Multi-Channel Service

Boosting Customer Value and Loyalty

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Executive Summary

Will the Web "change everything?" Maybe, maybe not. But one thing we do know is that effective Internet-based service helps customers help themselves while saving companies costly phone calls. Not bad for starters.

But Web-based service shouldn't stand alone as another island of automation. For customers to have the rich, positive experience that fosters loyalty, customer contact channels must be blended seamlessly together. Therefore, multi-channel service is a key milestone on your customer-centric journey.

That's easier said than done. Today executives face a confounding dilemma: how to integrate channels effectively when they are hamstrung by limited resources, conflicting priorities, and the pressing need to survive today while building a strategy for tomorrow.

Nevertheless, it's important for executives to realize that, in our world of increasingly commoditizing products and services, it's the *customer experience* that matters most. That's what drives loyal behavior, when similar capabilities can be purchased from multiple suppliers at similar prices.

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When customers are using both traditional and online interaction channels, it's a safe bet they don't want to repeat themselves because one part of your service organization doesn't share information with another. If you don't integrate service processes, you may find that the efficiencies gained in individual islands of automation are offset by customer dissatisfaction surfing your channels, and lost internal productivity doing "swivel chair" integration.

The keys to success are straightforward, and backed up by solid industry research and early adopter experiences:

- Define a **vision** for the customer experience that will lead to loyal—and profitable—buyer behavior.
- Develop the **business case** and metrics to help your organization make the right investment decision and track progress against a baseline.
- Use a cross-functional team and implement with a **phased approach**. Get short-term benefits while working towards your long-term vision.
- Get **user feedback** and make mid-course corrections to your multi-channel program as needed.

The key business question: Do you want to react to your competition, or lead your industry and force them to play catch-up to you?

The Customer Experience Paradox

Customers have made it abundantly clear that they value companies that solve their problems quickly and without undue hassle.

Yet the majority of companies still consider their customer service departments as cost centers—not the heart of a CRM strategy to generate loyal and profitable relationships

Why is channel integration so important and what does it have to do with customer satisfaction, loyalty, and profits?

Consider the experience of a prospective customer seeking a quote from a major insurance company. After being referred to the Web site, the customer patiently completes an online form and submits the requested information, only to be told that he had made a mistake. With a heavy sigh, the customer tries again, only to be told that he didn't "qualify." Growing frustrated, he picks up the phone and repeats his story to a customer service rep from the beginning, because the service rep has no record of his previous interaction.

Think this is farfetched? Think again, because recent industry studies have found about one-third of customers have had this experience when following up with a CSR after online service requests.

Contrast this example of customer disservice with that of another online consumer having difficulty completing a Web interaction. In this case, the phone call to the company's service department found a CSR with immediate access to the customer's previous web interactions, facilitating a rapid resolution.

Which experience do you think was more likely to generate a loyal customer? Customers have made it abundantly clear that they value companies that solve problems quickly and without undue hassle. To deliver that, CSRs must see the whole customer by integrating data from multiple contacts points.

Yeah, but…

Of course corporations agree that customer service is important to their livelihood. Yet the majority of companies still consider their customer service departments as cost centers—not the heart of a CRM strategy to generate loyal and profitable relationships. This thinking leads to short-term cost cutting and other tactics designed to increase service efficiency, but not necessarily effectiveness from the customer point of view.

Unfortunately, quick fixes can obscure the need for a longer-term strategy that turns a company more fully toward the customer. Over the long haul, customers care most about the effectiveness of their supplier's service and whether they are getting the *experience* they want.

Customer Experience Management

There's a growing body of research that shows the customer experience is composed of not only what you provide, but also how you provide it. As noted in <u>Building Great Customer Experiences</u>, by Colin Shaw and John Ivens, T-Mobile is leading the way in turning the customer experience into a competitive advantage in a world of increasingly commoditized products and services. "The differences are in the brand, the perception and the feel of the company, all of which are delivered through the customer experience," says Peter Scott, Customer Service Director of T-Mobile.

