Beyond Omnichannel: Determining the Right Channel Mix

By identifying customers' preferred contact channels, companies can effectively engage, serve, and retain them while driving profitable growth.
EXECUTIVE SUMMARY

Traditional contact centers are quickly evolving into interactive, digitally-driven engagement hubs that allow companies and their customers to connect and communicate quickly and seamlessly through more channels, including mobile devices, social media, the web, chat, and video. As these contact points proliferate, organizations must rethink and refine how to best serve customers in an increasingly automated, multichannel environment while closely monitoring costs.

Many companies believe that adding more customer channels or reducing the time it takes to handle customer queries will boost customer satisfaction and enhance the overall customer experience. Yet if these initiatives fail, the business, its customers – not to mention the cost to serve them – will pay the price. To avoid this situation, organizations should look beyond providing an omnichannel experience and focus more on steering customers to the channels that best suit their patterns and preferences for engaging, communicating, and buying.

The first step is to develop an evaluation framework for analyzing the company’s existing channels from the “outside in” (customer). The next step is to prioritize contact points, followed by the creation of an operating model that incorporates the business case and a roadmap for determining the best combination of channels. The final step is to develop a strategy for rationalizing, migrating, and adopting new digital channels.
“Organizations should look beyond providing an omnichannel experience and focus more on steering customers to the channels that best suit their patterns and preferences for engaging, communicating, and buying.”
The Challenge of Omnichannel Strategies

While increasing customer contact channels may lead to better customer experiences, there is little solid evidence to support those results; the proliferation of digital technologies and touchpoints have made it more difficult to track customer preferences and purchasing traits. For example, according to Genesys, a leader in customer experience and call center technology:¹

- A full 58% of customers visit the web before calling.
- Another 34% of callers are on the web while talking to an agent.

Statistics like this tell us that traditional service channels are used only after customers have exhausted other avenues. According to a 2015 report from Dimension Data (see Figure 1), this is especially true among millennials. A majority of that group - 87% – agreed. Furthermore, the research suggests that this percentage will only increase. This is hardly surprising, given millennials’ preferences and level of proficiency in utilizing digital channels. Considering the accessibility, amount, and penetration of information available on social media, it’s clear why businesses in virtually every industry are becoming less dependent on traditional customer contact centers.

Different Channels for Different Generations

<table>
<thead>
<tr>
<th>% of n</th>
<th>Internet/Webchat</th>
<th>Social Media</th>
<th>Electronic Messaging (e.g. e-mail, SMS)</th>
<th>Smartphone Application</th>
<th>Telephone</th>
<th>Don’t Know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generation Y (Born 1981-1999)</td>
<td>23.9 (1st choice)</td>
<td>23.9 (1st choice)</td>
<td>20.9 (3rd choice)</td>
<td>19.1 (4th choice)</td>
<td>12.3 (5th choice)</td>
<td>43.5</td>
</tr>
<tr>
<td>Generation X (Born 1961-1980)</td>
<td>20.6 (3rd choice)</td>
<td>11.6 (4th choice)</td>
<td>28.3 (2nd choice)</td>
<td>11.0 (5th choice)</td>
<td>28.5 (1st choice)</td>
<td>41.8</td>
</tr>
<tr>
<td>Baby Boomers (Born 1945-1960)</td>
<td>7.4 (3rd choice)</td>
<td>2.1 (5th choice)</td>
<td>24.4 (2nd choice)</td>
<td>2.6 (4th choice)</td>
<td>63.5 (1st choice)</td>
<td>41.8</td>
</tr>
<tr>
<td>Silent Generation (Born 1944)</td>
<td>1.8 (3rd choice)</td>
<td>1.0 (4th choice)</td>
<td>6.2 (2nd choice)</td>
<td>0.6 (5th choice)</td>
<td>90.4 (1st choice)</td>
<td>43.4</td>
</tr>
</tbody>
</table>

Figure 1

Source: Dimension Data’s 2015 Global Contact Centre Benchmarking Report
A recent article in Forbes² maintains that the vast majority of business leaders are working to incorporate digital platforms into their operating model to remain relevant to their customers, keep digital competitors at bay, and grow the equity value of their enterprise. While these initiatives vary in size and intent, they generally involve substantial investments in newer digital platforms, such as big data, cloud computing, artificial intelligence, mobile, virtual and augmented reality, and The Internet of Things (IoT). This trend points to a misjudgment of overall channel requirements and the lack of a sound channel strategy, which can undermine top-line results. Historically, research has shown that customer experiences and costs are not mutually exclusive, due largely to the hidden expenditures associated with serving customers, such as higher operating costs, increased price sensitivity, and fewer loyal customers.

