Creating the Multichannel Experience: Loyalty Panacea or Herculean Task?

By Regina Connell

As media channel opportunities continue to grow, companies are finding they must develop integrated multichannel strategies to keep consumers interested, as well as maintain competitive advantage. Author Regina Connell of Dimension Data illustrates the importance of “deploy[ing] the right channels for the right purpose,” placing the customer’s needs as the ultimate key to successful multichannel development.

Not that long ago, media and industry hailed the Internet and new digital channels as the cure-all for what ailed marketers of 21st century companies. New interactive channels, such as the Web, broadband, interactive (ITV) and wireless would herald the death of mass marketing, give birth to true one to one communications, and fuel cheap and easy customer intimacy. By adopting sophisticated Customer Relationship Management (CRM) systems, companies said, customers would find a nirvana of frictionless anywhere, anytime multichannel service that spanned all media, old and new.

Now, spending on multichannel offerings (particularly the Internet and wireless) has slowed dramatically as companies work on efficiencies, not service expansion or revenue enhancement. Consumers still give low marks for customer service. Many companies now confess that CRM systems did not live up to return-on-investment (ROI) expectations, costing more and taking longer to implement than anticipated. And most fundamentally, companies fret that providing a true multichannel experience to customers means providing all channels to all customers all the time a Herculean task with unknown payback.

Developing a true multichannel strategy requires companies to understand how to optimize the channels, balancing the need to meet customer needs with fiscal contraints, and what it takes to implement a true multichannel strategy.

Unfortunately, our research at Dimension Data shows that companies can t stall multichannel offerings indefinitely. We ve found that customers expectations are rising, fueled by hype and promises. Customers believe they should be able to choose the channel by which they interact with companies, and that they will maintain or transfer their loyalties to companies that optimize channels, both established and emerging, to meet their needs. Truly multichannel companies reap the rewards: retailers such as JC Penney discovered early that customers who have a choice of channels tend to spend more than those who don t (Pappajohn, 2000). According to Forrester Research, 83 percent of retailers claim that multichannel integration has increased their overall sales (Forrester, 2000).

Developing a true multichannel strategy requires companies to understand how to optimize the channels, balancing the need to meet customer needs with fiscal constraints, and what it takes to implement a true multichannel strategy. Smart thinking about multichannels will help companies focus their marketing and service spending, while improving customer satisfaction levels.

Optimizing the Channel Mix: Just One Simple Question

Just because you can, doesn t mean you should. Companies should deploy the right channels for the right purpose. To do so, they should weigh the value proposition against the channel.

n The Value Proposition:
- ¤ Customer Purpose created by a combination of the customer and the task they want to accomplish.
- ¤ The Relationship Driver the brand and the point in the relationship cycle.

n The Channel: what are a channel s particular characteristics?

The extent to which the channel fits the purpose should drive investment in the channels and the rate at which the investment will be made.

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The Customer

In their rush to develop multichannel capabilities, many companies forget to consider the customer first. The key is to understand what customers really want to do and what they really want from a company s offering. In considering a multichannel strategy or offering companies must consider:

Technology Readiness. In the early days of new media and the Internet, companies seemed to feel that if they built it, the customers would come. Unfortunately, a customer s technology readiness will drive the degree to which they accept interaction through a new medium. People adopt technology at different rates, driven by psychology, socio-economic status and even geography (which dictates what technologies are available). Early Adopters embrace whatever new technologies come along. The broader, middle tier needs prompting (through lower prices, heavy advertising and a bullet-proof customer experience). Others may never adopt new technologies. One bank, for example, tried to reduce channel service costs by charging customers for using bank tellers. Many of its long time customers were elderly classic technology laggards and wary of ATM technology, preferring to work with a teller who handed them paper deposit confirmation slips and provided them with the social interaction they wanted. The bank ultimately had to retract the policy, after public outcry and regulatory threats. Many banks are still doing this on a more selective basis by charging fees for using tellers unless customers maintain a minimum balance with the bank.

Every company s customer mix will contain different technology readiness profiles. But to avoid wasting investment and alienating customers, companies must consider the characteristics of the segment they are targeting and use the right technology channels at the right time to appeal to that segment.

Why people buy. Most companies make money by selling something to a customer. All interactions focus on encouraging consumption now or in the future. To that end, companies need to consider why people buy. For many, it s about the value proposition of the product; a combination of price, brand equity, features, etc. For many others, it s about the experience of buying and owning that spurs them to purchase. For example, one auto company found that its Early Adopter Auto Enthusiast customer segment found the Web useful for research, but not compelling enough to purchase a car. Enthusiasts preferred the give and take the sense of community found on the dealer lot. Customers in some other segments would do anything even learning to navigate confusing auto sites to avoid interaction with dealers.

