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Papers

Creating a multichannel eBusiness strategy

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Abstract

Every organisation now realises that it needs an eBusiness strategy. Yet many are asking, what is eBusiness? The usual response — doing business over the Internet — is only part of the answer. This paper takes the view that eBusiness is the application of information technology to manage customer relationships more effectively. Today's customers make the rules, and if organisations are to survive, they must do business in any way the customer wants — at any time and any place, in any language and any currency.

Introduction

Nothing is more fundamental for corporate strategy today than maintaining the highest levels of customer satisfaction. Companies the world over realise this, and are applying sophisticated information technology to identify, select, acquire and retain the most profitable customers. Their ultimate goal is to deliver greater value by continuously improving service and the quality of the customer experience.

This systematic, intensified focus on the customer represents a new development in strategic thinking. In recent years, corporate strategy primarily concentrated on internal processes and supply-chain operations. Efficiency was the watchword of the day. 'Becoming more competitive' was synonymous with downsizing, cost cutting, optimising production, reducing inventories, and other efforts to wring more from less. These strategies drove the widespread adoption of enterprise resource planning (ERP) systems, business process re-engineering and just-in-time manufacturing.

But in the era of eBusiness, the key source of competitive advantage is shifting from optimising the supply chain to taking control of the demand chain. Though still necessary to stay competitive, an efficient supply chain no longer provides long-term competitive advantage. Instead, forward-thinking firms are revising their strategy to focus on demand-chain effectiveness — that is, on continuously improving their ability to identify, acquire and retain profitable customers. This is the eBusiness imperative.

The essence of eBusiness

What is eBusiness all about? It is not about fixed assets or inventory. It is not about getting better at calculating the payroll or cutting purchasing costs. Rather, the essence of eBusiness is the application of information technology to manage customer relationships more effectively. It is

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Market forces and new technologies are dramatically changing the dynamics of the customer relationship

fundamentally a customer-centric phenomenon. And the driving force behind eBusiness is the fundamental recognition by organisations that they can no longer limit the way customers interact with them.

This is made clear by recalling how organisations used to interact with customers. Not so long ago, every organisation had a primary distribution channel. Perhaps it was retail. So the company built a network of distributors and wholesalers and retailers. It launched promotional campaigns and sales incentive programmes. And if all worked well, there was a steady flow of product through the channel. But as a secondary effect of choosing a channel, the organisation also defined the way it interacted with its customers. So consumers could buy a Nikon camera any way they wanted — as long as it was through an authorised Nikon camera retailer during store hours. They could purchase a BMW any way they wanted — as long as it was in a BMW showroom during dealer hours. In this world of fixed, single-channel distribution, customer relationship management was relatively straightforward.

Today, however, market forces and new technologies are dramatically changing the dynamics of the customer relationship. As a result of these changes, market power is flowing from sellers to buyers, and competition for customer loyalty is rising.

Whether through the click of the mouse, a freephone call or a visit to a high-street store, today's customers can defect to a competitor with unprecedented ease. As a countermeasure, companies are increasing their marketing and sales efforts, leading to an ever-escalating battle for dwindling customer attention and allegiance. Faced with such demand-led challenges, firms are realising that supply-side solutions are not the answer: survival instead depends on delivering unmatched customer satisfaction through superior customer-centric eBusiness capabilities.

Expanding channels: The multichannel problem

The emergence of the Internet as both a sales and a communications channel is accelerating the eBusiness imperative. The Internet changes the customer relationship in several key ways.

- The Internet empowers customers with information. Customers can now quickly search for competitive offerings, with instant access to a wealth of data unconstrained by time or distance.
- The Internet enables the entry of new intermediaries, which can compete for customer allegiance. Online car-buying services such as Autobytel.com, for example, have to a degree displaced both the traditional car dealer and the manufacturer from the customer relationship.
- The Internet makes possible new markets and new business models. Online auctions and electronic 'flea markets', such as eBay, for example, would not be possible without the Internet. Of even greater significance are the many business-to-business digital marketplaces now being created. These enable buyers and sellers in various vertical markets (steel, plastics, chemicals, apparel, etc) to reach more trading partners more efficiently, but they also place greater competitive

pressure on firms: digital marketplaces expose sellers to more comparison shopping.