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In other words, loyalty is driven not just by the deal, but by how customers *feel*. Their emotional state influences about 50 percent of the value they perceive, customer experience experts say. Dr. Jim Barnes, author of <u>Secrets of Customer Relationship Management: It's All About How You Make Them Feel</u>, says a more lasting form of value will elicit an emotional response from customer: "Value is created every time a customer is made to feel welcome, important and valued." In short, product and price is not enough.

On the other hand, if your customers become frustrated, ignored, and confused, then you run the risk of losing their business. In a recent Genesys survey, 85 percent said that a negative call center experience could stop them from doing business with a company and 56 percent said that they already had stopped doing business with a company after a less than satisfactory contact center experience. Numerous other industries have found about two out of three customers defect due to poor service.

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Multi-channel integration gains momentum

CRMGuru's 2002 research study found that 92 percent of respondents agreed it was important to share customer service information between interaction channels (e.g. web, phone, email). Progress has been slow, to say the least. Two years ago, Forrester Research reported that fewer than two per cent of companies have the ability to take a unified view of customers across sales, marketing and service departments.

More recently, experts say there's been some improvement, but estimates range from about 15 percent to perhaps one-third of companies have integrated customer service channels.

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Giga analyst John Ragsdale notes that those who are integrating their traditional call centers with newer e-service channels represent "a lot smaller percentage than we expected" primarily because there is more to channel integration than the data factor. Integrating queuing and routing into a single system presents a more formidable challenge and that's where companies will lag behind. "I think we will see closer to 70 to 75 percent of companies with a consolidated customer view in 5 years, for [certain] verticals, and maybe as high as 30 to 35 percent in the other verticals," says Ragsdale. "As for universal queuing and routing, with the cost involved in these integrations, I think many of those projects will still be on hold [with] maybe a 15 to 20 percent adoption in 5 years."

It seems that no matter how the figures are cut, channel integration is often not a gotta-do-it-now initiative. That's too bad, because customers are "voting with their wallets" to move to suppliers that provide consistent high-quality service, no matter which channel is used.

Customer inertia

Studies by CRMGuru and others have found that web/email service usage is increasing rapidly. Yet even when offered Web-based service, customers sometimes pick up the phone to double-check their efforts, like in the early days of ATMs when nervous customers called their bank to make sure a deposit was recorded. Now self-service banking is a ubiquitous and trusted channel in most countries around the world.

As another example of customer inertia at work, a Hyatt Corp. representative noted that their first foray into Web self-service was an eye-opener. Customers would use the Web and then call in to verify their actions. As telling as that is about the habits of consumers and as much as it is a justification for the lagging support of integration, it is also a compelling argument for integrating channels more fully. After all, if a customer is going to use multiple channels, then the customer will grow to expect the same level of service across channels.

Competitive advantage up for grabs

Web use will grow significantly in the next few years. According to the Forrester Research study, 10.6 percent of customer transactions start on the Web today but that figure is expected to rise to 19.1 percent by 2005. And customers who use multiple channels tend to be bigger spenders. Jupiter Research reports that "multi-channel" shoppers (those who interact with all retail channels available to them, including stores, Web sites, and print catalogs) appear to spend 30 percent more than their single-channel counterparts. Yet 76 percent of online retailers cannot track these more active consumers' behavior across channels.

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If your customers don't drive you to service integration, then count on your competitors to do so, sooner or later. "The companies that understand how consolidating customer history and integrating the channels can impact the bottom line are making it a priority," says Giga's Ragsdale. And in industries like communications where the customer churn can reach 30 percent annually, "increasing customer satisfaction and retention by even one to two percent a year can have a major impact on the bottom line, and that may be possible with channel integration."