The channel scenario. People tend to exhibit a complex array of factors such as cognitive and decision-making styles and degrees of extroversion when deciding to buy. Companies need to think carefully about the context in which customers are using each channel and design the channel functionality accordingly. Research for a travel industry client showed that despite the reach of technology and the pervasiveness of travel-related applications on the Web, most road warriors (many of whom are Early Adopters and Technology Optimists) want access to a human being for troubleshooting and support when on the road. But when these same people wanted to complain about poor service, they preferred to do so through the Web, not wanting to confront another person in real time.

A company must understand its current and potential customer base, and what the customer wants from each channel. Companies should obtain these insights through qualitative and quantitative research, click-stream analysis for the online channel and customer service statistics.

The Relationship Driver

The decision to purchase and then repeat a purchase is complex, encompassing numerous distinct steps. Companies need to respond appropriately at each of these steps: a misstep could cost a sale and a customer. The stage of the relationship should drive the type of channel used to get a customer through that stage and into the next. The stages of a relationship are:

n Admire: A potential customer becomes aware of a product. At this point, a company needs to invent desire and provide incentive for the customer to delve deeper into the product offering.

n Consider: A customer is doing research on a product. Research can include the hunt for basic additional information (color, price, etc.) or the hunt for and analysis of more complex data (e.g., car purchasing or home mortgaging). The company s job is to deliver the context and information to speed the person from potential to actual customer.

To help bring the framework to life, the following case study shows that with a little creative planning, a multichannel mix can be customized to the customer and brand, and a one-size, multichannel strategy *can* fit all. An additional case study featuring a luxury goods retailer can be found on the *Journal* Web site at www.jiconline.com.

Case: Financial Services

A large U.S. savings and loan (S&L) is seeking to optimize its channels without losing customers. It has an established brand and established brick-and-mortar channel. Current customers are primarily older, although the institution wants to appeal to a younger market and is exploring some programs for tweens (ages eight to 13) and teens. Key to the S&L s new brand positioning is to be the easy to access, friendly bank that takes the fear out of finance. Based on the framework, recommendations for a multichannel strategy include:

- Use traditional means for creating awareness, but also leverage ATMs to get out the broad message regarding new products.
- Consider that financial products require more detailed information which can be fulfilled on the Web, in person and through direct mail.
- During the Aquire phase, it is recommended that the S&L use the same channels that were used during the Consider phase, except that they include a wireless ability to set an appointment. This will allow the wireless user to get a teaser of the wireless experience (and its convenience) and will begin to show the wireless customer how user friendly (and forward looking) the bank is.
- In the Own and Adopt phases, services should be rolled out across all channels with specific tasks and capabilities fit to the channel. For example, scrolling through different investment options for information may be difficult given the wireless format, but wireless may be most useful for time-critical tasks, such as transferring funds or checking balances. Using wireless and Web mechanisms to access in-person services will be critical as well to ensure that the experience is about the service, not just the channels.
- The ability to use the online channels to tell a friend quickly and easily will be helpful for viral marketing, particularly among the youth segment.

	TV	Print	Direct	Bank/ATM	Web	E-mail	ITV	Wireless
Admire	l	l	l	l	l			
Consider			l	l	l			
Acquire			l	l	l			to set an appoint-ment
Own				l	l	l		l
Adopt				l	l	l	roll out channel to preferred customers after testing	l
Advocate					l	tell a friend		l

U.S. banks have been learning the perils of not taking a multichannel approach: Citibank s Web-only account initiative was not successful because people preferred to use the existing channels, which included an online arm, to have access to and control of their money anytime, anywhere. Similarly, Wingspan suffered because it was not able to connect consumers to the services provided by its parent, BankOne.

- Acquire: This is the purchase. The company s job is to stream line the experience, then execute flawlessly.
- Own: The customer will be looking for service and reassurance that they made the right decision. The company s job is to reinforce this to move the customer to the next level, while providing consistent customer service.
- Adopt: This is the point when a customer begins to be loyal to a product or brand. The company must ensure that the bonds with the customer are nurtured through tangible and intangible offers and rewards, superior service and targeted, predictive nformation.