- The Internet also raises customer expectations along several dimensions. Customers increasingly expect instant, 24 × 7 access to information and resources. They want rich, contextual information that is easy to navigate using powerful but simple searching capabilities. They want a broad selection of goods and services to choose from. And they want a personalised experience.

As a result of these Internet-driven changes, most firms are expanding their channels. In addition to direct sales or retail or call centre — or whatever the existing channel mix might be — all businesses must now have a Web channel for the full range of customer interactions (marketing, sales and service), and many companies require multiple sites for different business units. Firms also need to deal with an increasing volume of e-mail communications from customers.

Even firms that are built on a pure online business model find that the Internet channel is not a complete solution. Amazon.com, for example — the e-commerce standard bearer — operates a 900-person call centre and is adding another 375-person centre to support its online operations.

Complicating things further, customers randomly traverse channels — from the Web to call centre to store, back to the Web and so on — all the while expecting to be recognised every step of the way in a continuous dialogue. As a result, organisations have no choice but to do business the way customers want: at any place and any time, in any language and any currency. For corporate leaders, this reality translates into a major challenge: how to manage the customer relationship simultaneously across all channels without dropping the connection? This complex problem, what we might call the ‘multichannel problem’, affects nearly all organisations.

Excelling at eBusiness requires mastery of the multichannel problem. Charles Schwab, for example, provides a powerful model for today’s multichannel eBusiness. A pioneer in electronic brokerage, Schwab has offered online trading for more than a decade. Each week, Schwab clients trade \$2bn of securities online — dwarfing the volume of e-commerce transacted by America Online or Amazon.com. But while 60 per cent of Schwab’s revenues come from Internet trades, 95 per cent of its 5.5 million clients use all three channels to make transactions — Internet, call centre and branch office. ‘Most of our customers still communicate with us in multiple ways,’ observes chief strategy officer Daniel Leemon. ‘They want to keep the option of using the Internet, the telephone, or a direct encounter. Customers look at you as one company, and they expect you to execute effectively across all channels.’

In today’s fast-paced climate, a single channel simply cannot serve customers effectively. BT Wholesale Services and Solutions, a division of British Telecom, is a case in point. BT Wholesale provides more than 300 established and emerging telecommunications firms with communications products and services, which may be sold directly or as part of a wider service package to end-user customers or to other third-party customers.

Customers randomly traverse channels

A streamlined way to retrieve customer information

Until recently, more than 700 BT Wholesale professionals managed sales and customer service through a fax-based system: each month, customers submitted via fax an average of some 30,000 orders, and BT Wholesale staff confirmed the orders by fax. Facing an estimated sixfold increase in demand, however, BT Wholesale realised that its fax-based system could not effectively scale to that level.

To solve the problem, BT Wholesale chose Siebel *eBusiness Applications* to standardise and unite its sales, service and marketing infrastructure in a single, comprehensive multichannel system called 'e.Co Order'. Extending the management of customer relationships beyond fax and telephone contact, e.Co Order enables customers to interact with the company through whichever channel they want — via the Web, phone, fax or in person. In addition, the system frees up valuable time for BT Wholesale staff to concentrate on making sales and servicing customers. The system also enables customers to check order status in real time over the Web.

The new system connects to multiple legacy back-office applications, giving employees a streamlined way to retrieve customer information, generate reports and the like. The system also routes confirmed order information to the back-end operations, automatically triggering work orders and accounting processes. In this way, BT Wholesale's comprehensive, multichannel approach improves service by touching both customer-facing front-office operations and back-office fulfilment operations.

