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**Multi-Channel  
Customer Management**  
*Delighting Consumers,  
Driving Efficiency*



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**Contact Information**

**Berlin**

**Dr. Florian Gröne**  
Senior Associate  
+49-30-88705-844  
florian.groene@booz.com

**London/Munich**

**Dr. Michael Peterson**  
Partner  
+44-20-7393-3310  
michael.peterson@booz.com

**New York**

**Christopher Vollmer**  
Partner  
+1-212-551-6794  
christopher.vollmer@booz.com

**Dubai**

**Karim Sabbagh**  
Partner  
+971-4-390-0260  
karim.sabbagh@booz.com

**Munich**

**Gregor Harter**  
Partner  
+49-89-54525-554  
gregor.harter@booz.com

**São Paolo**

**Ivan de Souza**  
Partner  
+55-11-5501-6368  
ivan.de.souza@booz.com

**Frankfurt**

**Olaf Acker**  
Principal  
+49-69-97167-453  
olaf.acker@booz.com

**Dr. Karsten Kammer**

Senior Associate  
+49-89-54525-558  
karsten.kammer@booz.com

**Sydney**

**Vanessa Wallace**  
Partner  
+61-2-9321-1906  
vanessa.wallace@booz.com

**Hong Kong**

**Dr. Edward C. Tse**  
Partner  
+852-3650-6100  
edward.tse@booz.com

**Julius Kirscheneder**

Senior Associate  
+49-89-54525-576  
julius.kirscheneder@booz.com

*This Perspective is one in a series of four articles written to accompany The Four-Pillars of Profit-Driven Marketing, a book by Booz & Company partners Leslie H. Moeller and Edward C. Landry.*

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## EXECUTIVE SUMMARY

*In today's maturing consumer markets, emphasis is shifting from straightforward sales to a more holistic approach to customer life-cycle management, with a stronger emphasis on how sales are generated and service provided all along the customer journey. Effectively managing these different marketing, sales, and service channels poses a significant challenge. Companies need new strategies, structures, processes, and tools to deliver customer value across all channels. A multi-channel, integrative customer model that delivers customer value and significant return on investment (ROI) requires both a strong understanding of customer preferences and behaviors and a robust IT architecture that supports the overarching customer relationship management (CRM) strategy. Even those organizations that have embraced the need for sophisticated multi-channel orchestration often still fall short in their execution.*

We offer strategic guidelines in four areas to ensure success with multi-channel orchestration. First, marketing operations need to explicitly define a channel strategy with respect to customer segmentation, the channel journey (how and where sales and service are delivered), and targeted incentives that reward multi-channel sales and service support.

Second, marketers need to optimize the online channel, which is fast becoming the primary platform for accessing product and service information, and completing an ever-growing number of transactions. It is also the entry hub to other touch points; customers go online to contact

the company or to find store locations or telephone numbers.

Third, companies need to build an IT foundation that underpins their CRM strategy. This CRM IT architecture needs to enable the transformation from vertical, single-channel operations to true horizontal business processes that deliver cross-channel integration.

Fourth, marketers can learn by example. Companies across the consumer products spectrum are experimenting with the multi-channel experience. Marketers should broadly consider best practices that they could adapt to their own industry.

## Key Highlights

- Multi-channel orchestration of customer processes delivers a seamless experience across all interaction points along the customer journey, adding value and maximizing ROI by optimizing sales and service opportunities.
- Building and applying in-depth customer understanding across channels allows companies to match offers, messages, and communication channels to customer preferences, and to align interaction costs with customer value.
- To master multi-channel orchestration, companies need a defined channel strategy and a robust IT architecture to support the overall customer relationship strategy and deliver customer value at each touch point.
- The online channel is increasingly becoming the hub for a successful multi-channel marketing strategy. Businesses must reassess their current online strategy with this in mind.

## THE NEW MULTI-CHANNEL CUSTOMER INTERACTION MODEL

Today's marketing executives understand the need to develop new customer interaction strategies, structures, processes, and tools—what Booz & Company defines as the four pillars of profit-driven marketing. They are working hard to apply and optimize these pillars within their individual customer channels.

But in an era when customers are increasingly well-informed and communications savvy, this channel-by-channel approach is not enough: Today, businesses need a multi-channel strategy that offers consumers a seamless experience across all touch points, or they'll miss an opportunity for customer value generation. A recent survey found that in Germany alone, businesses wasted more than €1 billion (US\$1.5 billion) a year in unproductive marketing—often due to a narrow focus on single channels.