Brand

The company or product s brand is also a driver of the choice of channel. A brand whose image is cutting-edge needs to have a similarly cutting-edge and forward-thinking channel strategy that incorporates more leading-edge technologies. Similarly, a company whose brand rests on being approachable and accessible needs to have a multifaceted, multichannel strategy that allows people to choose their access points. For example, Volkswagen has staged a remarkable brand turnaround in the last five years, basing its positioning on a quirky and very individualistic approach. In keeping with its brand, it is making the foray into the digital space by allowing potential customers to order cars online (in special Internet-only colors, with customizable features). While this does not completely pass the dealer channel, it allows the customer to choose where she wants to spend the majority of her time in purchasing a car. At the same time, the Internet-using customer is able to proclaim her Internet savvy everyday through the color of her car.

The converse of this is also true. If the brand centers on safety, privacy and conservatism, as is common with elite financial services institutions, multichannel offerings need to be introduced selectively.

As is the case with customer-specific insights, companies should rely on research and data mining to best understand the stages its customer base goes through and the triggers for each of those stages.

Channel Characteristics

Dimension Data research shows that channels are not interchangeable; either in their inherent characteristics or in the way customers interact with them. In the chart following, we examine key dimensions of the customer experience, and how these are fulfilled by different channels.

To create the framework for choosing the optimal channel mix, we compared the customer relationship stages with the characteristics of each of the channels. Based on our analysis, we believe that the channels that are most powerful for each phase of the customer relationship stage follow:

The Admire stage requires an immersion experience.

Dimension	Description	Strongest Channels	Weakest Channels
Immersive	Engaging a customer's five senses to touch the heart.	TV, print, retail	Direct mail, IVR, low bandwidth Web, wireless
Information and context rich	Providing deep information, tools and context to customers.	Web/broadband Web, retail enabled by kiosk, call center	Direct mail, TV, wireless
Timely	Providing accessibility anytime and anywhere. Time also applies to the ability to receive immediate results or action.	Web, call center	Retail, direct mail
Customized and personalized	Customizing the experience (e.g., content, features) for customers and prospects by leveraging customer and demographic data. More advanced personalization generates predictive offers.		

Therefore, the Web is not a highly effective tool in building awareness except on the most tightly targeted of bases. As the level of relationship grows, the need for deep, personalized interactions grows along with it. The emphasis will need to be on the newer technologies that allow the leverage of data to support customization and personalization.

While call centers are necessary for both the “Own” and “Adopt” stages, call centers are optimal for service-type interactions and less so for loyalty-building operations.

For the most part, loyal customers are adopting the brand every time they purchase a product or service. Brands need to earn that loyalty by providing a cumulative memory of a wonderful experience. This generally takes place both at an intellectual level (my last stay at that hotel was good because the service was good) and at an emotional level (I like what buying this brand says about me). Therefore, some leverage of more inclusive channels may be required during this phase to reinforce that emotional connection. While call centers are necessary for both the Own and Adopt stages, call centers are optimal for service-type interactions and less so for loyalty-building operations. A Web or e-mail message is less intrusive for loyalty building than a company-initiated call.

The Admire and Consider phases are ripe for immersive technologies and physical environments such as stores. The value of a brick-and-mortar environment is not just in its power as a sales channel, but as a wholly experiential brand-building tool. A wireless device is better for receiving information (anytime, anywhere) than it is for submitting complex data or searching and browsing. It s better for repeat, non-considered purchase, than for more complex purchases.

Wireless tools are best used after a relationship with a company or brand has been started, although they may be effective for some impulse purchases once the brand relationship is in place. Best served by interactive channels and the ability to create communities, the best examples of this are the communities that form in the technology industry, where engineers and developers vie to have the latest, greatest thinking (and inside information) on a company s products.

Conclusion

As channels proliferate (and as customers continue to understand that they can have access to a company through different channels), companies must consider how to optimize and synchronize across channels. This is likely to be an increasingly important part of a company s strategy as competitive pressures grow. For example, shifting Web banner advertising costs to the development of customer loyalty programs or a Palm service application could reap greater rewards in an already committed customer base.

Optimizing across communications channels requires companies to begin thinking about putting customers not technology, at the heart of the relationship management chain. This means that to be successful in the multichannel world, companies need to look at channels from their customers perspective. In doing so, companies will create a multichannel strategy that fits a unique customer, brand and relationship mix. In return, companies will realize that the digital channel is not a stand-alone channel, but rather, one of the key touchpoints, which mutually supports its interaction with customers. Once the company places the customer at the heart of the alignment, it needs to begin any product/service and marketing planning with a consideration of the multichannel concept, including the design of the technology infrastructure, the integration of the channel synchronization tools to manage efficiencies and to prevent redundancies, and the creation of the organizational structures and capabilities.

Most importantly, to remain competitive, companies must begin a multichannel approach to marketing to their customers.

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