

Which of the following advertising do you recall for Credit Card products?



CEM Study, Epsilon, 2010 (US)

RESEARCH INSIGHTS

PRIME-TIME VIEWERS

Facebook, at mid-year 2010, reached 500 million users after just six years of operations, establishing itself as the biggest information network on the Internet. Borrowing a perspective offered by the Washington Post, the 500 millionth member mark means that the population inhabiting Facebook equals that of the United States, Japan and Germany combined. In March 2010, Facebook replaced Google as the most-visited website in the United States for a full week.

There is no doubt in anyone’s mind about the lure of social media sites and the fact they are here to stay – what perhaps is at question is the effectiveness of these channels for marketing. ICOM’s survey results show an interesting yet strongly consistent trend in terms of channel preference. Consumers while using more channels to gather information have a clear preference for how they would like information provided. As an example, the coveted 18-34 year olds prefer, by a wide margin, to learn about marketing offers via postal mail and newspapers rather than online sources such as social media platforms. In fact, for household and health products, and even insurance and financial services-related products, the preference among 18-34 year-olds for receiving marketing information from offline sources led by mail and newspapers is 2 to 3 times greater than online sources such as social media.

Preferred Method of Receiving Various Types of Information

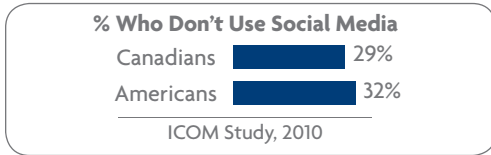
%	US					Canada				
	Mail	Newspaper Insert	Other*	Internet	Email	Mail	Newspaper Insert	Other*	Internet	Email
Health										
Sensitive Health	43	3	24	12	9	42	4	23	14	9
Prescription	41	4	23	10	11	38	6	27	9	9
Treatment for specific condition	39	3	22	17	9	39	4	22	19	9
General Health	37	7	20	19	11	34	10	17	21	12
OTC medication	34	19	14	12	9	34	17	17	12	11
Household Products										
Personal Care	37	25	9	12	10	36	27	7	11	13
Food product	36	30	6	12	11	35	34	3	12	13
Cleaning product	34	32	8	11	9	32	34	5	11	11
Other household product	33	29	8	12	9	32	32	6	12	11
Household services	31	17	9	9	6	30	22	7	10	8
Other										
Travel	28	7	6	29	13	25	12	5	30	17
Insurance	38	5	13	13	8	43	6	13	13	9
Charitable causes/donations	35	5	13	13	8	34	10	11	14	10
Financial services	40	4	11	12	7	40	5	12	13	9

*Other = Friends/Family, Professionals (ie. Doctors/Nurses)

Consumer Channel Preference Study, ICOM, 2010

This information makes evident the discrepancy between consumers’ perception and marketers. While marketers have moved away from “traditional” forms of media in favour of digital and social media, consumers have not followed. Looking at the data, mail, for instance, out-ranks all other channels in terms of preference amongst consumers – for almost every category. This is at odds with the viewpoint of marketers who have chosen to move to these new mediums on the assumption that is where their consumers are.

Commenting on the key takeaways from the ICOM research, ICOM Vice President Warren Storey said: **“Marketers targeting coveted 18-34 year olds who are tempted to invest solely in social media could be missing a significant portion of their audience.”**



“For example, a consumer goods company that relies heavily on a female audience, especially moms, within this key demographic group, could fall short of expectations if it uses only the social media channel,” Storey said.

Like any new technology, the popularity of, and interest in, social media sites tends to ebb and flow. In dramatic contrast, the ICOM research demonstrates the stability and longevity of consumers’ channel preference, and in particular, offline sources.

The implication for marketers is clear – to maximize the opportunity to reach and engage with consumers and drive brand objectives, a fully integrated marketing plan must be executed that focuses on multiple channels and touchpoints.

