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Based on the previous descriptions of operational multichannel marketing, the practical example of the Otto Group is intended to illustrate the key aspects once again. In addition to general information about the Otto Group, the relevance of multichannel marketing for the company is described in the introduction, before the competitive position and the development of the Otto Group’s multichannel marketing are presented as part of a market overview.¹ Finally, the practical example focuses on the concrete design of the Otto Group’s product and program policy, pricing and conditions policy, communication policy, and distribution policy. The structure of this chapter is shown in Fig. 26.1.

26.1 Introduction

Today’s Otto Group, headquartered in Hamburg, was founded in 1949 as Otto Versand and has developed into one of the leading trading and service groups in the economic regions of Europe, Asia, and North America. Starting as a four-man

¹See for the following chapter also Wirtz (2010, 2024).



Fig. 26.1 Chapter structure

business, founder Werner Otto succeeded in building up a nationwide mail-order business within 10 years.

By using a main catalog and various special catalogs combined with a target-oriented customer approach, the company created a very large customer base and expanded very strongly in Germany until 1960. In the 1970s, the company began to develop into an international trading and services group.

Relevance of Multichannel Marketing

The Otto Group continued its growth course by acquiring shares in other mail-order companies and founding new companies in Germany and abroad. Today, the Group is one of the largest online retailers in the world (Otto Group, 2020). In addition to Otto Versand, the company comprises holdings in over 100 companies in more than 30 countries, such as Bonprix, About You, and Crate & Barrel. In the financial year 2022/23, the Otto Group was able to achieve a turnover of 16.2 billion euros with 41,186 employees (Otto Group, 2023a).

While the company originally specialized in mail order, it has since developed into a successful multichannel retailer. In addition to a strong brand and consistent customer orientation, the Otto Group's multichannel branding can be described as decisive to the company's continued success. The Otto Group thus represents a company that has built up a differentiated multichannel system and can look back on a long-standing multichannel marketing tradition.

26.2 Market Overview

The Otto Group's areas of activity can be divided into three segments: multichannel retail, Financial Services, and Services. Retail trade can be described as the Otto Group's core business, for which the Financial Services and Service segments partly assume support functions. Figure 26.2 provides an overview of the three segments and their focus (content based on Otto Group, 2023a).

