Driving Superior Customer Experience and Profitable Growth Through Multichannel Management

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Channels are the means through which a company reaches or provides a product or service to customers. Companies today interact with their customers through a dazzling array of channels: from brick-and-mortar stores to online, from traditional media to digital media, and from real world to virtual world. With so many advances in technology, the only certainty is that new channels will continue to emerge. The proliferation of channels has become a fundamental challenge in today’s business environment. More specifically, this proliferation has significantly increased the scope and complexity of channel management.

Viewing the new channels merely as a growth opportunity, some companies rush to respond with an expanded channel portfolio, increased channel capabilities, more resources and more programs. While this ad hoc approach may gain some revenue in the short term, it creates a host of problems with long-term effect: lower customer satisfaction resulting from inconsistencies across channels, increasing channel conflict as channel value propositions are not strategically rationalized and, more fundamentally, an aggregating decline in a company’s agility to respond to the marketplace.

These challenges press companies for an entirely new multichannel management paradigm. Successful multichannel management takes a holistic view of all channels and is more sophisticated at identifying, prioritizing, coordinating and allocating resources toward the most effective channel opportunities. With a coherent strategy and integrated process, a company could systematically create superior customer experience, realize profitable growth and achieve significant cost efficiencies.

Create superior multichannel customer experiences

Outstanding customer experiences are critical to any successful business. Today’s proliferation of channels offers companies new opportunities to acquire, serve and retain customers. However, cross-channel customer experiences are often suboptimal. When asked about their cross-channel experiences in a recent Forrester Research survey, customers gave rather low satisfaction scores.¹ How do multiple channels make good customer experiences difficult? The answer lies in understanding the new business dynamics created by channel proliferation.

Establish a holistic view of customer-channel dynamics

Superior customer experiences come from a solid understanding of customers’ needs, preferences, perceptions, behaviors and values. However, quality customer data is expensive and difficult to come by. A multichannel business environment adds to the challenge by further fragmenting the data sources. When functional teams have to act on disconnected information, the customer experience suffers. Furthermore, without a holistic view and common customer insight, companies could not effectively pinpoint the few “Critical-to-Quality” experience attributes, identify root causes or coordinate improvements.²

A solution to disconnected data is to establish a common, overarching customer insight structure. One approach to structured customer insight is customer journey mapping. Customer journey maps are documents that visually illustrate customers’ processes, needs and perceptions throughout their relationship with a company.

Through customer journey mapping, companies can gain valuable insight in three important areas that are typically missing from disconnected or uncoordinated data.

• First, customer journey mapping assists companies in collecting customer needs and perceptions at each point of interaction with the company throughout the customer lifecycle. This touch-point-level insight enables companies to pinpoint opportunities and root causes with confidence.

• Second, customer journey mapping enables companies to identify the needs and issues when customers move between channels. Channel transition is traditionally overlooked because it’s not the responsibility of any individual channel. The knowledge of these transition points enables a company to study how customer experiences break down during the transitions.
• Third, customer journey mapping helps companies identify key propellers that move customers from the beginning stage of “becoming a customer” to the ideal stage of “being an advocate.” The understanding of propellers throughout the customer lifecycle broadens the perspectives of channel teams. At the same time, it enables each channel team to look at the issues that affect the overall customer experience rather than focusing on only the specific issues in individual channels.

Once the customer journey mapping is completed, the next critical step is to map customer insight to the company’s underlying processes and systems (Figure 1). This step enables companies to identify systematic changes needed to provide a consistent and integrated experience.

Integrate cross-channel insight into decision-making

Insight is valuable only if it is integrated into the decision-making process, which can be challenging. Driven by operational needs, different functional teams at a company tend to focus on their own pieces of customer insight rather than the big picture. To address this common issue, it is important to have an integrated cross-channel planning process. As a tactical solution, a company, especially a sizable one with a large channel portfolio and complex decision-making processes, can identify high leverage points in existing processes and embed rules and guidelines to inject cross-channel considerations. As a strategic approach, an enterprise-wide, cross-channel, insight-driven decision-making structure should be established. Supported by common, holistic customer insight, functional teams can work together to align priorities, plan resources and coordinate activities. When a trade-off is required, impact on customers from the perspectives of channel portfolio management will be assessed.

Create superior customer experiences

Complicated by the complexity of multichannel management, the gap in multichannel customer experiences is a significant challenge. However, if the gap is addressed well, a company can build a competitive advantage by creating a superior cross-channel customer experience. There are three core areas that companies should focus on.

