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Digital

Omnichannel Peak Performance

Navigate customer and business value, steer to omnichannel success
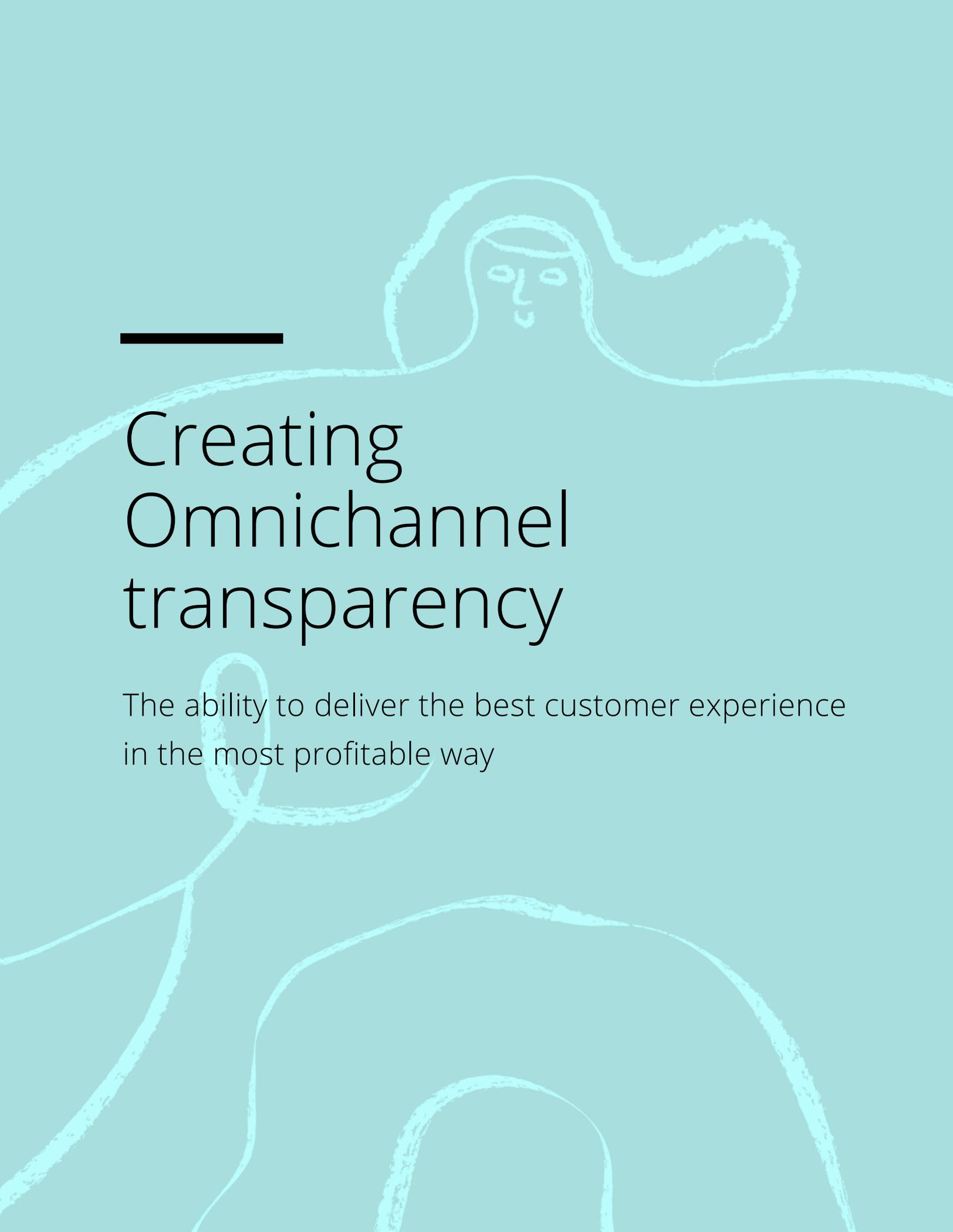
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INTRODUCTION

Whether you are in retail creating and optimizing your online direct-to-consumer channel, in telecom repositioning your sales and service channels, or a direct to business energy and chemical company, omnichannel customer experience has likely been a cornerstone of your strategy for years. Goals often focus on bringing the physical experience to new, digital channels. But with 30% of the world's population now shopping online – and ad costs rising as a result – many brands are again looking at direct (physical) channels to optimize their mix. Regardless of the direction your business is currently taking, one thing is for certain: your channel mix is only becoming more complex.

