

The Challenge of Multichannel Marketing Management

“We’ve had a great first quarter. Well done. Congratulations.” With these words Jordi Catalá, the founder and CEO of Sleeping, concluded the Q1 2016 results review. After years of recession in Spain, national consumption seemed to be growing again. Home sales were picking up, and his business, selling sleep-related products was beginning to rally.

Even though the year had been off to a great start and the results were hopeful, he was extremely worried about a recent falling out between Laura Cusi (the head of e-commerce) and Josep Trias (the marketing director). Lately he had been noticing heightened tension between them. It was very difficult to get them to work together, and more and more often he was forced to intercede to resolve their conflicts and make decisions on the issues they couldn’t agree on.

History of the Company

Sleeping, founded by Jordi Catalá in 1995, was a manufacturer and distributor specialized in sleep-related products. Its operations were based out of Girona. The company sold the leading mattress brands on the market, like Flex and Pikolín, in addition to its own brand, which meant it could sell high-quality products at very competitive prices. Although mattresses were its top-selling product, the company offered an entire range of bed-related products: mattresses, box springs, storage beds, headboards, pillows, mattress covers, comforters and bed linens.

Sleeping began with just one store in Girona and another in Barcelona, and it gradually expanded in Catalonia, Aragon, the Mediterranean coast, Andalusia and Madrid, reaching 25 stores. Its only sales channel was physical stores until 2009, when Jordi hired Laura Cusi to launch the online channel. He was particularly proud of this because, five years later, Sleeping.com had become a benchmark in Spain for the online sale of sleep-related products, and e-commerce accounted for 10% of the company’s total sales.

This case was prepared by Professors Fuencisla Clemares and José Luis Nuño as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. September 2016.

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Approaches and Challenges in Marketing Management

Josep Triás, Jordi's right-hand man since the day Sleeping launched, had been the company's marketing and retail director from the very start. When the decision was made to launch the online channel, there was an interesting debate about the organization of the Marketing Department in terms of responsibilities and budgets.

Josep argued that everything should be kept under his department and that he should hire an expert to manage "direct response marketing" (marketing actions whose ultimate goal is to generate online sales). However, Jordi decided to give all the responsibility for the online channel to Laura Cusi, with Laura reporting directly to him, at least during the launch phase. He planned to ask for a separate income statement for the online channel, so he felt it was reasonable to let her define and manage the marketing activity for the online channel. From the beginning, he assigned Laura extra funds to promote the online channel to ensure that it got off to a strong start.

Now, however, he was beginning to doubt whether he had made the right decision. He wondered if there might be a better way to organize the marketing activity and the way e-commerce was structured within the company in order to make the most of it. These doubts had emerged for a number of reasons:

- The two marketing teams led by Josep and Laura were not coordinated; it was obvious they were working under a silo mindset. Not only did they have a poor relationship, there was actually a discernable rivalry.
- Sleeping's promotions were not always well coordinated between the channels. Digital complained that the advertising slogans and creative concepts defined by marketing did not reach them in time to be adapted to digital, for the creatives to be designed and for the digital campaigns to be planned and launched.
- Jordi had the sense that the media planning for the key promotions was not properly coordinated or balanced between the two channels. The Marketing Department centered a lot of its efforts on brochures, inserts and mailings, but Jordi felt like the offline investment was too high and digital media weren't being used to their full potential.
- Laura kept asking for more money for the online channel but hadn't been able to generate any profits as of yet. The consolidated income statement for the first quarter (see Exhibit 1) showed major improvements, nearly reaching break-even, but was there room to give Laura the extra funds she requested?

Analysis of the Performance Campaigns

Faced with this situation, Jordi had asked Laura for a detailed analysis of the campaigns they had carried out on Google, which accounted for 75% of the investment in the online channel. The analysis she submitted (see Exhibit 2) left him perplexed. Most of the campaigns had a

negative net contribution margin! How could Laura be asking for more money? Jordi called Laura into his office and asked her to explain the analysis and her requests for budget increase.¹

Laura began by explaining that there were different kinds of campaigns on Google and that it was normal for them to have different levels of returns because, depending on the campaign and the keyword, users were at a different point in the purchase process.

- Brand campaigns (BRAND in Exhibit 2) were the ones in which users were looking for the Sleeping brand, accompanied by a generic word or not. In her opinion, it made sense that these campaigns were the most effective because they were at the end of the purchase process – these users already knew they wanted a Sleeping mattress. AdWords gathers conversions that happen within 30 days after the last click, and the majority of the conversions were attributed to the brand campaigns.
- Generic campaigns (GEN in Exhibit 2), which included keywords such as “buy mattresses online,” “mattress deals,” etc., were at the beginning of the purchase process, when users did not have a specific brand in mind. According to Laura, it was natural that they were less effective. Clients who carried out a generic search did not have a brand in mind, but these campaigns allowed her to position the Sleeping brand in the client’s search process and later get a conversion with a brand keyword.
- Remarketing lists for search ads (RLSA) and display remarketing campaigns aimed to impact users who had been on the website but didn’t make a purchase. These users were already at the end of the purchase process and, therefore, better-than-average results were to be expected.

“So does this mean that all ‘generic’ campaigns are profitable?” Jordi asked. Laura told him that it depended – that a more detailed analysis was needed and that attribution models would have to be developed before that question could be answered. She gave him her analysis of the generic “box springs” campaign, in which she had extracted a report from AdWords showing all the clicks of users who had made a purchase. “If we consider a first-click attribution model for generics and reassign them the appropriate value, this campaign is profitable (see Exhibit 3).”

Things were becoming clearer, and the performance of the Google campaigns was not as bad as it had seemed at first glance. Still, Jordi wanted to dig further. “One more question, Laura: If the online channel is still not profitable and you add even more investment in Google, how is it ever going to become profitable?” Laura’s response prompted even more doubts...

“My opinion is that we should variabilize marketing costs and not work with closed budgets the way we do in the offline world. For digital, we should set a profitability target and work to maximize sales in order to reach it. That’s how pure players work, and if we do this in ‘Sleeping,’ we can keep growing sales profitably.”

¹ As a complement to this case, we recommend reading technical notes by Luis Ferrándiz, Rosa Fernández-Velilla and Julián Villanueva, “Search Engine Optimization (SEO),” MN-374-E, IESE 2011 ([available on IESEP](#)), and Luis Ferrándiz, Rosa Fernández-Velilla and Julián Villanueva, “Search Engine Marketing (SEM),” MN-376, IESE 2011 ([available on IESEP](#)).