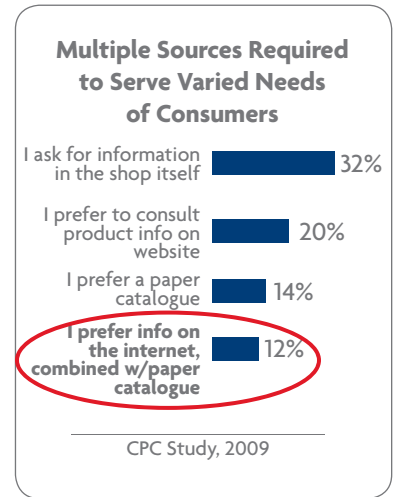
For those marketers who are inclined to discount traditional marketing communications channels, it may be a surprising realization that direct mail and other offline sources still need to be a critical component of the requisite multi-point plan.

WHO TO TRUST

Good relationships are built on trust, so it is not surprising that most consumers depend on flesh and blood over modems and monitors.

For most products and services – from health care to dishwashing detergent to insurance – consumers still are most likely to trust information delivered by family, friends and experts such as doctors. A full 80 percent of consumers say they favor medical professionals when it comes to the source of their health-related information. For all other categories, family and friends rank highest, at 57 percent.

Also, just as women are more likely than men to prefer mail, women also are more likely to use friends and family on a daily basis as the source of information.



Trustworthiness of Information Services

	US	Canada
%		
Doctor/Nurse	80	83
Friends or Family	57	52
Newspaper	26	26
Company Websites	22	20
Television	20	21
Brochures or Flyers	18	18
Radio	16	18
Email	12	11
Other Online Sites	11	8
Cell Phone	9	8
Blogs	8	5
Facebook	8	6
Online Forums	8	6
YouTube	7	5
Twitter	7	5
Other Social Media	7	5

Consumer Channel Preference Study, ICOM, 2010

Many of those that are now deemed traditional channels fall in the top 5 including brochures/flyers and newspapers. Apart from health related information, friends/family continue to be the most trusted source of information.

Newspapers follow as a trusted source, commanding 26 percent of respondents. Indeed, newspapers rank as first-or second-most preferred mode of receiving product information in almost all categories, including food at 30 percent, cleaning products at 32 percent and personal care at 25 percent. In each of these areas, newspaper preference rose over its ranking in 2008.

In fact, trustworthiness was an added dimension that ICOM evaluated during its 2010 study, in an effort to determine which sources consumers feel more comfortable using, and which they rely on as accurate and legitimate forms of information.

With 18 percent of respondents affirming their faith in direct mail brochures and flyers, direct mail earned its ranking in consumers' top five most trusted sources of information. The most relied-upon source of online information is the company website, understandably, since its corporate affiliation engenders a reasonable expectation of accountability. Twenty-two percent of consumers surveyed said they trust company websites.

Yet other online channels ranked among the lowest for reliability. Non-corporate web sites rated as trustworthy for just 11 percent of respondents. Blogs, Facebook and online forums each ranked with 8 percent, while YouTube, Twitter and other social media outlets had 7 and 6 percent, respectively. Email attracted 12 percent.

“For one thing, findings show that people don’t click through on advertising on social networks. A good analogy is to imagine sitting at a table with friends when a stranger pulls up a chair, sits down and tries to sell you something when you are talking to your friends. You won’t get far with a strategy like this.”

***Understanding Users of Social Networks, Sean Silverstone,
Harvard Business School***

The upshot is that regardless of the demographic, marketers need to deploy a multichannel campaign for topmost customer engagement. Social media, like many forms of communication, should be incorporated as one component of a broader strategy.

In contemplating that broader strategy, it’s important for marketers to understand that while consumers may use many sources to gather information, when it comes to making a decision and placing trust in that decision there are a few channels that rise above all others. **The implication for marketers, therefore, is that while they need to ensure their message is multichannel and multi-touch to ensure the broadest reach, they should place added emphasis on those that their consumers rely on most in order to drive results.**

HOME AUDIENCE

Likewise, email and other online communications should be tailored to resonate with the target audience. Consider that men are more likely than women to prefer the Internet or email as a mode of receiving marketing information. This is helpful to know when choosing how to promote different product categories. Household products, for example, are better promoted through direct mail because they are purchased primarily by women, who prefer direct mail. Products that men are likely to acquire, such as razors, electronics or tires, have a better chance of connecting when advertised by email.

Mad Men Take On Email Marketing - G. Simms Jenkins

Don Draper: "What do women want?"

Roger Sterling "WHO CARES?!!!"