Know your customers

Schwab, BT Wholesale and other *eBusiness* leaders understand the deceptively simple idea that underlies the *eBusiness* imperative: the more you know about and understand your customers, the better you can serve those customers by creating products that address real needs and providing services that add real value. Managing the full range of the customer relationship involves two related objectives: to provide the organisation and all of its customer-facing employees with a unified view of every customer at any touchpoint and across all channels; and to provide the customer with a unified view of the company and its extended channels. The key elements map to each major customer-facing function.

Sales

The system must empower sales professionals with automated tools to manage all aspects of the sales function — prospecting, opportunity management, quote generation, report writing, etc. It should give them a single, real-time view of the customer so that they can instantly determine customer account status (prior purchases, pending orders, service request history, profitability, etc). The goal is to make revenue-producing employees more effective rather than efficient. Making more sales calls in less time to low-profit prospects may be efficient, but probably not as effective as calling on fewer but higher-profit customers.

Sales automation capabilities must also be tailored to every sales approach that the organisation uses (telesales, field sales, retail, Web, etc),

and accommodate all appropriate devices (handheld computers, laptops, etc). Web-based sales should offer customers rich, contextual information and efficient procedures for self-service — product search, selection, configuration, purchase and payment — and should personalise the experience for each customer.

Marketing

A customer-centric eBusiness system must also provide full-scale marketing automation capabilities, enabling marketing professionals to develop and execute campaigns based on rich, timely data. Sophisticated analytical tools are required to 'slice and dice' market data to tailor efforts to different market segments and customer profiles. The system must offer comprehensive tracking capabilities so that campaign results are captured and fed back into a unified data mart.

Partner relationship management

One result of the new competitive environment is that firms are forging tighter relationships with resellers and strategic partners: these partnerships are a vital part of the organisation's ecosystem. More than ever, organisations must manage these extended enterprise relationships. The eBusiness infrastructure should enable organisations to route leads, opportunities and service requests to the appropriate channel, and then track performance. It should enable channel partners to browse product and pricing information, configure solutions, and generate quotes and online orders. In brief, it should enable organisations to manage channel partners as extended virtual sales and service organisations.

Customer service and support

Just as sales professionals need tools to automate sales functions, service professionals require a similar degree of automation. And in order to be most effective, representatives must also have a unified view of the customer, with instant access to all relevant customer data. In addition, the system itself should incorporate rules and intelligence to make more effective use of service resources: a call-centre application, for example, might route calls to agents based on their skills and authority to handle specific types of enquiries or service requests.

Web-based self-service must enable customers to access appropriate information easily. One powerful Web-based technique that personalises online interaction is the ability for a live representative to speak with the customer during the online session over a Web-based voice connection. If simultaneously armed with real-time access to the customer's account information, the representative is able deliver a high-quality experience that combines self-service and professional assistance.

Many corporations have adopted some or all of these capabilities (at least to a degree), but they have often deployed them as separate systems with little or no cross-integration. This is the 'silo' effect: potentially valuable customer information gets locked into one of several disparate databases. While firms may derive some productivity benefits at the departmental level, they are missing a major opportunity to move past

Effective use of service resources

competitors by leveraging customer data across the entire demand chain. To reap the full benefits of customer-focused eBusiness technologies, all of the elements must be seamlessly integrated, not only with each other but also with the firm's back-office systems.

Competitive advantage from satisfied customers

Customer-centric eBusiness produces sustainable competitive advantage by enabling firms to:

- offer unparalleled levels of service and support
- build rich customer databases
- continuously personalise customer interactions
- capture valuable customer information about customer preferences, which improves product development efforts.

Once established, these advantages are self-reinforcing and lead to customer loyalty.

Customers will continue to do business with firms that know them and understand their needs and preferences: a 100 per cent satisfied customer is not likely to defect to the competition, even if competitors offer lower prices. Organisations that develop eBusiness leadership in their market, and the ability to acquire and retain profitable customers, have a sustainable advantage over their competitors. And the earlier they establish this eBusiness advantage, the more difficult it is for competitors to catch up.