1. Ensure consistent cross-channel experience

A consistent cross-channel experience is one of the fundamentals of multichannel management; however, it is not rare that customers get inconsistent information or incoherent services in different channels. A consistent experience does not necessarily mean the same experience in all channels, but rather an experience that represents brand attributes as well as customer needs. To ensure a consistent experience, companies should define the experience needs for each touch point in each channel and identify the experience gaps. Focus should be given to the few Critical-to-Quality attributes.

As an example, FedEx has a high level of commitment to delivering outstanding customer experiences. To ensure a consistent customer experience, FedEx conducted extensive research to identify the Critical-to-Quality attributes that were important to customers. Once an experience improvement opportunity is determined, cross-channel teams are formed to address the issue. Performance measurement of each channel is tied to the improvement progress. As a result, FedEx has ranked No. 1 in the Express Delivery industry for 13 consecutive years based on the survey by University of Michigan’s American Customer Satisfaction Index (ACSI). ACSI, the only national, cross-industry measure of the quality of U.S. economic output, scores companies based on customer expectations, quality, value and intention to repurchase.

2. Provide seamless transition between channels

Most channel experience breakdowns occur when customers move across channels. One of the typical reasons is the lack of ownership of cross-channel transitions. While it is relatively easy to define the ownership of the individual channels, it’s much harder to identify and assign the responsibilities for cross-channel transitions.
Ensuring seamless transitions first requires clarifying who in the organization will play a key role in the cross-channel experience. One approach is to establish an overlay organization that’s in charge of orchestrating multiple channels and ensuring cross-channel collaboration. This organization should be responsible for identifying cross-channel experience pain points, demonstrating the value of addressing the issues and establishing the ownership of the issues in the channels involved.

Providing seamless transitions also requires in-depth understanding of the dynamics of the channel portfolio:

- The key values of each channel.
- The way channels complement or compete with each other.
- How customers choose and mix channels.
- What triggers customers to jump between channels.

Equipped with this understanding, companies should design experience linkages between the channels and enable customers to carry their experience with them when they move across channels. The linkages should also be flexible so that the customer experience is a natural extension from one channel to the next: from digital channels to offline channels, from in-person channels to automation channels and from existing channels to new channels. Examples of channel extensions are online chat with a live agent or live agent call function at a kiosk.

3. Guide customers to the right channels

Customers choose or mix-and-match channels to accomplish their tasks. Typically, customers who have different needs choose channels differently. For example, a mother shopping for electronics for her child is likely to use different channels than a tech-savvy individual constantly on the lookout for next-generation products. With the adoption of needs-based customer segmentation at many companies, the proliferation of channels enables companies to serve their customer segments in the right channels.

How to identify the right channel mix by customer segment? In addition to collecting channel preference information through customer research, a company can also identify the right channel mix and quantify the value of right channel uses through correlation analysis of historical customer behavior data. By analyzing customer channel uses between high-value, fast-growth customers and low-value, low-growth customers in the same needs-based segment, a company can identify the channel uses that have strong, proven correlations with the customer’s value to the company. When a company puts in place a holistic solution that guides the customers to the right channel mix, the customer experience as well as customer value will be improved across the board.

When a company designs its optimal cross-channel experience, it is important to keep in mind that customer expectation is a moving target. It changes over time, sometimes with a competitor’s move, or a disruptive technology, or a change in another industry. That means always analyzing macro market dynamics and micro competitive landscapes within an industry and applying the learning to improve the customer experience. A company must continually evolve if it wants to maintain its customer experience leadership position. This diligence provides the company with a solid grasp of the trend in customer needs and expectations and the implications for customers.

Realize profitable product growth

Yet another great opportunity presented by a multichannel business environment is product growth. The growth realization could come not only from product-channel-customer coupling, more importantly, it could come from a differentiating multichannel value proposition. To realize the full potential, however, a company must effectively: 1) align channel offerings with channel value proposition, 2) manage and minimize channel conflict, and 3) differentiate and stay differentiated. To address these issues, we recommend three approaches:

- **Product and channel capability alignment**: Select the right channels for products by matching channel capabilities with product growth requirements.
- **Channel conflict mitigation**: Ensure channels are optimized for cross-channel promotion by aligning incentives and measurement for channel owners.
- **Differentiating multichannel value proposition**: Augment product innovation with channel innovation and provide a differentiating value proposition that is difficult for competitors to imitate.

Product and channel capability alignment

The growth of a product depends heavily on the capabilities of the channels. Therefore, it’s important to establish a process for supporting channel selection in product lifecycle management. As a result, product offerings across channels can be proactively rationalized.