Companies should follow the lead of the intensely competitive high-tech industry. AMR Research's Louis Columbus points out that multi-channel adoption varies by industry with high tech leading the way. Insurance and discrete manufacturing companies are also using multi-channel integration.

Act Now, Or Be Left Behind

Why bother with multi-channel service? First, it can improve competitive differentiation by reducing the hassle factor for customers. Second, the company can cut costs by eliminating redundant "swivel chair" service processes and flowing information smoothly internally and with partners.

Listen up, or else

If you're not quite sure what you'll gain by integrating service channels, think about what you could lose if you don't. A national survey of 1,000 online consumers by Modalis Research Technologies found that 72 percent of the respondents said they would stop doing business with a company if they experienced poor customer service. And multi-channel service often falls short of expectations.

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The survey found that 90 percent don't want to repeatedly explain their situation to different agents in the same company. (The only surprise here is that this figure wasn't 100 percent.) Furthermore, 73 percent expect an agent to have a complete record of their relationship with a company, whether the contact is online or by phone.

"The example we have all heard is about a customer who spends an hour configuring a PC on the Dell or Gateway website, then found that the price was different than the ad they saw in the paper. They call up the 1-800 line to ask about the price, and the phone agent has no visibility of what the customer has done on the website and forces them to walk through the long, painful configuration process again," said Giga's Ragsdale. "This is the perfect example of where channel integration, click stream monitoring, and agent tools such as collaboration and page push can dramatically enhance the customer experience."

Gain customer value and loyalty

Very satisfied customers are generally more loyal. And there's a huge pay-off for companies that inspire loyalty and lead their industry. Loyalty guru Frederick Reichheld found that loyalty leaders grow at 220 percent of the industry average, at 15 percent lower operating costs. It doesn't take a mathematician to understand why those kinds of figures are having a positive impact on the bottom line of companies like Harley-Davidson, Enterprise Rent-A-Car, Cisco Systems, Dell Computer, Lands End, and Intuit.

Before it merged with Belgacom, Belgium ISP SkyNet fully integrated its call center, email and Web service channel. Three months after multi-channel service was implemented, SkyNet saw customer satisfaction levels rise by18.2 percent, according to Project Leader Eric Pageau.

Return on Investment

Jupiter's research found that consumers will crisscross the boundaries between channels, making it even more critical that service channels are fully integrated. Jupiter expects that by 2005 the amount that U.S. consumers spend shopping online will be dwarfed by the money they spend in offline channels—that is, traditional retail stores—as a direct result of research they do on the Web. Businesses that know how to achieve multi-channel integration will enjoy a definite competitive edge over those that do not.

Three months after multi-channel service was implemented, SkyNet saw customer satisfaction levels rise by18.2 percent, according to Project Leader Eric Pageau.

Denver-based Air Reserve Personnel Center expects its channel integration project will "reduce and streamline" the two maintenance costs racked up from segregated channels, says Lt. Col. Bud Bromley, deputy director for communications and information at ARPC. The organization has already seen the number of calls decline by half since the data silos were broken down and Bromley says that customer satisfaction is higher now that the center is open on the Web 24 hours a day.

Simply moving customers to Web-based service can reduce cost, according to Giga. As integration levels go up, the cost of providing services as well those associated with manual processes and hand-offs from one automation silo to another go down.

Obstacles or Excuses?

With such clear potential benefits, what's preventing companies from implementing multi-channel service?

Fixing the plumbing

As attractive as the benefits of integration can be, it is "actually the biggest and most vexing of problems for companies to tackle," said AMR Research's Columbus, because it requires going deep into a company's processes and infrastructure—and then revamping them. "Peel back multi-channel integration and you find the need for back office synchronization of systems to give a unified view to the customer and channel partners," said Columbus. "The synchronization of all these internal systems on the one hand with all channels on the other is a daunting task. It requires an infrastructure to make the entire strategy work."