In truth, this will rarely lead to peak performance as it's not about bringing the best experience to every (new and old) channel – or even being present on every channel for every customer.

It's about understanding and balancing the value and volume of an experience for both your customers and your business. This enables you to steer on common targets that aim for a common goal across segments, journeys and silos – we call this a target experience.

Figure 1: Core steps towards peak performance

Omnichannel Peak Performance

Understand your target customers

Balance strategic and operational objectives

Shape your target experience

Start refining your target capabilities

Creating Omnichannel transparency

The ability to deliver the best customer experience in the most profitable way

UNDERSTAND YOUR TARGET CUSTOMERS

To understand the value and performance of your experiences, you need to understand your customer segments, their behavior and their preferences first. This area of understanding nowadays comes with a lot of added complexities, as online and offline environments increasingly blur through immersive technology – drastically heightening customer expectations overall.

The rapid growth of online is not specific to a particular customer segment. We have seen that, typically, offline customers have been forced to adopt new channels making it difficult and more competitive to retain previously loyal customers. Customers don't only shift channels, but use a mix of them, starting their journey in one, for example online to inform themselves, before shifting to a different channel such as retail so they can get more details and maybe physically experience the product/service and finally concluding in yet another channel such as online of telesales again.

Organizations that have invested in understanding and pro-actively managing their customers' omnichannel have seen substantial impact on both the top line revenues and bottom-line cost savings. Based on previous experience, Deloitte found that customers who have high-quality experiences are 3.6x more likely to buy additional products and services from a brand creating significantly more

cross and upsell opportunities. On the contrary, a better customer experience decreases the cost to serve meaning organizations can focus their efforts on high value customer groups who bring in more than 1.6x higher life-time value.

These shifts in customer behavior and evolving expectations demand the need for organizations to adopt an omnichannel approach to their technology, processes and people, a transformation journey that is not without challenges as it often requires breaking long-standing silos, building different, incremental capabilities and re- and upskilling employees and ensuring the right behaviors are incentivized regardless of channel, but across the customer journeys.

BALANCE YOUR STRATEGIC AND OPERATIONAL OBJECTIVES

A target experience is your customers desired and preferred path to conversion or action throughout both sales and service channels. These target experiences obviously vary by customer (or segments) as different customers interact in a multitude of ways throughout their journey and lifecycle.

To define a target experience, you need to create visibility of the revenue and cost implications of each touchpoint. For multichannel companies, this becomes complex as customer service costs are often high and can easily be avoided through other touchpoints but need to be weighted based on customer expectations. Depending on the request, not all needs can be addressed through enabling technology. This is often where companies fall short focusing on cost reductions through digital technology at the expense of human experiences.

To successfully steer throughout your defined target experiences, you need to have visibility over the revenue generated by the persona and the cost implications of each touchpoint throughout the customer journey.

By understanding these components, you can then design the desired target experience which is ultimately developed based on known client needs and geared towards your organizational objectives whether it be revenue generation, cost reduction or an increase in customer experience. This will enable teams to collectively steer customers based on organizational objectives and guide customers throughout their lifecycle in the channel that they prefer, providing them with the most optimal customer experience.

Measures of success are defined on 4 levels, revenue, cost, customer experience and digitalization. Striking a balance between all 4 remains the challenge but when identified and communicated correctly business units can then optimise throughout the journey to achieve KPIs on all 3 levels.

Figure 2: Omnichannel KPIs and examples

REVENUE & GROWTH	COST REDUCTION	CUSTOMER EXPERIENCE	DIGITALIZATION
LTV	Cost-per-order	CES	% share of digital
Gross Margin	Cost-per-interaction	NPS	Event completion/ GCR
Conversions	# interactions	First time right	Campaign ROI
#Leads	Store visits	End-to-end cycle time	# channels used
Orders	Service calls	Time-to-complete	CPC/ CPV/CPA
Returns	Web visits	Customer time spent	# Touchpoints

Once there is clarity on the strategic objectives across those three levers you must break down the KPIS into the journey, the journey stage and touchpoint KPIs. Those KPIs will be either revenue, cost, volume, or customer experience KPIs.