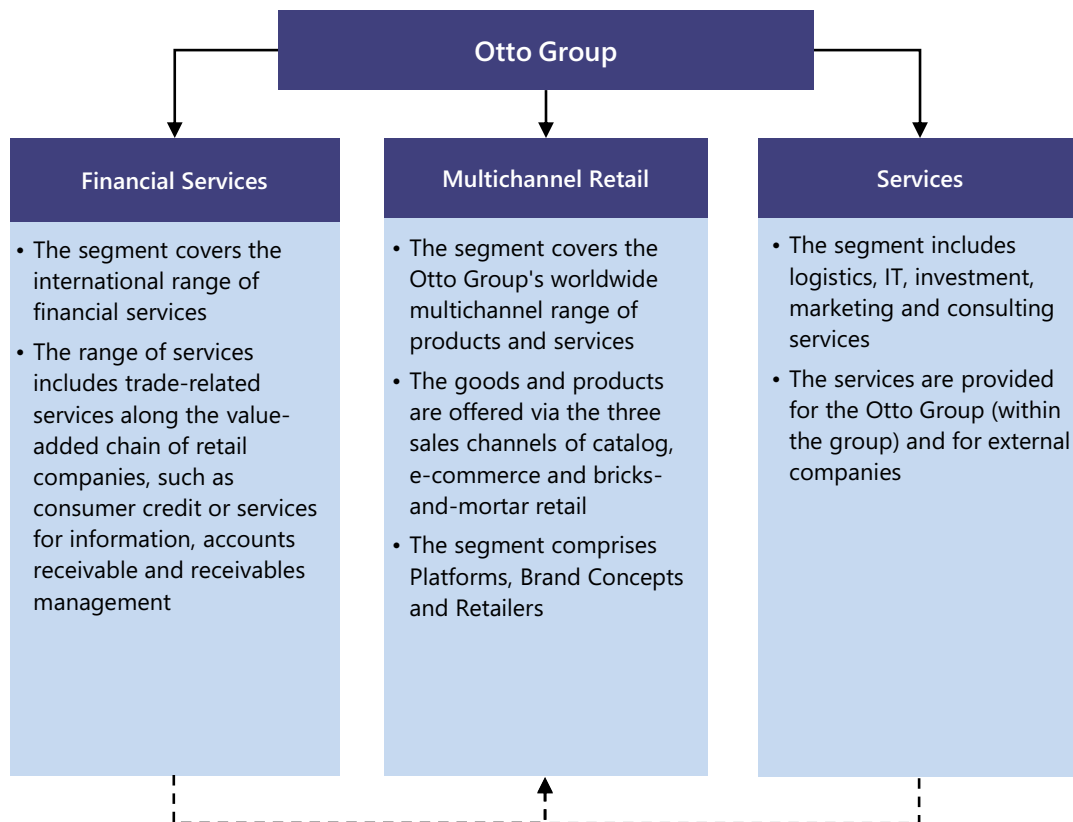


Fig. 26.2 Otto Group's segments. Source: Wirtz (2010, 2024)

Market and Competitive Position

Multichannel retailing, consisting of the sales channels of catalog and over-the-counter business as well as e-commerce, accounted for around 14.75 billion euros or around 91% of group revenues in the financial year 2022/23 (Otto Group, 2023a).

The segment includes the platforms OTTO and About You, which, in addition to their own retail business, also offer a marketplace solution through which partners sell goods and services. In addition, the multichannel retail segment includes brand concepts such as Bonprix and Crate & Barrel, which sell both own-brand products and licensed brands, as well as retailers, e.g., the MyToys Group, which mainly buy and sell products from own and third-party brands (Otto Group, 2023a).

The retail business is supplemented by consumer-related Financial Services such as consumer loans, receivables management, and business process outsourcing. These services generate around 0.98 billion euros or 6% of total sales. In addition, the Services unit, which comprises the mail-order and logistics service providers, generates sales of around 0.39 billion euros, or around 2.4% of total sales (Otto Group, 2023a).

Distribution of Otto Group Employees

In terms of employee distribution, the majority of the Group's employees were employed in the multichannel retail division in the financial year 2022/23, with 22,872 employees (ca. 55.5%). The Services division has 10,520 employees and thus represents around 25.5% of the workforce. The Financial Services Division, with 5870 employees or around 14%, accounts for the smallest share of the workforce in the operating business. Otto Holding employs a further 1924 people, or around 5% of the workforce. Figure 26.3 provides an overview of the Otto Group's revenue and employee structure.

The multichannel retail segment represents the Otto Group's central business area. In addition to catalog and over-the-counter business, digital business has established itself as the third important sales channel and is now the growth driver of the entire segment (Otto Group, 2023a). The Otto Group is pursuing different digital distribution strategies in the various Group companies.

While digital distribution in bricks-and-mortar mail-order companies such as Heine or Witt Weiden has been added as an alternative and now a partly dominating sales channel, digital distribution in online stores such as About You represents the starting point of sales activities and is supplemented by anchor stores of the own-brand Edited. What all companies in this segment have in common, however, is the physical distribution of goods. In this context, we therefore refer to digital distribution in the broader sense.