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Budget dollars are scarce

As the economy muddles along, many companies believe they simply don't have the money to pump into extensive integration projects. When asked to rank the biggest hurdles or barriers to their effectiveness, CIOs polled by CIO Magazine gave high priority in 2003 to integrating systems and processes, lowering costs, and optimizing the supply chain. Yet they also noted a fair share of obstacles standing in their way. Among them were inadequate budgets, conflicting business priorities among business units, aligning IT efforts with business goals, and a shortage of time for strategic thinking and planning.

Complex implementations are prohibitive

Since channel integration is a fairly new concept for many companies, true "best practices" are a work in progress. Given the potential complexities of integration, many companies fear embarking on what could be a long, expensive journey and stretching IT resources beyond capacity. "Fear stops them from multi-channel integration," notes customer service expert Paul Anderson. The dip in the IT services market—down 0.6 percent from 2001 to 2002 according to Gartner, shows how companies have indeed been backing away from more complex integration projects.

IT and business are not in synch

The IT and business factions of most companies continue to be out of synch. According to CIO Magazine research, CIOs list this disconnect as among the top obstacles to reaching their objectives. "The IT side, supplying system support, typically lacks more than a superficial understanding of what business needs to be accomplished," notes Dick Lee, Practice Leader, Caribou Lake Customer-1. "On the business side, there is typically a lack of IT needs." Synchronization of these two factions is particularly important to integrating multiple service channels.

Who owns the customer experience?

Multi-channel technology is still fairly new, but the more troubling issue is that in most companies there's no one person responsible for the whole customer experience.

Multi-channel technology is still fairly new, but the more troubling issue is that in most companies there's no one person responsible for the whole customer experience. Executives are busy with their own internal channels and silos and are either unable or unwilling to take on an integration project. This is a persistent problem in nearly every area of CRM. In a recent CRMGuru survey, 32 percent of respondents said they needed help in getting buy-in from senior management.

Short-term goals obscure long-term strategy

It's a bit of a double-edged sword: try to survive in the short term and you may undermine long-term goals. For example, it's possible to save money by pushing service to the web, but this benefit will be short-lived if customers aren't happy with the experience. But with an eye on the future, you don't need to abandon practices that ensure short-term viability. Companies can find that integrating channels allow them to do both: reducing the costs of providing service almost immediately but yet improving overall customer service and thereby increasing customer satisfaction levels and eventually winning their loyalty in the long term.

Are there challenges? Sure, but none that can't be overcome. Let your competitors make the excuses while you leap ahead.

Blueprint for Service Integration Success

CRMGuru's "Blueprint for CRM Success" report found that the #1 driver for ROI was doing customer-centric planning. If you don't know the experience you're delivering to your customers, or what they want, find out!

If the enterprise has felt the economy's pinch, then CRM vendors have certainly felt the squeeze. "The bottom dropped out of the economy and spending slowed just as broader suites were becoming available," said Giga's John Ragsdale. "Companies are now in the mode of buying one piece at a time, not purchasing every module and implementing it in one major project."

These days software vendors are focusing more on ease-of-integration, and providing services to get the job done quickly. "It is still impossible to buy all of the components from a single vendor, so a big integration project is involved," said Ragsdale. "And even if there was a single vendor solution for CTI/e-service/CRM, there are few 'green field' environments out there willing to buy the whole solution anyway."

Based on the experiences of multi-channel trailblazers, here are some practical steps to help you ensure that integration projects go smoothly and don't overly dent even penny-pinching budgets.

1. Determine the experience customers value

"Sellers have a bad habit of not asking what customers want," notes Caribou Lake's Dick Lee. And it's critical to do research on user needs as part of the integration planning process. CRMGuru's "Blueprint for CRM Success" report found that the #1 driver for ROI was doing customer-centric planning. If you don't know the experience you're delivering to your customers, or what they want, find out! That's what Lanier did when it added the Web to its customer service mix. "We didn't go into this blind," said Rhodes. "We did surveys up front and 65 percent indicated that they preferred Web-based over other channels."