While this conceptually sounds simple, there are many challenges organizations face in achieving this. Having the right data available and accessible is crucial so that you can develop a holistic view across the organisation. With data often residing in different areas of the organisation, this presents a raft of new challenges beyond typical complications of being a siloed business. As a result, data is often missing, unavailable or inconsistently defined making it difficult to build the foundation of your target experience.

Once you have defined the data points you require and the overarching metrics you wish to measure, considering each of the sales and service channels, you then need to develop a channel economics model which acts as the foundation of your client target experience, factually guiding the channel teams based on insights and data.
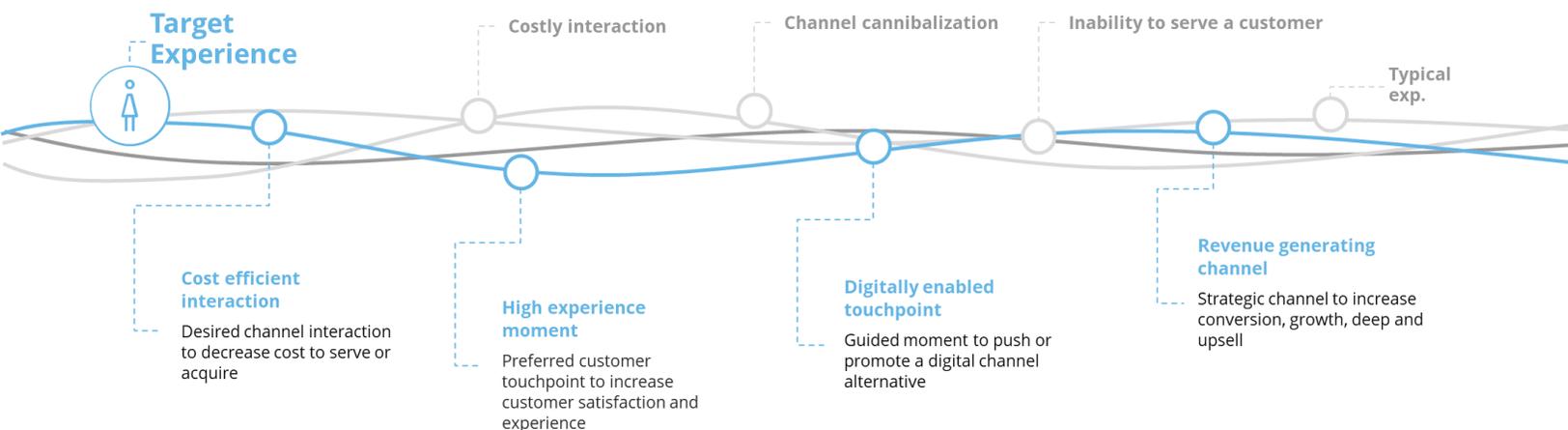
SHAPE YOUR TARGET EXPERIENCE

The idea of providing an omnichannel experience across all touchpoints isn't something new, this idea has been around for years, with only a few companies truly excelling. Not only are customers becoming more fluid in their channel interactions, the orchestration and internal synchronization of business units often plays a significant role.

To excel in the omnichannel world, organizations need to design Target Experiences for their priority personas and customer journeys along the customer lifecycle. Those Target Experiences are the personas' desired pathways across their journeys and preferred channels. A digital native persona will likely prefer only digital channels as it signs up and installs a new service, as well as for troubleshooting, even when leaving. Other personas will have a mix of channels used across the end-to-end journey, using for example retail stores to sign up, but doing all the aftercare, resign digitally or via non brick and mortar channels, such as Telesales.

Figure 3: Designing a target experience

Target experiences are a great ideal state, preferred and demanded by your customers. They might however not be (economically) viable and you will want to shape and steer those target experiences according to your organization's strategic objectives and the reality of the market(s) you are in.

To be successful you need to have a clear view on how to balance your strategic objectives of growing revenue and customers, improving customer

experience and of course managing your costs. And translate these into objectives for your priority personas' target experiences.

To add to the complexities of omnichannel excellence, journeys need to be holistic across business units and mutually defined to account for integrated marketing, sales, and service objectives, because these can be conflicting or underutilised for potential cross- and upsell opportunities.

Effective channel and target experience steering can only be achieved once an organisation has established a holistic view across all marketing, sales, and service channels. Simply speaking, you can only

steer based on what you understand and know about your customers and what you can effectively measure.