This is the mindset of many batch and blasters whether they know it or not. One-size-fits-all email campaigns rarely deliver, for your internal team and the subscribers. Too many marketers sit on the rich subscriber data they have and fail to leverage it to deliver more personalized and valuable emails.

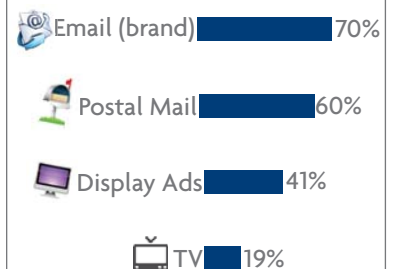
Also, consumers who earn an annual income of less than \$60,000, as well as all shoppers aged 18 to 34, are more likely to say receiving direct mail from a company makes them feel like a valued customer. In fact, 46 percent of the survey's total respondents said they feel that way.

This means a household earning \$45,000 might prefer direct mail, while a single man earning \$65,000 would prefer email.

But to truly land the message, marketers must consider these findings against the backdrop of what honestly motivates their customers. The factors driving people to certain channels are trust, convenience, richness, and relevance of information and environmental concerns. For instance, survey results show that when it comes to health information, relevance plays a greater role than the method of delivery.

In terms of delivery method, men tend to find email more convenient than direct mail. Looking at the bigger picture, however, 79 percent of the total respondents find direct mail more convenient. And let's recall our previously cited data: the preference among 18-34 year olds for receiving marketing information from offline sources is 2 to 3 times greater than online, including social media. Add to that the fact that thirty-six percent of those who took the survey said they prefer traditional mail because it is more private.

Credit Cards: Influence of marketing/advertising on decision to purchase



CEM Study, Epsilon, 2010 (US)

For these reasons, direct mail is still more likely than email to hit its target: Fifty-three percent of all respondents say they pay closer attention to information they receive by postal mail, compared with email. The message therefore, must be crafted to accommodate the motivations and needs of its subject – direct or electronic. ICOM’s research showed there was an overall strengthening in attitudes toward postal mail between 2008 and 2010, and one of the main reasons given was the convenience factor. Respondents who expressed a preference for mail said **they can read it when they want, refer back to it as needed, and easily take it with them or pass to others.**

Interestingly enough, one of the reasons given for using less mail was the perception among individual respondents that they’re receiving less mail than a year ago. Other reasons included the belief that mail received is not relevant, and that there is less time to read the mail.

The perception among survey takers that they’re receiving less mail is telling. The implication for marketers is that there may be a significant opportunity to gain the attention and interest of key consumers, using the direct mail channel, given the decrease in overall mail pieces being received. The opportunity appears all the more ripe when another finding is factored in – that consumers are receiving more email than ever, and in many cases are not opening it at all.

That’s not to say email doesn’t have a faithful following. Survey takers who said they’re using more email reported the following reasons: **there is more information available to me online; they’re receiving more email than a year ago; they’ve signed up for e-newsletters and they have favorite sites.** One of the most notable reasons given for email preference was a desire to **“save on paper;” an obvious reflection of the increasing value consumers place on protecting the environment.**

Marketers must pay close attention to the preferences of their particular audiences. Taking it one step further, savvy marketers likely will recognize the value of an integrated strategy that starts with sending relevant direct mail pieces that preview or prompt an upcoming email communication or online presentation – having the channels work together in the area of their strength will truly provide marketers with an effective strategy for reaching and connecting with their consumers.

Prefer Mail		US	Canada
CONVENIENCE			
Can read info when convenient for me	79%	72%	
Can refer back to info when needed	66%	61%	
Can take info easily to different places	46%	44%	
Can pass along info easily to others	40%	40%	
Would prefer not to have to print the info	33%	30%	
TRUST			
It is more private if sent through mail	36%	38%	
A lot of online info can’t be trusted	25%	28%	
I trust info received by mail more than online	20%	25%	

Consumer Channel Preference Study, ICOM, 2010

39% Increase 2008 to 2010

How Marketers Can Use: MAIL

Ask yourself who you are trying to reach and determine the best channel to engage them.

How detailed is your communication?

Mail continues to be best choice for communications that are detailed or complex.

Is it something consumers will want to keep?