2. Get management buy-in, starting with the CEO

Building a business case based on improving the customer experience will probably mean knocking down departmental silos. The CEO must lead this effort, or multi-channel integration doesn't stand a fighting chance. Belgacom's Pageau attributes much of the success of the SkyNet integration project to CEO buy-in. The CEO's "door was fully open and he was convinced of the project," says Pageau. "We would go into the office and say 'you have to unblock this' and he would jump on it."

3. Build in metrics and use them

It's difficult to gauge ROI for integration projects as well as overall CRM projects because CRM has increasingly become a part of much larger initiatives. In a June 2003 CRMGuru survey, 52 percent of the respondents said they needed help developing and using metrics effectively. Still, companies can build in metrics and track user behavior and gauge their satisfaction levels. At the very least companies can measure the number of incoming calls and determine drop rates, track Web inquiries, and trace them to fulfillment.

4. Create an integration and transition team

Integration requires teamwork and coordination across the entire organization, often between departments that seldom talk to each other

There's no such thing as plug-and-play with no planning. Integration requires teamwork and coordination across the entire organization, often between departments that seldom talk to each other. This is especially true of companies that have separate divisions for each channel and where sales, service, and marketing are managed within each business unit, or where sales, service, and marketing are three distinct departments that work independently from one another. Sales reps and proactive consultants alike are critical members of the team who can help sway workflow and systems design.

5. Implement with a phased approach

Incredibly, companies will sink tremendous resources into buying a solution and then skimp on training its employees and customers to use it.

The most effective way to implement a successful (that is, profitable) multi-channel integration effort is to manage it the way you would any other significant effort. Launch it as a real project, with a mission, a cross-functional team, and a set of specific objectives and activities. Your plan should incorporate a phased approach, with each phase having specific timelines and objectives. This allows you to implement "quick win" ideas early on, while providing the team time to plan a longer-term approach for other aspects of the integration.

6. Train, train, train

Incredibly, companies will sink tremendous resources into buying a solution and then skimp on training its employees and customers to use it. Frontline training, one of the drivers of CRM ROI, is a cornerstone of any IT project. Most of the companies interviewed for this report put users through days of training with refresher courses offered periodically and Super Users available for others to question and learn from.

Multi-Channel Service in Action

With about 700,00 customers, Belgacom Skynet is one of the leading ISPs in Belgium, offering a wide range of services, such as ultra high-speed ADSL connections.

SkyNet found the high cost of operating a 350-seat contact center to be intolerable, but didn't want to compromise customer service. The company needed to find a way to "reduce operating costs and increase customer satisfaction," according to Eric Pageau, project manager at Belgacom, the company that eventually merged with SkyNet.

Originally, Pageau was called in to manage a channel integration project using PeopleSoft and Genesys. "I was supposed to be the system architect and realized that the size of the company [small] versus the systems they were trying to implement [large] was out of whack."

SkyNet found the high cost of operating a 350-seat contact center to be intolerable, but didn't want to compromise customer service.

A nimble solution

Instead, Pageau surveyed the market and selected more nimble solutions: RightNow's eService Center offering and Cisco's ICM CTI solution. "I realized that RightNow had much more attached to it, it was more like a CRM product" and could take care of the business process, he explained.

The RightNow implementation was completed in just 10 days. Then Pagaeu asked Cisco to estimate, in a proof of concept initiative, how quickly the CTI portion could be done. "We wanted to be quick—with a rapid implementation and a rapid ROI," he said. Cisco proposed a two-week estimated implementation but actually wrapped it up in half that time. It convinced SkyNet to go to "whole proof of integration."

One of the key challenges SkyNet had to overcome was to "install the two main products and make them work together," said Pageau. However, as the system architect, Pageau "saw an immediate a way of doing it."