When effectively executed, a multi-channel approach will smooth the relationship between customer and company and give management the capability to leverage all customer touch points to boost revenues, reinforce customer satisfaction, and streamline sales and service costs.

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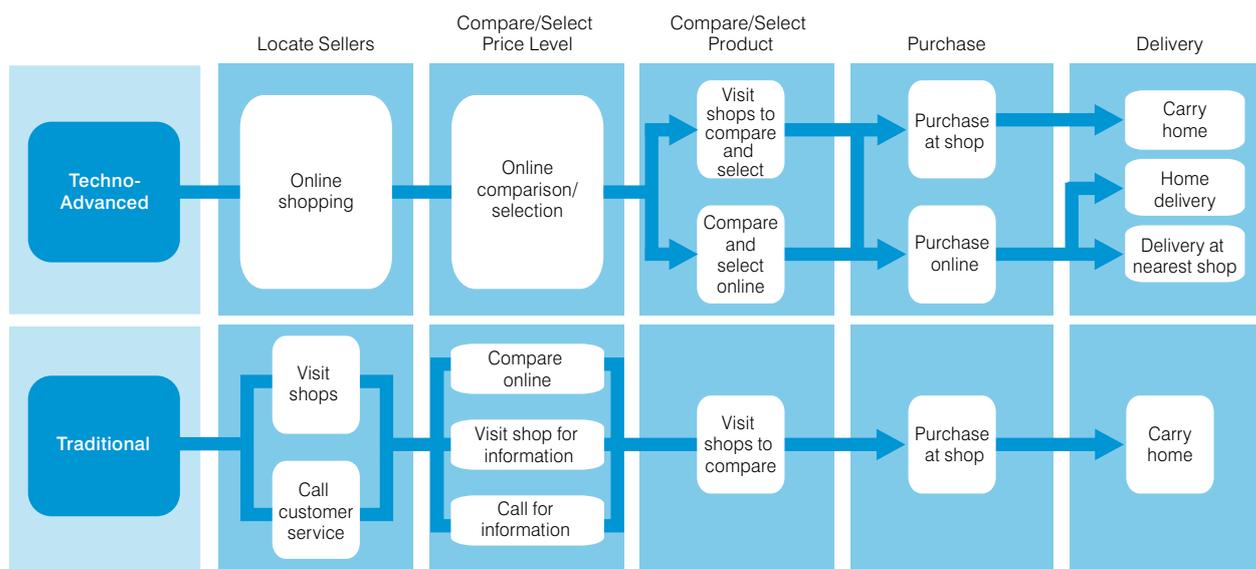
## FOLLOW THE BUYING JOURNEY

Cross-channel customer management starts with better customer understanding. The more data points there are, the more opportunities marketing has to tailor a sales pitch and service proposition to delight the customer. This means companies need to compile and maintain a comprehensive customer profile along the buying journey, starting from the moment

customers initially indicate interest, through the time they spend gathering information, to when they complete a transaction and seek post-sale support (see Exhibit 1).

The process that leads to a purchase usually combines multiple channels. Customers should receive consistent information and offers across all

**Exhibit 1**  
*The Customer Buying Journey*



Source: Booz & Company

channels. In a true multi-channel environment, marketing departments know customer preferences, interests, and interaction history, whether customers are shopping in a store, calling the company, or visiting its website.

Post-sale service should similarly offer seamless interactions via the customer's preferred interaction platform. For example, a customer should be able to speak with a call center representative