START REFINING YOUR TARGET CAPABILITIES

For organizations to truly excel, they need to balance omnichannel efforts across four dimensions ranging from strategy and operations, governance and mindset, customer insights and technology as these all play a fundamental role in delivering your desired target experiences.

Figure 4: Four dimensions of capabiltities

Strategy & Operations · Customer Insights

01 · 02 · 03 · 04

Technology · Governance & Mindset
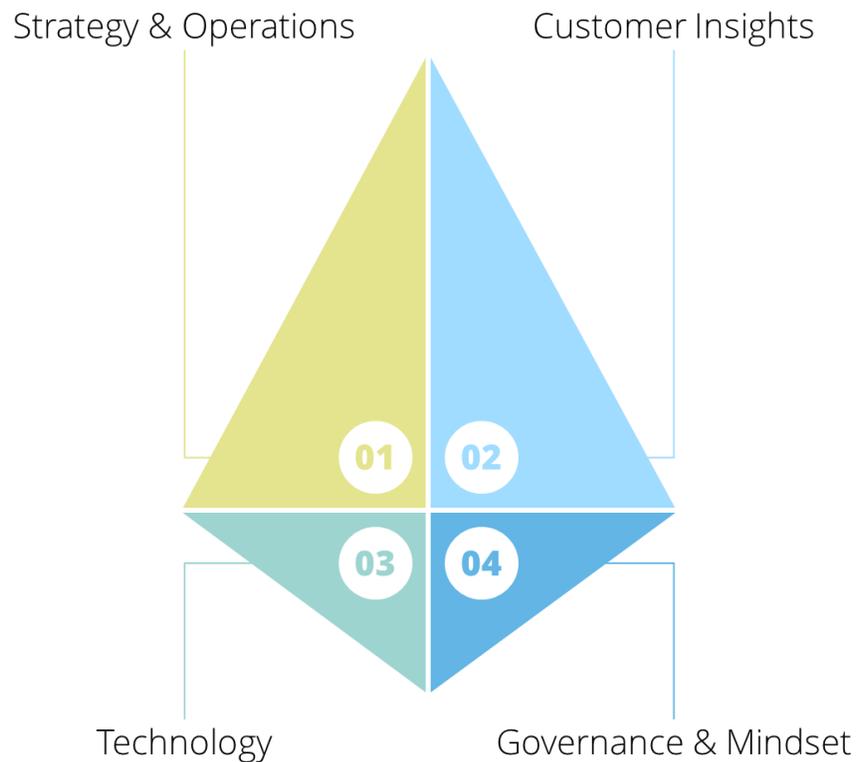
Organizations internally are simply not set up in this way, while this is one of the main reasons' organizations fail to deliver a truly seamless and personalized experience for their customers, conflicting objectives and targets also play a large role as varying business units optimise in isolation throughout the customer journey.

STRATEGY AND OPERATIONS – An omnichannel vision provides the north star for the organisation to work towards but ensuring this is anchored within the business and the strategic planning cycle certifies the importance and maintains relevance in relation to organizational objectives.

GOVERNANCE AND MINDSET – While an omnichannel mindset is important, a mutual understanding of what omnichannel means and how it relates to various business units and teams is critical in driving adoption. A central function with the mandate and buy-in from leadership acts as the vehicle for enabling the omnichannel agenda.

CUSTOMER INSIGHTS – Data and insights provide the foundation of customer journey definition and organizational steering. Given this data often resides across the business, creating a holistic and 360 view of your customers and defining cost per touchpoints enables a holistic view for prescribing target experiences.