Customer-centric eBusiness capabilities create a virtuous cycle of continuous improvement: better customer knowledge leads to more profitable customer acquisition and greater customer loyalty, which leads to richer customer information. With an effective system in place, this feedback and improvement loop repeats indefinitely. It produces a kind of 'perpetual customer satisfaction machine' that generates increasing revenues and profits.

Virtuous cycle of continuous improvement

In addition to growing their share of the markets in which they currently compete, organisations with superior customer-centric eBusiness capabilities can leverage their growing base of loyal customers by adding new value propositions based on rich customer information and a deep understanding of customer requirements. The self-reinforcing nature of this dynamic provides a defensible competitive advantage for those who can capture it.

Return on investment

Investments in customer-focused eBusiness capabilities offer a demonstrably high return in a short time. According to a recent independent study,¹ users of Siebel Systems technology realised increases of 16 per cent in revenues, 21 per cent in customer satisfaction and 21 per cent in employee productivity — all in a period of ten months. Actual benefits come in many ways. For example, the ability to track the status of customer complaints significantly affects customer retention: according to a KPMG study,² an unresolved complaint doubles the likelihood that a

customer will defect to the competition. The financial return from stemming the loss of customers can be enormous: studying a wide array of industries, consulting firm Bain & Co.³ found that a 5 per cent improvement in customer retention increased profitability by 25–100 per cent.

The Strategic Planning Institute⁴ has studied the value of superior customer service on firms' financial performance: service leaders, they found, generate an average return on sales of 12 per cent, versus only 1 per cent for service laggards. And according to a recent study by Accenture,⁵ customer relationship management capabilities account for as much as 50 per cent of the difference in return on sales between average- and high-performing firms.

Indeed, investments in customer-centric eBusiness capabilities offer potentially higher return on investment than supply-chain initiatives. In many industries, organisations have largely reached parity on supply-chain dimensions of competition, while relatively few firms have invested in sophisticated capabilities to manage their demand chains. In other words, organisations have generally focused far more attention on operating efficiently than on managing customer relationships effectively.

Developing an eBusiness strategy

Developing customer-centric eBusiness capabilities is an enterprise-level initiative that requires action and support at the highest executive levels. Without that degree of support, the programme is likely to fail. The benefits of managing customer relationships more effectively are not limited to large organisations. Small and medium-sized firms — and even individuals such as independent sales professionals — can realise large gains from these efforts. After all, the need to acquire and keep customers touches organisations of all sizes. For larger enterprises, however, implementing a customer-centric eBusiness system is a sizeable undertaking.

As with any significant technology initiative, the company must establish criteria to evaluate technology providers. They must assess:

- product functionality and support capabilities
- vendor track record
- references
- vendor long-term viability.

Criteria to evaluate technology providers

Developing the system begins with the analysis of the organisation's existing demand chain to identify all customer touchpoints and the range of interactions. Organisations must first understand their existing processes to determine how these translate into components of an overall customer-centric eBusiness system — or whether these processes must be redesigned to make them more effective. Next, organisations must develop objectives and goals for system performance. From this needs assessment flow the successive stages of system design, testing and roll-out. To ensure success, the system must be designed so that the intended

users, whether employees, customers or partners, actually do use it — a critical factor that is sometimes overlooked.

Implications for leaders

The front line of competition in the era of eBusiness is the battle to win and keep customers. The trend is clear: customers are becoming more empowered, and organisations are competing more fiercely than ever, both to acquire new customers and to keep the ones they have. In every industry, this battle will be won by organisations with superior, customer-focused eBusiness capabilities — those that can most effectively identify, acquire and retain profitable customers. For marketing directors everywhere, eBusiness is no longer an option — it is a matter of survival.

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