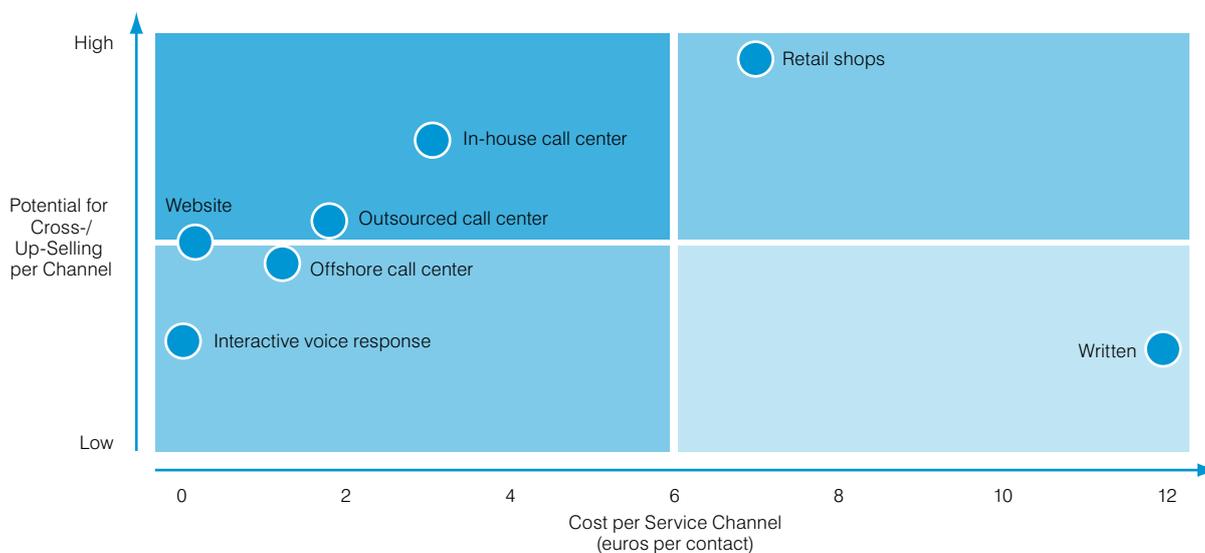
about returning a product and then drop off that product at the nearest retail location with a store clerk who has full visibility into the history of that customer's previous interactions.

Developing multi-channel capabilities also allows marketers to more efficiently steer customer interaction costs—from acquisition to service to retention—based on the value to the company of different customer seg-

ments. Clearly, cost-per-contact varies across channels (*see Exhibit 2*).

Interconnected marketing, sales, and service touch points will invariably produce positive customer experiences; customers will feel valued and understood and will be more likely to remain loyal and to respond positively to cross-selling or up-selling approaches.

**Exhibit 2**  
*Cost and Value Creation Potential of Service Channels*



Source: Booz & Company

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## BUILDING MULTI-CHANNEL CAPABILITY

Marketers can follow a four-step process to successfully integrate and orchestrate all customer channels.

### *1. Define the Multi-Channel Strategy*

The first step to optimizing a multi-channel strategy is to explicitly define three key components:

- Customer segmentation
- The “channel journey”
- Multi-channel incentive programs

Marketers need to know their customers, including their preferences and spend potential, in order to tailor a differentiated multi-channel experience for each customer segment. A “digital native” teenager with a limited budget may be most efficiently served by an online-only, no-touch channel, while a middle-aged, old-school shopper with deeper pockets and a preference for personal

sales advice may warrant an extra outbound phone call or personalized written invitation to a product launch at the nearest retail outlet. Staff at any touch point should have easy access to this knowledge about their customers, coupled with the tools necessary to delight individual customers with any communication. This knowledge should similarly be embedded in electronic platforms that serve customers, whether online, in stores, or via interactive voice response systems in call centers.

Second, companies need a detailed understanding of the “channel journey” for each customer segment in order to identify what works most effectively (for generating sales and serving the customer) and efficiently (for controlling interaction costs). Pinpointing the most appropriate channel for each segment helps reduce

*Companies need a detailed understanding of the “channel journey” for each customer segment in order to identify what works most effectively and efficiently.*

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costs, speed up the sales cycle, and promote retention. Recent Booz & Company research shows that when customers are offered product and service options they want via the channel they prefer, they are more likely to be repeat buyers and less likely to perceive the interaction as intrusive.

Third, senior management needs to define a clear incentive program with targets and rewards that reflect and support the company's channel orchestration objectives. Only then will staff deliver customer value using an optimized channel mix, while management will have a lever to steer the customer's journey.

Clearly, there are trade-offs. A multi-channel solution will involve conflicts and channel cannibalization. Some business areas will lose out; the key is identifying the channels with the best ROI to ensure a positive net effect.

## *2. Optimize Online*

The online channel has matured into much more than simply the e-commerce website. A company's online presence is not just another stand-alone channel or brand booster platform: It is the linchpin of any multi-channel operation. The online channel is the sales and service hub, the tool that collects and disseminates the information that enables and facilitates the customer experience across all other channels. It acts as an umbrella that connects retail, e-commerce, search engine marketing, and search engine optimization. It funnels customers from social networking sites to sales and service touch points on and off the Web.