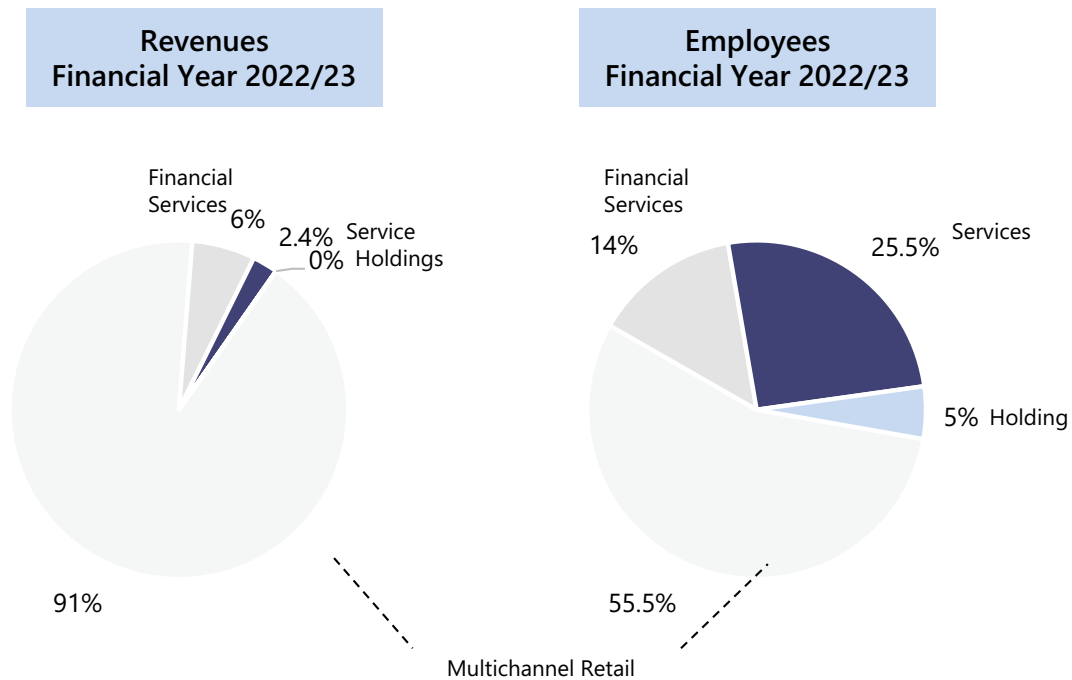


Fig. 26.3 Revenue and employee structure of the Otto Group. Data Source: Otto Group (2023a)

1950: Catalog	Orders by postcard on account
1963: Phone	Orders from the catalog by phone
1991: Teleshopping	Presentation of goods on TV, orders by phone
1994: CD-ROM	Presentation of goods offline, various ordering methods
1995: Internet	Goods offer and order online
2000: M-commerce	Selection from assortment and ordering via mobile phone
2003: T-commerce	Selection and ordering via interactive television
2007: E-shopping 2.0	Interactive and dialog-enabled online product-offering
2010: Apps	Selection from assortment and ordering via smartphone
2013: Apps 2.0	Personalized shopping via smartphone
2018: E-focus	Focus on digital sales channels

Fig. 26.4 Historical development of shopping opportunities in the Otto Group. Source: Wirtz (2010, 2024)

Development of Multichannel Marketing

After the company originally started with catalog mailing and ordering by postcard, other marketing channels were increasingly developed over the following years. Today, the Otto Group has a differentiated multichannel system. This also includes digital distribution, where the Otto Group can already look back on several years of experience with electronic distribution solutions. Figure 26.4 shows the historical development of the Otto Group's distribution channels and provides an overview of how its distribution system has evolved and what different purchasing options a customer can access today (Otto Group, 2023c).

Development of Traditional Distribution

As the technical innovations of the past century became more widespread, the Otto Group companies increasingly opened up more marketing channels. As early as 1963, the former Otto Versand made it possible to order items from the catalog by telephone instead of by postcard.

In 1991, the company Otto, being the former Otto Versand and at the same time parent company of the Otto Group companies, entered the teleshopping business and presented its products on advertising television and teletext. In 1994, Otto made

the entire catalog available on CD-ROM, which brought many advantages for the customer. For example, they could search for specific products instead of having to leaf through numerous catalog pages.