Product growth requirements fluctuate throughout its lifecycle. Models could be created and used as a guideline to align channel capabilities with products. Typically, a new or early-market product needs to establish its presence and demonstrate its value. Personal channels with special expertise are preferred in order to cultivate key relationships, establish early adopters and build strategic partners. For example, FedEx recently developed SenseAwareSM, a next-generation, first-of-its-kind information service that combines a GPS sensor device and a web-based collaboration platform. SenseAware provides increased access to information in the management of supply chain. A dedicated FedEx...
team is working with strategic clients in the life-science industry to collaborate on the optimal use of the new product. As the product grows, a rapid revenue stream is required to increase production. At this point, expansion into other channels and multiple-channel integration are required to ensure coverage and experience of the product. As the product starts to mature, margin pressure begins to increase. The focus of channel support shifts to standardization and automation (Figure 2). A classic example of the distribution channel shift is that of computer sales, which has migrated from personal selling and home installation to department stores and ultimately to the online channel.

Channel conflict mitigation
As different channels have the potential to compete for the same customers and revenue streams, channel conflict is a constant challenge. Companies typically would rather bear a reasonable amount of cannibalization than lose business to competitors. To effectively mitigate channel conflict, measurement and incentive structures should be put in place and aligned toward a cross-channel common goal. For example, instead of solely focusing on channel-specific performance goals, measurement should also be tied to overall company performance. Furthermore, incentives such as revenue sharing should be established to encourage cross-channel promotion.

Differentiating multichannel value proposition
Although many companies hope to generate growth through product development and innovation, they find it increasingly difficult to differentiate themselves from the competition. With the advance in technology, products are commoditized and innovations are copied at an ever faster rate. According to research conducted by Doblin, a consulting firm focused on innovation, businesses spend the largest amount of effort on product innovation, but the return on product innovation generates the least return compared with other types of innovations such as business model, channel, customer experience and brand innovations. One approach to increase the return on new products is to augment product innovation with multichannel management. Because of the high cost and long cycle time involved in channel process change, channel management provides a differentiating value proposition that is difficult for competitors to imitate. For example, FedEx SmartPost® service utilized an alliance with the United State Postal Service® for the final delivery to every U.S. address, including P.O. boxes and military APO and FPO destinations. By combining product innovation and multichannel management, FedEx has substantially reduced transit time, minimized unnecessary handling and maximized cost savings for our customers.

Achieve cost efficiency in a multichannel network
Competition from internet-only companies remains a major challenge for businesses that interact with customers through multiple channels. Internet-only companies can offer lower prices because they don’t have the expensive overhead of other channels such as the retail channel. Multichannel businesses suffer when customers identify what they want from the companies’ stores, but buy online from internet-only companies that offer the product at a discount. Besides promoting and capitalizing on multichannel advantages, a business must also focus on optimizing the multichannel network to achieve cost efficiencies.

Reduce cost through standard solution design
To achieve cost-efficient growth, companies need to establish a streamlined, tiered service configuration and delivery structure. The basic tier in this structure is for high-frequency but simple services, such as purchase of standard products or basic after-sales support. The higher tiers are for complex needs. Rather than addressing the complex needs in an ad hoc and decentralized manner, companies should standardize their solution and approach. Once a solution for a typical complex need is developed and proven effective, it should be standardized into a module and reapplied to similar situations.
Activities in the basic tier should be centralized and automated to create consistency and economy of scale. A lean process philosophy should be adopted to emphasize elimination of waste and rework, automation, and continual improvement. The configuration of standard solution modules in the higher tiers requires a disciplined, investment-oriented approach. Companies should consider financial and competitive risks and rewards of the solutions (Figure 3).

Realizing cost benefits of a standard solution design heavily depends on the channels that deliver the services. Customer channel preference, complexity of customer needs, value of the solutions and channel cost-to-serve should be considered to ensure the efficient and effective use of channels. Channel cost-to-serve is arguably the most difficult to analyze. Many companies have a good understanding of aggregate channel profitability. However, since customers move across channels, the calculation of cost-to-serve has become more complex. Companies need to de-aggregate the value chain and examine the economies of each channel at every stage of the customer journey to accurately calculate the cost.

**Migrate customers to the right channel**

Migrating customers to different channels for cost-efficient growth is not an easy task. Tactful use of a “carrot” and “stick” approach has proven to be successful. For example, airlines encouraged online reservations by improving the ease of use of their websites. But they also used a “stick” — a fee associated with phone reservations.

Because different customer segments have different economic value, needs and channel preference, different customer channel migration programs should be designed accordingly. For example, FedEx dedicates a team of experts to handle claims from our high-volume, high-claims customers in certain segments because these claims are typically complex and require expertise from multiple functional areas. At the same time, FedEx improved the accessibility, visibility and ease of use of our online claims process for a large number of low-frequency, low-claim customers.