TECHNOLOGY – Arguably the backbone and mechanism to deliver the target experience, connecting systems across business units and evolving technology often hinder efforts to realize the desired target experience or track any significant progress. Linking systems and aligning channel roadmaps creates transparency and opens the possibility for more sophisticated journeys and customer steering.
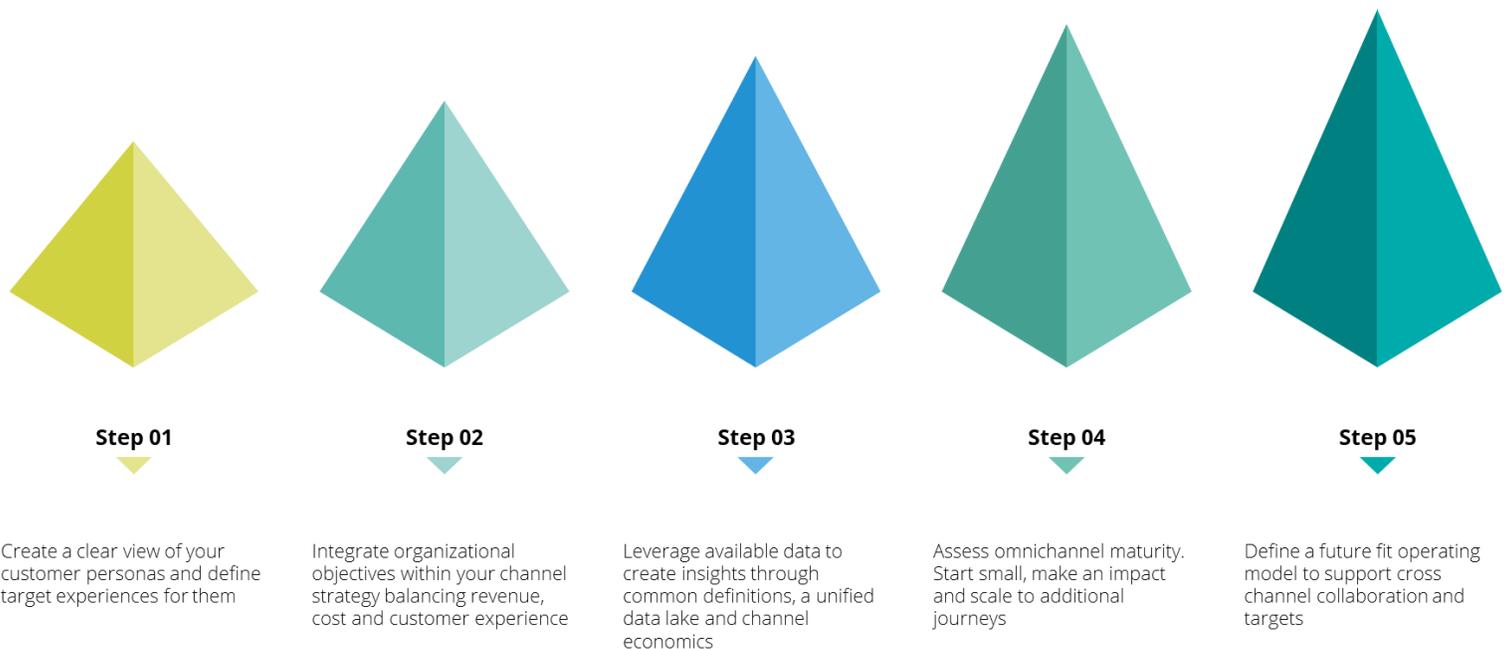
Figure 5: Omnichannel excellence maturity

Single Channel
No consistency across channels
Customer experience is determined per channel and no in-between switching options exist

Multichannel
No single view across channels
Optimal channel specific experience but no consistent customer experience across channels

Cross-Channel
Initial capabilities for channel integration in place
Unique experience and single view only on integrated high-priority channels at best

Omnichannel
Single view of customer is visible to the organisation
Customer experience is consistent and complimentary across all channels

Omnichannel Excellence
Single view of customer, product, inventory and order exists
Customer experiences highly dynamic front-end with real-time adaptions, resulting in customization throughout the journey

Creating transparency and understanding simply isn't enough, by evaluating these dimensions organizations can preciously target areas of improvements to shift from a channel-driven business towards a journey driven organisation. Traditional and more established organizations with diversified offerings have a bigger task on their hands as legacy systems and business owners often prevent or slow down this transformation. Without buy-in and commitment from the executive team it's unrealistic to expect any significant results.

START STEERING – 5 TIPS TO REACH YOUR PEAK

Truly embracing and embedding omnichannel Excellence in the organization is not easy. It is a transformation journey that will take time and will require changing the minds and hearts of the organization. Our cross-industry experience tells us there are 5 lessons learned and pitfalls to avoid making the journey smoother.