Consumers still prefer to keep or pass along information in hard copy so you may want to consider mail.

Is the information private or of a sensitive nature?

Trust is a really important factor when choosing the channel for your communications - consumers want to get private information sent through the mail.

90% of WOM still done face-to-face or via phone
Kay Feller, 2010



IN CONCLUSION

The meteoric rise of Facebook may make for a good Hollywood movie script, but savvy marketers know the reality of today's marketplace is as follows: For the receipt of marketing communications, consumers continue to rely on proven sources such as brochures, flyers, newspapers, friends and family as they gradually start to integrate new sources that include online forums, blogs and mobile.

Facebook impressively has added its 500 millionth user, but ICOM's research shows nonetheless that 18-34 year-olds' preference for offline sources of information is 2 to 3 times greater than for online. These facts represent both opportunities and challenges. They place today's marketers at a crossroads. Faced with an ever-increasing proliferation of channels, marketers must find the right combination of channels to communicate authentic messages that ensure maximum exposure, reach, and ultimately consumer action.

Today's competitive environment calls for a data-driven, multichannel, multi-touch strategy. This combination approach will provide substantial incremental return on investment and response by increasing overall touchpoints and by using channels that consumers prefer and trust.

Prefer Email Online		US	Canada
ENVIRONMENTALISM			
I can print the info to keep if I want		42%	42%
To save on paper		34%	44%
CHOICE			
Can read the info when it is convenient for me		37%	45%
Can more easily share with others		24%	30%
I prefer to save the info on my computer right away		11%	13%
Can choose which info I want sent to me		43%	48%

Consumer Channel Preference Study, ICOM, 2010

How Marketers Can Use: EMAIL

Ask yourself who you are trying to reach and determine the best channel to engage them.

Is the environment important to your customers?

If the environment is important to your customers, choosing a method that fits is critical - email/online may be your best choice.

Choice?

Relevance is king. Ensuring consumers receive information important to them and in the right channel plays a critical role in whether or not you will gain their attention and ultimately their response.



One Channel Impacts Another and So On...

Marketers are finding that in addition to having multichannel, multi-touch strategies, there is an innate relationship and/or impact that occurs from one channel to another.

For every \$1 spent online, \$5.77 influenced in-store

– Macy's CEO, 2009

Over 1/2 of consumers using Internet before making purchase in shops

– Verdict Research, 2009

10% increase in coupon conversion when reviews added to Free Standing Inserts

– Rubbermaid Case Study, 2010

90% surveyed said have better overall shopping experience when research products online before shopping

– Harris Interactive, 2007

5 Stage Consumer Buying Process*



1 Need Recognition/Problem Awareness

- I need to buy cleaning supplies for my new house?
- I need something different for dinner tonight?
- I need a credit card?
- I want to go on vacation?



2 Information Search

- Friends and Family
- Professionals (Doctors, Accountants)
- Company Websites
- Catalogues, brochures, flyers...
- Social Media Sites – Facebook, Twitter...
- Blogs, Discussion Forums
- Newspapers
- TV and Radio

*Be Where Your Consumers Are:
what mediums are they using?
Include a broad selection
for maximum exposure*



3 Evaluation of Alternatives

- Usefulness/Influence of Sources Critical
- Degree of involvement in product determines level of evaluation (involvement = perceived relevance, personal importance)
 - High Involvement (ie. car) = Extensive Evaluation – likely involving multiple sources – ultimately relying on most trusted
 - Low Involvement (ie. chocolate bar) = Minimal Evaluation

May be able to skip "evaluation" step for routine purchases and/or prior experience (ie. pleased with your product)

*Opportunity for Marketers
More "involved" your product, more important to include trusted sources as means to sway evaluation*



4 Purchase

Don't think your job is over – critical step in process – sets stage for future purchases, word-of-mouth



5 Post Purchase Evaluation

Marketers can use this stage for further relationship building/engagement – many consumers experience post purchase anxiety – ensure them they have made right decision not only by words but by actions – set stage for future purchases, word-of-mouth by continuing to communicate – some companies are even using this stage to include key customers in future product development/innovation

*61% of people rely on user reviews for product info purchase
Source: (Razorfish, 2008)*

*Tutor2U: www.tutor2u.net

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