Online channel capabilities can close gaps in the customer experience and facilitate sophisticated customer segmentation based on clickstream transparency and rich Web analytics. For instance, a marketing strategy

that starts as an in-store promotion—collecting a coupon for an online competition—becomes a multi-channel experience when customers register online, and it affords marketing departments a valuable opportunity to capture and use key customer data.

## *3. Build an IT Foundation*

For most companies, building a highly automated, high-performance CRM IT architecture that integrates all customer touch points will be an evolutionary process, given the presence of already functioning single-channel operations that typically consist of inflexible, historically grown, more or less hardwired vertical silos.

The remedy lies not in adding yet another channel tool but in developing an open and flexible IT backbone that facilitates information flow across channels. Investment in business

*Online channel capabilities can close gaps in the customer experience and facilitate sophisticated customer segmentation.*

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process management and integration technology may be painful in the short term and yield few visible “same year” benefits. But if multi-channel capability is the goal, such a backbone is key to ensuring that the business rules that govern customer- and segment-specific channel experiences can be applied and extended seamlessly across an ever-growing range of customer touch points. Only then can marketing, sales, and service organizations use predictive models or “next best activity” engines, which provide sales and service agents with analytically grounded suggestions of what will meet individual consumer needs, to most effectively tailor offers and messages.

#### *4. Learn by Example*

When it comes to making the most of multichannel integration, companies need not reinvent the wheel and

can learn much from looking at strategies being employed in industries beyond their own. From banking and insurance to telecommunications, travel, and automotive, companies are exploring the opportunities that come from creating a cutting-edge, cross-channel customer experience.

Successful retailers are leveraging multiple touch points simultaneously to offer customers more choices along the buying journey. For example, one mobile operator installed interactive terminals in its retail outlets so that customers can preorder products and services. In this scenario, in-store personnel help build online customer profiles. Over time, shifting customers to online channels may cannibalize in-store sales, but it will help reduce overall customer interaction costs (since online interactions are less expensive) while providing a wealth

of new opportunities to cross-sell and up-sell to those customers.

Much can be learned from the nimblest airlines as well. Some have mastered cross-channel integration to the point where a call center agent can retrieve and complete a booking that a customer started online but abandoned (for whatever reason) and then called for personalized support to finish.

These and other best practices can be found in many retail industries, from banking, insurance, and travel, to fashion, furniture, and interior design. Identifying and applying them can help businesses avoid unnecessary duplication of efforts. Business ambitions should not be held back by a not-invented-here bias.

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## MAXIMIZING ROI

Customers today have more buying and service channel choices than ever before. Linking and leveraging these customer touch points not only makes sense but is fast becoming a strategic necessity. This requires a coordinated effort among marketing, sales, service, and IT executives, first to define who the customers are, second to collect information about them across all channels, and third to perform the analytics to match relevant products and services to customers' needs. The customer benefits from

choice and better service. Businesses reduce the cost of sales by accurate, targeted marketing that has greater up- and cross-selling potential, and they can streamline cost-to-serve by better mapping different channels to customer segments.

With the results feeding directly to the bottom line, the question should be how quickly a company can roll out multi-channel customer management, not whether it is necessary.

## Resources

Leslie H. Moeller and Edward C. Landry, with Theodore Kinni, *The Four Pillars of Profit-Driven Marketing: How to Maximize Creativity, Profitability, and ROI* (McGraw-Hill, 2009)

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## About the Authors

**Dr. Michael Peterson** is a partner with Booz & Company in London and Munich and a member of the communications, media, and technology practice. He focuses on mobile markets and convergence services across Europe. His areas of expertise include strategy development, specifically related to marketing, customer service, and sales, with a focus on online and new Internet business models.

**Dr. Florian Gröne** is a senior associate with Booz & Company in Berlin. He supports telecommunications companies and information and communications technology (ICT) service providers in developing their market positioning strategies and improving IT operations efficiency. He also works on CRM strategy and architecture across industries.

**Dr. Karsten Kammer** is a senior associate with Booz & Company in Munich. He primarily works with telecommunications and high-tech clients. His focus areas include sales effectiveness, growth, and innovation, as well as organizational design.

**Julius Kirscheneder** is a senior associate with Booz & Company in Munich and a member of the communications, media, and technology practice. He supports mobile and Internet-related service providers in their strategic road map and focuses on customer-centric functions from product innovation to sales and service.

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