What is particularly interesting is the correlation between what organizations spend on services and the level of satisfaction among their customers. While there appears to be a proportional or linear relationship between the two, the facts are more complex. Initial investments may indeed result in a better customer experience, but they are achieved in a non-linear way (see Figure 2).

Simply stated, happy customers and equity growth are not enough to accurately assess the overall relationship. While an omnichannel environment can increase returns and improve the customer experience, it takes more than technology investments to build and nurture successful, contextual, and mutually beneficial relationships with customers. With this in mind, enterprise contact centers must reexamine their spend strategy and decide how and where to allocate the right resources: people, processes, and technologies alike.

**Cost vs. Quality: The Trade-Offs**
The lack of a “right channel” strategy can result in low-value customers being served through high-cost channels. High-value customers who are steered to lower-cost, less personalized channels will quickly turn away.

DEVELOPING A MULTICHANNEL STRATEGY

Customer centricity – where the customer is the center of every strategy – requires organizations to rethink customer service and double-down efforts to understand customer behaviors, needs, and preferences. Yet focusing on these factors alone is only part of the equation. Companies must incorporate this information into an all-inclusive, multichannel strategy that addresses customers’ requirements at every encounter. In this way, organizations can:

- Deliver a consistent level of service across channels (quality and speed).
- Offer highly personalized, distinctive services that align with customers’ profiles (low contact, high contact, etc.) in each channel.
- Keep close track of customers’ preferred touchpoints.

The lack of a “right channel” strategy can result in low-value customers being served through high-cost channels (i.e., serving these customers ends up costing more than the revenue they generate). Likewise, high-value customers who are steered to lower-cost, less personalized channels will quickly turn away (See Figure 3). It is equally important to consider a customer’s industry when selecting a channel mix. For instance, Facebook campaigns work differently for different users, depending on the industry (adjusting marketing techniques such as frequency of campaigns, limited feedback and interaction from community members, and repeated marketing messages). This approach might not be effective for a consumer goods company, but could work well for a technology player.

What Not to Do

![Figure 3](image-url)
FACTORS IMPACTING THE CHANNEL STRATEGY

Determining how and why customers move to different channels and how they prefer to engage at various touchpoints is crucial. Before developing a channel strategy, companies should:

- Determine channel objectives.
- Analyze the maturity of the desired channel(s).
- Assess the effects of digitization on customers’ experiences and business success.

Determine Channel Objectives

Customer service decision makers need to examine several key areas that play a role in optimizing the channel mix and improving customers’ experiences. (See Figure 4 on the following page). Answering the following questions can help determine where companies should focus and what they should do:

- **Strategy:** What percentage of our customers will shift if we add a new channel? How will we move customers across channels? Should we add only self-service channels? Do we need to broaden our channel reach though self-service and reduce personal interactions?

- **Data:** Who are our customers? What channels do they prefer? What channels do our competitors use? How will our tech-savvy customers interact on digital channels compared with less knowledgeable, late-blooming, and older-generation customers?

- **Reach:** In what regions or market segments does our organization need to expand? Is there an opportunity to extend our presence geographically and reach new customers? Will adding channels supported by competitors help our customers — and the business?

- **Cost:** What are the cost projections and tolerances? How much can our organization invest to train, support, and incentivize customers to use new channels?

- **Growth:** What are our sales targets? What percentage of produced units does the company want to sell?

- **Compliance:** Will adding a channel/channels involve new regulatory and/or other legal requirements? What type of information can be distributed on a particular channel?
• **Expertise:** Can we support personalized interactions across channels and maintain their context within an omnichannel ecosystem? Do we need a channel that provides a specific level of product or service expertise?

• **Visibility:** How visible are our existing channels? How do they perform from a customer perspective? What kind of marketing campaign should we execute to boost channel usage?

**Analyze Channel Maturity**

While channels mature at different rates, each plays a critical role in determining an organization’s proficiencies in serving customers. A maturity model can help enterprises analyze and evaluate channels’ current and desired capabilities across dimensions, based on the following key parameters:

• Utilization vs. profitability.
• Maintenance costs.
• Deflection rate.
• Satisfaction score.
• Continuity.

Understanding these factors can help customer service organizations initiate a gap analysis, which identifies the capabilities needed to close the void between current and desired maturity levels. These can then be ranked using a prioritization matrix across two dimensions: implementation complexity and business impact (see Figure 5).

