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E-journey: Digital marketing and the “path to purchase”



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E-journey: Digital marketing and the “path to purchase”

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Telecoms players can gain significant top-line benefits and cost savings by emphasizing digital channels in their sales and marketing.

Telecommunications players helped spawn the digital age, but today many lag behind the curve when it comes to fully exploiting digital channels and platforms to shape their marketing and sales strategies. That's troubling because the nature of the digital challenge is evolving rapidly and challenging traditional business models. The initial wave that propelled the dramatic rise in consumer digital usage has already turned into a transformative surge – reshaping the ways consumers buy new products and services. This transformation has deep implications for telecoms marketing and channel strategies.

The challenge today is much bigger than simply building an efficient online sales engine. Instead, it involves creating brand engagement through digital media and platforms, turning that brand engagement into brand preference, and leveraging it to drive sales and loyalty.

The consumer decision journey goes digital

When shoppers decide to buy a product or a service, what might seem like a simple transaction is actually a fairly intricate set of interactions that consumers undertake with a spectrum of competing brands. They embark on what McKinsey calls the consumer decision journey (CDJ), which describes the iterative and circular process shoppers go through today when selecting brands, products, and services. In essence, the CDJ has four phases: consideration, evaluation, purchase, and post-purchase. Incumbents who can understand how to influence and direct consumers at each phase – and make the necessary operational and organizational changes – can strengthen their position versus attackers.

The dawning of the digital age has made this already complicated process even more complex. For example, the traditional channels that typically influence consumers during the consideration phase include the “big three” above-the-line (ATL) media – TV, radio, and print advertising – along with word-of-mouth recommendations from friends and family. With the advent of digital channels, the list expands to include brand Web sites, mobile apps, online advertising, social networks, price comparison engines, as well as blogs and forums. For telcos prepared for this sea change, the upside potential is major.

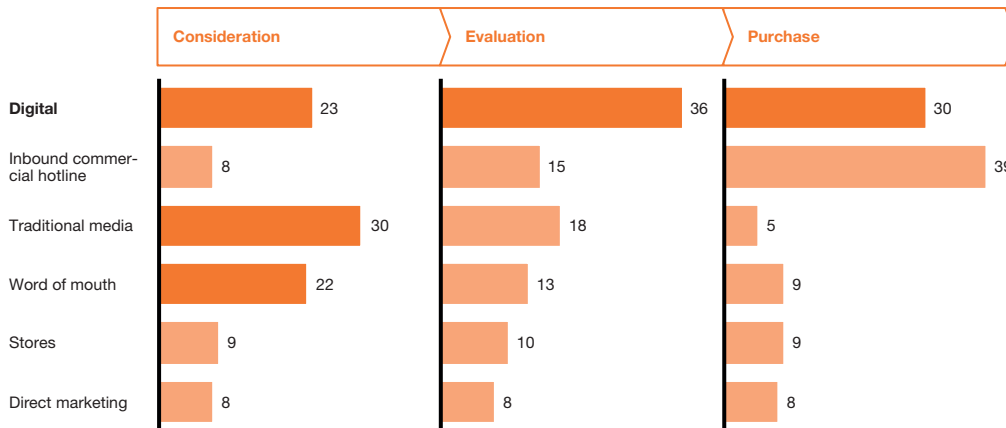
A clear example of turning this shift into a sales advantage at the very first stage of the CDJ – consideration – is the fully digital launch of Free Mobile, a French mobile operator that entered the market in early 2012. Free Mobile was able to generate significant online “buzz” and attract massive flows of visitors to its Web site. The company could then apply its conversion skill to gain 700,000 new subscribers in its first week and 2.6 million in its first quarter – all without spending a dime on ATL media. This untraditional marketing and sales move will save Free Mobile about EUR 500 million annually in distribution costs and commissions.

Pulling this tangled knot of complexity even tighter, digital touch points themselves have spread far beyond traditional personal computer platforms to include those behind smartphones, tablets, gaming devices, TVs, and even smart applications.

For telcos, the issue boils down to two questions: Which combinations of channels and platforms will prove most effective when it comes to driving brand consideration and preference, and how can these be harnessed to create value for their company and for their customers?

The CDJ has radically shifted toward digital touch points

Derived influence index



SOURCE: McKinsey

Exhibit 1

To answer these questions, McKinsey developed a specific methodology to study one Western European country's mobile market. Results show that the CDJ has shifted radically toward the new digital touch points – now predominantly influencing consumer brand preferences (Exhibit 1). Only a few traditional touch points remain important, typically only at specific stages – for example, during the initial consideration phase – while digital touch points prove extremely relevant throughout the CDJ.

