

True Omni-Channel – You Have to Walk Before You Can Run

Ovum view

Summary

Winning and keeping customers for life is what CRM was supposed to deliver but seldom did. Right at the top of many a CEO's agenda is the imperative to create a differentiated and compelling environment for customers that makes them want to stay and keep on buying. In addition to attracting and increasing the life time value of customers, CEOs are also deeply concerned about the threat of emerging competitors which threaten to disrupt the old order and steal their customers away.

No wonder then that customer experience, delivered across any combination of channels, digital and physical (what is meant by the term 'omni-channel') is now at the heart of many transformation efforts. Most enterprises however, are going about it the wrong way with an exclusive focus on front office technology. At the heart of the challenge is the ability to be persistently relevant and that is an enterprise-wide team game not the remit of just the sales, marketing or service departments.

To Succeed Firms Must Become Customer-Adaptive

These emerging disruptors that threaten the established order of things have the advantage of starting from a clean slate and then scaling rapidly unencumbered by legacy systems or the pull of the past. Most established enterprises are still mired in a tangle of legacy systems and legacy thinking. What they must realise is that to succeed they must walk before they can run. They must offload unnecessary baggage to free up resources to invest in a more coherent set of capabilities, centred on their customers. Build the foundations first before raising the bar.

The trigger point for transformation has to be the customer. Unless firms can adapt at the right pace, they risk becoming irrelevant to their customers. In an extrapolation by McKinsey, 75% of leading enterprises in the S&P500 will be gone by 2027¹. Competitive advantage can only come about by being able to sense what customers need, how customer behaviours and expectations are evolving, and then being able to adapt accordingly. In short to become customer-adaptive.

Eight Mutually Reinforcing Attributes Create the Customer-Adaptive Enterprise Starting With Leadership

Figure 1 below highlights the core attributes that are essential for maintaining continuous customer relevance and it starts with the leadership of the enterprise, the CEO focusing the entire enterprise on the customer.

¹ McKinsey: *Six building blocks for creating a high-performing digital enterprise* September 2015

Figure 1: The 8 Attributes of the Customer-Adaptive Enterprise



Source: Ovum

It doesn't matter where one finds oneself in the value chain, the ultimate focus is on the customer and enabling the customer to gain value from their relationship with the company, its products and services as well as through every interaction with the firm. This leads on to the second attribute – an engaged workforce.

This is also a cultural challenge where vision and values matter. An engaged workforce is one that feels an essential part of the firm's venture and is empowered to do what is right for the customer within guidelines. In complex environments, particularly in B2B or where high value products are being bought or where customers require expertise to help them select or configure products, the ability to collaborate and tap into the right level of expertise to guide the customer is essential.

Acute sensing and sense making is fundamental to being able to understand the customer's context as well as being able to sense change in demand or emerging and unfulfilled needs or even competitive threats. Historic transactional information must be augmented with contextual and predictive capabilities as well as longer range scenario planning to maintain customer relevance. Voice of the customer programmes should also provide an essential feedback mechanism, to ensure the continued alignment of the firm around the customer and the removal of any barriers to a positive customer experience.

This brings us onto the fifth attribute, the ability to deliver a rewarding customer experience across any combination of channels through which the customer wishes to engage with the firm. As we will see in 'walk before you can run', this goes far deeper than simply providing a portfolio of channels.

The sixth attribute is the ability to innovate and create new forms of value on a continuous basis. You only have to consider what happened to Nokia in the smartphone market (when Apple entered the market with the iPhone) to realise just how critical this is to continued customer relevance. Innovation can come in a variety of forms from products and services to customer experiences or even new business models, supported by the Internet of Things (IoT) for example.

The seventh attribute, adaptive and simplified processes that span the entire value chain. This provides the basis for efficiently passing the figurative baton from one end of the value chain to the customer. Customer-back design ensures that processes are fit for purpose, and increasingly we are seeing intelligence and machine learning built into every task to optimise processes and adapt them as required.

The final attribute is an adaptive enterprise architecture, that creates a living model of the business and how it is supported by people, processes and technology. Continuous feedback loops highlight deficiencies in capabilities which can then inform the planning and resource allocation priorities.

In our research² firms which have mastered all 8 attributes are extremely rare – less than 5%. This means over 90% of commercial enterprises are at risk of becoming irrelevant over time.

So how do firms get to this advanced state?

Walk Before You Can Run - Build the Foundations

Step 1 – Adopt a Customer Culture

The more forward thinking companies have recognized the ascendancy of the customer and their leaders have taken steps to ensure that a customer centric culture takes root. So the first imperative is for the CEO, supported by their leadership team, must articulate a vision of where the organisation

² Ovum Customer-adaptive enterprise maturity model September 2013

needs to be in respect of its customers, how it is going to get there, and the critical part that every employee must play in ensuring arrival. Developing a class leading customer experience is impossible if the hearts and minds of every employee in the enterprise are not in sync with this customer focused vision.