Development of Digital Distribution

In 1995, Otto opened its first online store, which initially did not include the entire product range, but was steadily expanded over the course of the 1990s. Otto was thus one of the pioneers of e-commerce and was already represented on the market with a digital distribution solution before the start of the new economy boom (Otto Group, 2023c). In Japan in particular, but increasingly also in Germany, the company was also driving forward m-commerce, i.e., mobile shopping using cell phones, PDAs, or smartphones.

In 2005, Otto developed a T-commerce platform for interactive TV shopping in cooperation with Microsoft. At the Cebit 2005, the company presented the world's first shopping application for the Microsoft Media Center. Since 2007, the Otto Group has been expanding its Internet offering under the aspects of dialog capability, interactivity, and user participation. Since 2007, the "E-Shopping 2.0" initiative has been intended to blur the boundaries between electronic sales channels.

Since 2010, the Otto Group has been offering interested users apps that enable the entire product range to be ordered via smartphone. In 2013, the Otto Group developed its own store software, which can be adapted more quickly to customer wishes and market requirements. The shopping app for the iPad, for example, places a clear emphasis on inspiration and an emotional shopping experience. Since 2018, the focus has been significantly on digital business and digital sales channels, which was accompanied by the discontinuation of the traditional main catalog.

26.3 Design of the Otto Group's Multichannel Marketing

The advantages associated with the development of their multichannel strategy were recognized by the Otto Group at an early stage and exploited through the continuous development of new channels. The multichannel strategy has a significant impact on the specific design of a company's product, price, communication, and distribution policy. The specific forms of the Otto Group's operational multichannel marketing are the subject of this section. They are described in more detail using specific examples.

Product and Program Policies

Product policy is essentially about assigning products to individual channels. The Otto Group's basic strategy is to sell its entire product range, which was originally offered via catalogs, via other marketing channels as well. A channel-specific

assignment therefore only takes place in a few channels. In terms of brand management strategy, the Otto Group tends to rely on uniform, cross-channel brand management. In the Otto Group, individual brands can therefore be found in several marketing channels or different brands in one channel.

Service Policy

Service policy is an important component of product policy. In this area, the Otto Group mainly relies on a cross-channel or integrated service policy. The customer is therefore given the opportunity to use services via various options in the different purchasing phases. In addition to the general 24-hour hotline, including a callback service within 30 min, the Otto Group offers its customers targeted advice in its stationary stores. They can also contact the service team by email or WhatsApp (Otto Group, 2023b).

Customers can also choose between different after-sales service alternatives. In the event of a repair, the customer has the option of taking the product to a stationary store, but can also arrange for the goods to be collected from them via Internet or telephone, for example.

With Hermes Europe, the Otto Group has a logistics service provider that offers a comprehensive pre-sales service such as delivery services and after-sales services such as repairs or exchanges in more than 20 European countries (Hermes Europe, 2023).

Price and Conditions Policy

The Otto Group deliberately offers business concepts in different price segments in order to appeal to different customer groups. Bonprix, for example, is a discount mail-order company in the low-price segment that is aimed at price-conscious customers as a clearly focused target group. Bonprix's low-price strategy has so far been successfully implemented in more than 25 countries (Bonprix, 2023).

Price Differentiation

Individual companies often differentiate prices between the individual marketing channels. It can therefore be stated that prices are lower in Internet direct sales in particular than in other channels. The Otto Group frequently uses the Internet to influence demand through price campaigns. This can reduce possible overcapacities that have arisen due to seasonal factors, for example.

About You offers a separate "Sale" section on its Internet platform, for example, in which certain items are offered at high discounts. In particular, products that have to be removed from the range due to seasonal aspects are discounted. In fall, for example, all summer fashion is offered at greatly reduced prices. In contrast to

catalog sales, online direct sales can react very flexibly and quickly to possible external influences. Price promotions are therefore more common in this area.

Communication Policy

As part of their communication policy, the Otto Group companies predominantly pursue the goal of using integrated communication across all channels. This is intended to convey a consistent image of the company for the target groups of the communication in order to avoid possible confusion and excessive demands on the customer on the one hand and to emphasize the consistency of product quality across channels on the other.