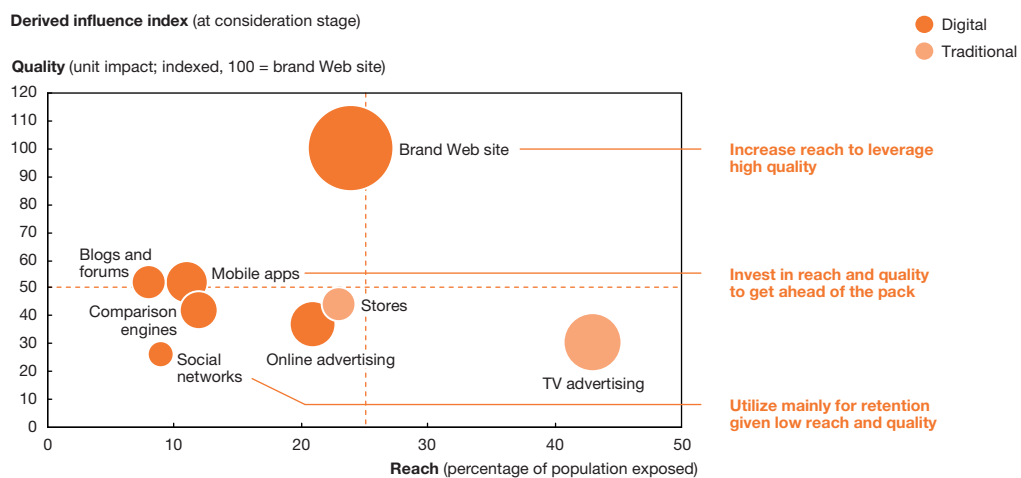
Digital touch points are not created equal

In order to examine individual touch points at a more granular level, McKinsey assigned a score to each of these based on the ability to positively influence a consumer's choice of brand over the competition. The analysis also measured each touch point's audience penetration – i.e., the share of the population exposed to it. The combination of these two factors determines each touch point's overall importance during a specific CDJ phase to the extent of its influence on a consumer's brand preference (Exhibit 2).

This exercise revealed, for example, that a brand's Web site has by far the highest touch point "quality" – or the ability to positively influence a customer toward a particular brand. Brand Web site quality exceeds that of traditional TV by more than three times – and even if its penetration rate lags behind that of conventional TV, the Web site's overall importance remains far higher. With brand Web site penetration among consumers still relatively limited compared with TV – around 25 percent of the target population versus more than 40 percent for TV – a clear management priority should be driving penetration by attracting more consumers to the company's branded Web site.

Mobile apps also show solid potential because their intrinsic quality is fairly high: 1.5 times that of TV. In this case, reach is very low – roughly 10 percent of the target population – since only few customers are currently using their mobile operators' branded applications. Consequently, operators can get ahead of their competitors by investing in boosting the penetration of their own branded applications in areas such as enhanced self-care, network quality monitoring, and store apps.

A brand's Web site is the most influential digital touch point



SOURCE: McKinsey

NOT EXHAUSTIVE

Exhibit 2

Finally – and somewhat counterintuitively given such impressive growth and strong hype – social networks do not appear to drive brand preference among consumers. Their intrinsic quality index scores in particular are very low, possibly due to the fact that consumers visiting social media platforms are not open to direct brand sales pitches.

Digital prompts a new role for stores

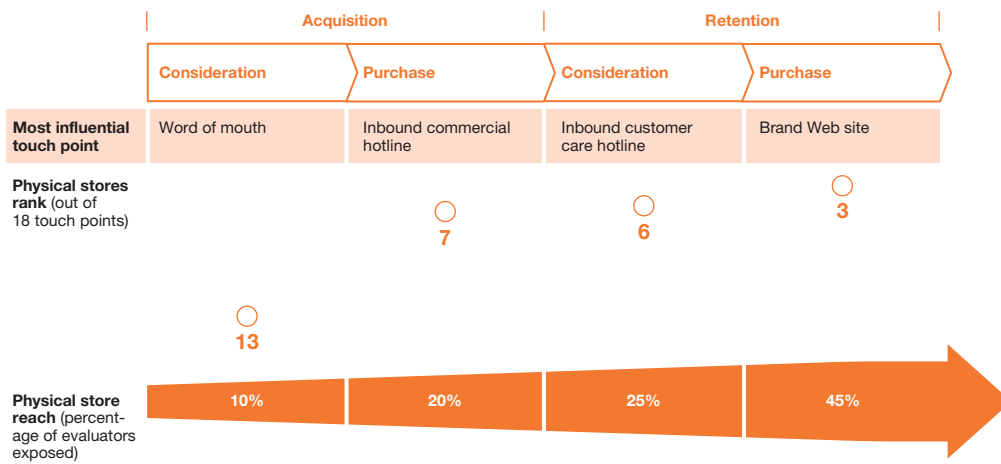
Physical retail stores have long been considered both places to research and to purchase products. Digital channels began primarily as “retail” research tools, but increasingly are also used for purchases. One of the key discontinuities emerging from digital CDJ research is the evolution of physical distribution from mono- to multi-branded stores. The shift in dominance from traditional to digital customer touch points has also become apparent in stores, which have been one of the most powerful and trusted brand preference drivers.