Figure 6: Reaching omnichannel peak performance

Step 01

Create a clear view of your customer personas and define target experiences for them

Step 02

Integrate organizational objectives within your channel strategy balancing revenue, cost and customer experience

Step 03

Leverage available data to create insights through common definitions, a unified data lake and channel economics

Step 04

Assess omnichannel maturity. Start small, make an impact and scale to additional journeys

Step 05

Define a future fit operating model to support cross channel collaboration and targets

5 TIPS TO REACH YOUR PEAK

1. CREATE A CLEAR VIEW OF YOUR CUSTOMER PERSONAS AND DEFINE TARGET EXPERIENCES FOR THEM

Do you have a clear and unified customer segmentation in your organization / business unit that also includes channel behaviors? We often encounter quite basic customer segmentations or various versions across the organization that makes it impossible to steer across journeys and channels. You must create a clear view on your target customers, their personas, what channels they prefer for what part of the journey, using data, customer, and market research. This will help you steer accordingly and drive (channel) behaviors supporting your omnichannel business objectives.

2. INTEGRATE ORGANIZATIONAL OBJECTIVES WITHIN YOUR CHANNEL STRATEGY *(balancing revenue, cost, customer experience and digitalization)*

To drive omnichannel peak performance you must be clear on the trade-off between revenue, cost, customer experience and digitalization. Your overall company and business unit objectives need to be translated into clear guidelines for the omnichannel world. Do you want to drive the cost down, at the expense of the Customer Experience (and revenue)? To what level are you able / willing to sacrifice revenue and customer experience? Or do you want to provide the best customer experience and spare no cost?
Successful omnichannel companies have this clear in mind and are able to articulate and embed in their organizations from setting omnichannel targets on customer journey, target experience, persona level, adjusting incentives to eliminate silos and drive the desired experience for your priority personas. When Spotify was looking to expand and promote music sharing features, journey stage goals were defined with a strong focus on promoting the music sharing platform outside of their existing channel mix, encouraging users to share songs and artists via text messages as a cost-efficient recruitment drive for new acquisition.

3. LEVERAGE AVAILABLE DATA TO CREATE INSIGHTS THROUGH COMMON DEFINITIONS, A UNIFIED DATA LAKE AND CHANNEL ECONOMICS

You can only steer what you measure. Especially in traditional, more complex organizations where systems and processes evolved over time getting clear and unambiguous data that all parts of the organization buy into can be a tedious and complex process. Especially when you want to connect across (channel) silos. Start with defining your steering framework, i.e., which KPIs you want to use at which level. Be realistic, as likely not all data will be available from the beginning, or at least their definitions will be ambiguous. You can start with your business-as-usual KPIs and connect them as much as possible across channels and the customer journey to create transparency and support the move towards and end-to-end view, linking incentives to them and breaking down the silos.

Underlying your omnichannel steering must be a good understanding of cost and revenues for your transactions (e.g., sign-up, re-sign, x-sell) in the various channels, ideally by persona. Serving a customer in a

higher cost retail channel might be worthwhile when it drives higher lifetime revenue and lower downstream costs in customer support. You might discover that a channel that you thought was profitable becomes a loss maker when you load on all fixed and downstream costs that you hitherto ignored as non-variable/not available. Trade off decisions must be made based on real data, or at least near realistic assumptions to start with.

4. ASSESS OMNICHANNEL MATURITY. START SMALL, MAKE AN IMPACT AND SCALE TO ADDITIONAL JOURNEYS

It's not realistic to make this shift overnight as there are many aspects of moving towards omnichannel excellence. The maturity framework provides a guide in terms of key areas to focus on when establishing journey steering. Often traditional organizations are slow and unresponsive to change therefore it's crucial to demonstrate value by starting small with a priority journey and initial proof of concepts to gather buy-in and promote with reluctant stakeholders as step 1 of the transformation. From there, efforts can be scaled to additional journeys considering learnings from mistakes to iterate and further optimise towards the future.

5. DEFINE A FUTURE FIT OPERATING MODEL TO SUPPORT CROSS CHANNEL COLLABORATION AND TARGETS

So how do you need to organize, establish a central team that supports channel-agnostic journey definition. This team is solely responsible for setting quarterly targets and tracking performance across channels; however, this is often a challenge as channel teams sometimes become reactive in tactics and compromise steering objectives at the expense of achieving short term targets. The omnichannel team needs to have the mandate to set, track and optimise journey performance in collaboration with the channel teams. Without the mandate, the team becomes an advisory function with significantly less influence over the execution and performance.

Thank you.

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