Steering customers to new channels could be particularly challenging due to customers’ lack of familiarity with the channels. One effective approach is to identify a group of early adopters and focus on the experience of these early channel users. If the early channel users are satisfied, they can create a viral effect to dramatically increase the customer base to achieve a critical mass. P&G took this approach when it identified a group of early adopters of its social media website. Through word of mouth, the website quickly evolved into a powerful channel for P&G. Today, the website is not only an effective platform for P&G to conduct market/product research, but also a loyal force advocating P&G products.

A key success factor for channel migration is that the service is not inferior and there is sufficient migration support in the new channel. For example, as migration to the digital channel begins, companies need to make sure that not only is online support such as training, chat or FAQs available, but personal channels such as customer service representatives are also on standby to provide hands-on support. For migration that involves multiple channels, companies may also want to take a phased approach, which will reduce the complexity and give companies time to debug problems.

**Implement multichannel management with principles**

Successful implementation of multichannel management principles requires substantial changes. There are a few critical ingredients for managing the transformation.

**Leadership commitment**

The ultimate benefit of multichannel management may take years to see. It’s important for the leadership team to understand the journey and make deliberate decisions on short-term gains vs. long-term investment. To ensure the multichannel management discipline is embedded in the decision-making process, one approach is to establish or utilize an existing leadership governance body with the cross-channel authority to ensure focus and make trade-offs.
Clearly defined and articulated vision, strategy and scope
Given the complexity of multichannel management, it is critical to clearly define and articulate vision, strategy and scope. Although multichannel management has potential to create value in multiple areas, companies should focus on the most potentially valuable opportunities. Engagement and commitment from the channel owners are critical; therefore, the potential benefits to the channel owners as well as to the company need to be clearly communicated, and rules of engagement established.

Integrated process
Repeatable and sustainable processes need to be established to permeate the culture of cross-channel collaboration. Key multichannel management elements such as holistic customer insight, multichannel customer experience, channel capabilities and channel cost-to-serve should be included in companies’ decision-making processes. A company can choose to embed the elements into existing processes or develop new processes. Either way, it’s important to clearly define roles and responsibilities and provide sufficient training and tools to drive change.

Human capital
Companies that are going to embark on the multichannel journey should not underestimate the potential impact of deep-rooted beliefs such as “I am responsible for my channel, and customer experiences in others are out of my control” or “Meeting cost goals in my area is more important than the overall customer experience impact.”

Senior management must demonstrate its commitment to the multichannel journey by:

- Communicating frequently about the importance of multichannel management.
- Role-modeling decision-making that prioritizes and makes the trade-offs necessary to transform the culture.

Providing training, tools and sufficient support is also important. A practical and effective approach is to build a team of early adopters. They should not only have “hard skills” such as channel management, process mapping and decision-making, but also have the “soft skills” such as collaboration and change management. They can volunteer or be selected from the channels that are interested in multichannel management. Companies should focus on training these early adopters initially, providing them with tools and incentives and giving them opportunities to apply the multichannel discipline to their work. They can become advocates and change agents for multichannel management to engage, train and support the adoption of a multichannel discipline throughout the company.

Multichannel information infrastructure
Multichannel management requires that silos of information be replaced with a common, centralized source of intelligence. Building a world-class integrated infrastructure could be a multiyear, multimillion-dollar initiative. Many companies don’t have the luxury to wait for the perfect information coming from the perfect system. A practical approach is to build an overlay portal on top of the existing distributed databases in the short term and prepare for an integrated, centralized infrastructure in the future. A key set of highly relevant metrics should be developed for the portal to provide a cross-channel, customer-centric view. This will enable companies to start multichannel initiatives without waiting for a perfect infrastructure and to generate incremental gains for continued executive support.

Keep pace with advances in multichannel management
Over the past few years, various multichannel management methodologies and technologies have been developed and put into practice with varying degrees of success. Due to the dynamic nature of multichannel management — new channels are added; the value propositions of existing channels change; and new, empowered customers evolve — new theories and practices will continue to emerge. A progressive company should always be on the lookout for new, innovative channel management ideas. The message is clear: Multichannel management is more than a challenge; it is a great opportunity for companies to pursue superior customer experiences, profitable growth and, ultimately, a competitive edge.

About the author
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Footnotes
1 Source: “How Satisfied Are Shoppers When Moving Across Channels” report, Forrester Research, 12/16/2008
2 Source: “Mapping The Customer Journey,” Bruce Temkin, Forrester Research, 02/05/2010
3 Source: http://www.doblin.com