In today’s digital era, the role of stores has evolved significantly. When analyzing customer decision

journeys for retention versus acquisition activities, it becomes apparent that stores are essentially “retention machines” (Exhibit 3). In other words, while their influence on non-customers is rather low due to very low penetration rates (in the 10 to 20 percent range), they retain strong influence over current customers considering purchasing the same brand again. Such customers visit stores more reliably, with penetration rates in the 25 to 45 percent range. From a CDJ perspective, it seems that the role of physical distribution as a key consumer decision influencer might be lower than expected, particularly when non-customers are considered. This has profound implications on a telecoms player’s sales and channel strategy.

Of course, this does not mean stores are less important in harnessing “brand preferences” generated elsewhere and turning these into profitable sales transactions. Retail and mobile commerce will have an increasingly important role in influencing the evaluation phase of the consumer decision journey. Mobile digital commerce, for instance, continues to merge digital with physical retail via innovations such as location-based mobile com-

In the new digital era, stores are first and foremost a retention machine



SOURCE: McKinsey

Exhibit 3

Stores are taking on a retention role, but will gain influence in the evaluation stage when merged with mobile commerce

merce apps. Consumers are also able to research and experiment via their smartphones. A shift in the way OEMs are targeting their e-commerce and m-commerce invest-

ments results. Now, the focus is not only on driving online sales, but also on influencing customer purchase decisions for their retail channels.

The journey continues: Digital's role in repeat purchases

The consumer decision journey is not a onetime process. Customers are continuously engaged and in various stages of multiple processes at any given point in time. For an individual brand, the importance here is its ability to keep customers coming back. Active loyalty plays a significant role in driving repeat purchase decisions – particularly in most developed markets. A broad shift in the

way consumers are engaged online becomes apparent – even after the purchase. This can positively influence the repeat purchase decision. Doing well across the CDJ's consideration, evaluation, and purchase stages will prove critical to a telco's brand success, but companies also need to recognize the iterative nature of digital brand selection and purchase. The direct implication is that the ongoing customer experience with a brand will have major impact on that customer's future brand selection choices.

This places tremendous importance on managing relationships with current customers and steering them to the telco's Web site on an ongoing basis by offering special deals. Once there, the telco can provide marketing messages, obtain permission to send new alerts, and use those alerts to trigger the appropriate dialog about contract renewal. Telcos need to support this shift with a similar swing in marketing investments and subsidies. This all seems fairly straightforward, but McKinsey believes many incumbent telcos have a pronounced advantage here that they are clearly failing to exploit.

Key considerations in the pursuit of a digital strategy

As the new digital sales and marketing paradigm takes hold, telcos need to grasp its new opportunities such as building consumer brand preference, setting channel investment and priorities, and specifying brand positioning across touch points.

To fully exploit this shift, telecoms leaders might carefully consider a few fundamentals as they relate specifically to their organizations' customer base, competitive position, and retail footprint.

Digital vis-à-vis traditional. Telcos should consider their digital strategies within the context of their overall marketing mix. After identifying the most critical touch points across the consumer decision journey for their own products and services, telcos can then determine the degree to which these "sweet spots" can be enhanced by a digital strategy and, ultimately, where they should focus their attention and investments.

Channel role reinvention. A solid strategy will have a multichannel orientation and not focus on one

digital channel exclusively or on digital at the expense of traditional channels. It will also re-imagine the purposes of these various channels in an enhanced marketing and sales strategy – for example, by determining a new function for retail stores in customer research or a revised role for online channels in closing final sales.

Balancing retention and acquisition. Since the consumer decision journey applies to both the retention and the acquisition phases, the relative focus on digital in either of these phases is organization-specific. Telcos will need to consider the investment balance that is right for them. One example might be a close look at the role of online channels when it comes to supporting retention activities and building a digital community.



Telcos interested in enhancing their digital sales and marketing prowess have a wide variety of proven tools and processes to choose from. To get there, however, they'll need to carefully consider the evolution of the consumer decision journey when orchestrating all channels – both traditional and digital.



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