Step 2 – Consolidate and Standardise

Legacy systems and processes should be examined to see if they are still fit for purpose. Back office systems may be fairly stable with the odd update to ensure continued statutory compliance. Often firms have multiple CRM systems serving discrete departments or different countries or business units. These same systems may also have been customized to death making them extremely unwieldy and difficult to support. If the existing systems landscape can be loosely described as sclerotic, then there will be ample opportunities to consolidate and standardize on a single CRM platform (as an example), and potentially gain massive savings.

One global audio manufacturer took this approach with the promise of 80% fit with zero customisation but at 50% of the costs of current systems. This was trialed within one of its leading business divisions with great success and before long became the recipe for all divisions. The 80% fit proved more than adequate and the resulting simplified and consolidated IT landscape has enabled the firm to adapt at a much faster rate and at lower cost.

Step 3 – Unify Customer Data

Data fragmentation like operational silos is a major cause of failure to gain any insight into the value of the customer, their purchase history or satisfaction levels. Organisations in this state are in effect flying blind. Having accurate and up to date customer information forms the basis for customer relevance during future interactions. The vast majority of this data will be transactional rather than contextual, but it's a critical start.

Step 4 – Integrate Processes and Systems Across the Value Chain

Step 3 will help, but it is essential that the enterprise is operationally coherent. Complete transparency across the value chain can only be achieved if each link is connected. When customers ask about the likely delivery date of the products they ordered they expect an accurate answer there and then. Agents in a contact centre or field sales representatives should be able to answer such questions. That is impossible without end-to-end integration.

Now Learn to Run

Develop Your Omni-Channel Customer Engagement Strategy

The first four steps lay the groundwork for the next phase which should be about developing a true omni-channel customer engagement capability. Terms such as omni-channel, multi-channel or cross-channel are open to interpretation. What we mean by true omni-channel is the following:

The means by which an enterprise enables two-way engagement with its customers across any channel or combination of channels, digital and physical, to deliver a contextually relevant and trust building experience - consistently and always respecting customers' preferences and privacy.

This is not the most elegant definition but it contains some important principles.

Choice

Customers expect to have a choice about how they interact with a firm. They do not think in linear channels and may hop from one medium to another in order to get the job done. Harmonising physical such as the in-store experience with the digital should also be part of the strategy.

Contextually Relevant

Perhaps the most important aspect after recognising the customer as a customer is developing the ability to be contextually relevant. In the physical space we do that naturally by reading body language and through empathy. In the digital world this is more about patterns of behaviour triggering the most appropriate interaction. Predictive analytics and machine learning will become indispensable tools allied to historic information so that customers only receive relevant offers and content.

Trust is Essential

As always success circles back to the leadership. Values matter and customers will not tolerate any action that erodes trust such as feeling stalked or a lack of respect for their privacy. It's up to the leadership to establish and live by a set of values that inspire trust.

Success Comes to Those Who Learn to Walk Before They Can Run

There is no shortage of technology to support real-time and relevant customer engagement, but firms which succeed in harnessing this technology to deliver a positive customer experience at every opportunity and throughout every interaction, will be those that learned to walk before they learned to run.

Author

Jeremy Cox Principal Analyst Customer Engagement Practice

jeremy.cox@ovum.com

[@JeremyCoxCAE](#)

Copyright Notice and Disclaimer

The contents of this product are protected by international copyright laws, database rights and other intellectual property rights. The owner of these rights is Informa Telecoms and Media Limited, our affiliates or other third party licensors. All product and company names and logos contained within or appearing on this product are the trademarks, service marks or trading names of their respective owners, including Informa Telecoms and Media Limited. This product may not be copied, reproduced, distributed or transmitted in any form or by any means without the prior permission of Informa Telecoms and Media Limited.

Whilst reasonable efforts have been made to ensure that the information and content of this product was correct as at the date of first publication, neither Informa Telecoms and Media Limited nor any person engaged or employed by Informa Telecoms and Media Limited accepts any liability for any errors, omissions or other inaccuracies. Readers should independently verify any facts and figures as no liability can be accepted in this regard - readers assume full responsibility and risk accordingly for their use of such information and content.

Any views and/or opinions expressed in this product by individual authors or contributors are their personal views and/or opinions and do not necessarily reflect the views and/or opinions of Informa Telecoms and Media Limited.

CONTACT US

www.ovum.com

askananalyst@ovum.com

INTERNATIONAL OFFICES

Beijing

Dubai

Hong Kong

Hyderabad

Johannesburg

London

Melbourne

New York

San Francisco

Sao Paulo

Tokyo