Then they needed to pick the best technical approach—using Java, ActiveX, or a compiled program. "We tried all three and it only took three days," he said. In the end, ActiveX won out, because it was simply more powerful and could be implemented easily in SkyNet's environment.

ROI in six weeks

What emerged was a complete homegrown interface that linked eService, Cisco, and legacy systems. With the new integrated approach, every call goes through the ICM and triggers a process in RightNow to make a case and identify the customer, according to Pageau.

Management buy-in was key to the project's success, said Pageau. The CEO's door was "fully open" and he was convinced of the project.

SkyNet's benefits were not long in coming. "In six weeks it had cut down the number of contacts—78 percent for email and 26.9 percent for calls," said Pageau. "In just six weeks we got the ROI we expected by year's end. And the company has been able to successfully renegotiate its contract with a outsourcer that provides 80 percent of the company's 350 agents.

The company's traditional IVR system was replaced with an IP-based IVR which "allowed us to do a lot of data collection." Three months after implementation, customer satisfaction had gone up 18.2 percent.

Keys to success

Management buy-in was key to the project's success, said Pageau. The CEO's door was "fully open" and he was convinced of the project. Pageau also stressed how important it is to drive the project from functional requirements, or risk having the IT tail wag the business dog. "If you don't know your business, when you're starting out with the reviewing process, you'll start doing research on new things and that's an endless loop," said Pageau.

SkyNet's experience validates the following smart practices uncovered with other successful adopters of multi-channel service:

- Deep knowledge of business processes,
- Clear understanding of what customers need and value,
- Complete yet simple implementation plan,
- Matched business needs to available solutions,
- Followed up with customer satisfaction ratings.

The Time is Now

Early adopters have proven the benefits of multi-channel service, including tangible revenue growth and cost reduction, and the strategic value of competitive differentiation.

Service channel integration should get your full attention in the coming months as your company prepares to meet your customers on their own terms—via the phone, by email, or over the Internet.

Remember this simple equation: Integrating service channels will enhance service quality, which drives higher customer satisfaction levels, which leads to increased loyalty. Ultimately, "loyalty economics" means greater revenue and profit for your company.

You simply cannot afford to fall behind your customers or your competitors—or your company will eventually lose. Perhaps not today and maybe not tomorrow, but certainly later on down the line. By then it will be hard to justify to management, shareholders, or your board, why multi-channel service got short shrift in 2003.

The good news is that integration is becoming easier and cheaper, helped along nicely with the growing adoption of XML-based Web Services standards. Whether used to facilitate integration between internal systems, or with hosted/ASP services, XML is becoming the *linga franca* for IT to stitch together disparate business processes. Packaged plug-and-play systems are also slowly but surely entering the market.

Early adopters have proven the benefits of multi-channel service, including tangible revenue growth and cost reduction, and the strategic value of competitive differentiation. While challenges remain, they can be overcome with good planning and careful focus on the delivering a high-value customer experience.

Your competitors are lurking while customers are waiting. And do-it-my-way customers don't want to hear excuses why their suppliers can't provide the experience they want. Isn't it time to deliver with multi-channel service?

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Mr. Thompson specializes in CRM strategic planning and research. Since 1998, Mr. Thompson has researched the leading industry trends including how CRM concepts can be applied to business partners in the extended enterprise, such as distributors, resellers, agents, etc. In January 2000 Mr. Thompson launched CRMGuru.com, which has become the world's largest and fastest-growing CRM industry portal with over 200,000 members. He is frequently published and quoted in industry publications such as BusinessWeek, InformationWeek, and ComputerWorld, and speaks at conferences and seminars worldwide.

Throughout his career Mr. Thompson has advised companies on the strategic use of Information Technology to solve business problems and gain a competitive advantage. Prior to starting his firm, he had fifteen years of experience in the IT industry, including positions as Business Unit Executive and IT Strategy Consultant at IBM.

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