**Assess the Effects of Digitization**

In today’s digital world, providing services across multiple touchpoints is a top priority for many organizations. While omnichannel customer interactions have opened a world of opportunities for contact centers, businesses that do not establish the right digital building blocks are setting themselves up to fail. To avoid this problem, companies should invest in new capabilities that offer a compelling value proposition and a consistent, contextual, omnichannel experience that delights customers, secures their loyalty, and delivers more equity value to the company.

That said, in today’s cost-sensitive environment, splitting agent resources across channels can be
a juggling act that can potentially undermine the effectiveness of individual channels. Hence, it is important to verify the touchpoints that customers are most likely to use. As a first step, organizations should:

- Assess the viability of existing as well as new digital channels.
- Evaluate how those channels can benefit the business.
- Adopt best practices used for designing and implementing these channels.

Digital transformation typically requires a top-down approach - starting with leadership, who can empower customer-facing teams to effect meaningful change. It is all about customer centricity, backed by a willingness to continuously innovate to deliver a superior customer experience at every encounter.
QUICK TAKE

Optimizing Channels

When designing a channel strategy – apart from ensuring there are resources to meet expected demands – companies need to align their customer-service goals with the anticipated ROI, and stay in step with business and IT investment decisions for introducing newer channels. (See Figure 6).

This effort involves three phases:

Phase 1: Analyze

- Identify the goals of the customer service organization.
- Map customer journeys.
- Analyze customer expectations across touchpoints, or adopt an outside in perspective (i.e., how customers wish to be contacted, through which channels, for what type of services).
- Understand how customer centricity can support more personalized service, which can be a key differentiator.
- Evaluate the cost-effectiveness of each touchpoint.
- Assess the impact of automation on existing applications, such as CRM, contact routing, workforce optimization, knowledge management, and customer self-service.

Phase 2: Design

- Prioritize the needs of each touchpoint (based on the output of Phase 1).
- On-board the top-scoring digital channel.
- Automate customer-focused and quality-centered processes, such as allowing customers to speak directly to agents whose skills best suit the needs of the customer.
- Define an operating model that includes a roadmap for implementation, the business case, and an ROI model.
- Define KPIs (key performance indicators) to understand channel effectiveness. Make sure that the KPIs are in line with the business vision/goals.

Phase 3: Automate

- Enable channel integration and rationalization to assimilate current channels as well new digital channels. Terminate under-performing channels and assign resources to more profitable channels.
- Facilitate channel collaboration to ensure the preservation of customer context and history; enable a 360-degree customer view, and provide consistent levels of service across channels.
- Allow for channel migration and help maximize ROI by steering customers to more profitable channels with which they can interact.
- Employ automation to link multiple applications/platforms to one common interface; build a unified knowledge base that delivers relevant customer information in real time; establish and automate processes to ensure efficient service delivery across channels.
Introducing New Channels

An optimal channel mix depends on a cohesive business environment; an advanced technology infrastructure; a strategy for continuous improvement; robust business rules; and synchronized, cross-channel processes that work in concert to provide continuous, seamless, and highly satisfying customer experiences.

Finally, companies must develop a sustainable strategy for channel adoption; offer training for internal stakeholders to establish customer centricity as a core goal; and institute incentives (qualitative or quantitative) by continuously monitoring the performance of the channel against the stated business objectives.

In addition to balancing costs with returns, the main goal is to enhance contact-center capabilities to meet the aforementioned objectives. It is clear that businesses across industries must move beyond traditional channels and embrace an analytical (data-driven) approach that optimizes customer-service spend. The introduction of a new customer channel not only influences purchasing decisions; it also gauges the effectiveness of the channel in attracting customers. As channels mature, companies can leverage the right, contextually-relevant channel at the right time and place.

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WHAT YOU CAN DO NOW

A basic business principle is to increase revenue, lower costs, and satisfy customers. In today’s rapidly expanding digital environment, a viable, value-focused channel strategy plays a fundamental role in achieving these goals. At the same time, cost remains a huge consideration, and must align with both channel and customer-service objectives. A company’s technological and business maturity must also be taken into account. We advise enterprises to develop a sustainable, growth-focused channel strategy that looks at options from both the inside out (the organization’s needs and capabilities) and the outside in (customer expectations). This involves three fundamental steps:

• Assess the company’s existing contact center(s).
• Define the channel optimization strategy.
• Develop a roadmap to increase automation without affecting the customer experience.

When developing a channel strategy, companies must focus on more than providing an omnichannel experience, and set their sights on identifying the channels customers favor for connecting, communicating, and purchasing. As digital touchpoints continue to grow, determining the right channel mix has never been more critical.

FOOTNOTES


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