Standardized Slogans

In many Otto Group companies, it can be seen that advertising slogans and company logos are standardized across different channels. The purpose of this formal integration is to increase the recognition effect and to achieve a consistent perception of the company by the recipients of the communication.

Integrated communication via different channels is also evident from the fact that most companies actively advertise on a specific channel for the other available channels. Crate and Barrel, for example, also indicates on its website that it is possible to order from a catalog and to shop in one of its numerous stationary stores.

Push and Pull Strategies

As part of their communication strategy, Otto Group companies use both push strategies (e.g., catalogs or email newsletters) and pull strategies (e.g., online store and search engine marketing) in the various marketing channels in line with their business model. The company invests large sums in advertising and sales promotion in order to create demand for its products among end customers. As a rule, a sale is only made if the customer takes action himself. For example, a catalog is sent out at the customer's request and the customer has to take the initiative to place an order by phone. Sales via the Internet or smartphone are also initiated by the customer themselves.

Distribution Policy

With financial services, the Otto Group has a segment in which digital distribution has become considerably more important, especially in recent years. The most important digital distribution component in the financial services segment is

consumer credit, which is closely linked to the retail segment. The Otto Group offers financing solutions through its financial services companies, most of which are fully integrated into the respective web store. This clearly shows the synergy effects from which the company benefits by implementing electronic distribution in the various business areas.

The most important digital distribution component in the financial services sector is now the EOS Group, which is one of the leading international providers in receivables management. With Hanseatic Bank and Hanseatic Versicherungsdienst, the Otto Group can offer specific financial services that can also be seamlessly integrated into digital business activities.

Services

The third segment of the Otto Group is the Services Division. The Hermes Logistics Group is a particularly important part of the Service segment. Particularly against the background of digital distribution, the physical provision of products is a central task for the Otto Group. In particular, the storage of goods, order picking, and delivery of the product ordered by the customer at the desired time and place are critical success factors for digital distribution in the broader sense.

In addition, the Otto Group owns various other companies (e.g., Eventures, Otto Group Media, Risk Ident, and Systain) which provide consulting, IT, processing, and marketing services for the Group and external companies. The logistics service provider in its own group of companies gives the Otto Group a strategically important advantage over competitors. The delivery service is characterized, in particular, by a high level of customer orientation, which is implemented through digital services such as online shipment tracking.

Integration of Digital Business

The Otto Group's distribution success also depends heavily on how well the various sales channels are networked and coordinated with each other. Since customers today are increasingly making purchases through multiple channels or arranging for product returns, the individual channels must be coordinated in such a way that deliveries and returns can be accepted efficiently and quickly. The integration of digital distribution into existing sales systems is therefore one of the Otto Group's success factors.

The integration of digital distribution into existing sales systems is therefore one of the Otto Group's success factors. The consistent development of digital distribution channels and, in particular, their integration into a multichannel environment have played a significant role in the Group's economic success and were understood by the company itself as important growth drivers at an early stage.

26.4 Summary

Since its foundation in 1949 as a simple mail-order catalog business, the Otto Group has continuously developed into a multichannel company that now sells its products via numerous marketing channels. The design of multichannel marketing also plays an important role in the Otto Group and is a key success factor. In terms of product policy, Otto Group companies tend to pursue a cross-channel product and brand strategy. Only rarely the product ranges are adapted to specific channels.

In terms of pricing policy, the Otto Group companies predominantly pursue a pricing policy that is aligned with the corporate concept. The Otto Group has companies in different price segments in order to appeal to different customer groups. Price differentiation is also made between the various channels within a company as required. For example, direct internet sales often offer a price advantage over other channels.

The communication policy of the Otto Group companies is mainly characterized by cross-channel integrated communication. With regard to distribution policy, the delivery services of Hermes Europe were discussed, among other things, which can create a comparative competitive advantage for the Otto Group through its high level of customer orientation.

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