

The New Omni-Channel Approach to Serving Customers

Strategy Implications for Communications Service Providers

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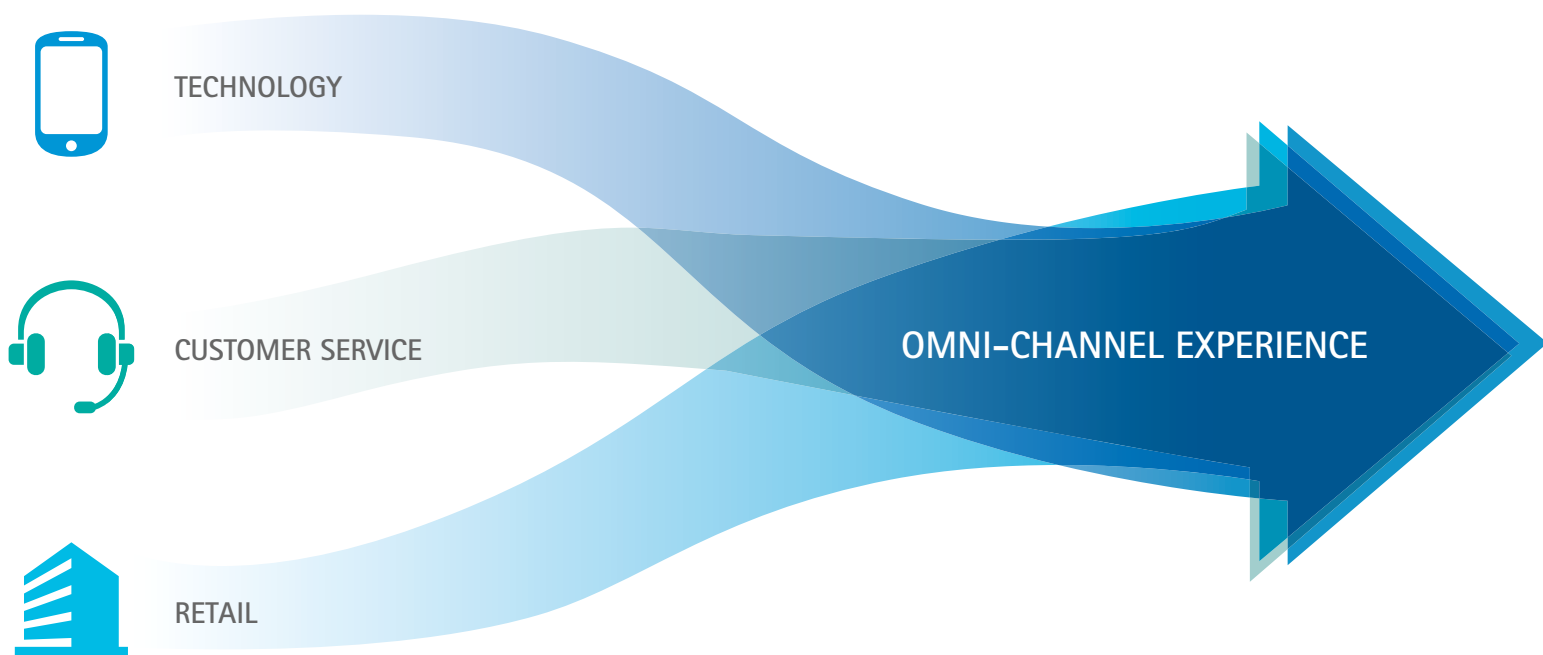
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There is a clear trend in many industries toward the use of multi-channel approaches to engaging with customers. But in focusing on multi-channel, companies may be overlooking a more fundamental need—for a seamless, omni-channel approach that provides a single, unified experience for the customer across all channels.



And this omni-channel strategy may be especially critical for communications service providers (CSPs) due to the new competition they face under the global marketplace dynamic of convergence, in which customers are being provided with new options from an array of different companies and industry sectors.

One fundamental issue as convergence takes hold is that CSPs are facing challenges in their core revenue sources. Ubiquitous data and mature over-the-top (OTT) offerings are together eroding the primary revenue sources of these service providers, while also removing the barriers for customers who wish to change their primary service provider.

The resulting greater competition for customer spend has resulted in ARPU falling and propensity to churn rising for CSPs. Hampered by legacy systems and siloed operations, the typical cost of customer operations remains stubbornly high. Service providers often face a difficult choice between upgrading their past businesses or investing in their future ones.



Legacy service models and platforms are also making it more difficult for CSPs to cope with the rapidly moving target of customer expectations. Over the past few years, consumers have become more empowered, more connected to companies and to each other, and more globally diverse. Yet many service providers still utilize a decades-old, "one size fits all" service model that prevents them from responding effectively to the evolution in consumer needs and behaviors.

Customers are becoming more complex in a number of dimensions:

MORE KNOWLEDGEABLE, thanks to Internet accessibility and online consumer-created content and social networks.

MORE DEMANDING, due to customers' redefinition of what value means to them. For example, time-compressed consumers are increasingly prioritizing convenience.

MORE EMPOWERED, as consumers follow their unique requirements and increasingly pursue self-service and multi-channel options.

MORE COLLABORATIVE, as customers increasingly bring their own devices, apps and other tools from outside the ecosystem of the service provider, and thus increasingly determine not just what services they wish to consume, but exactly how they wish to consume those services.

MORE DIVERSE, thanks to the globalization of the marketplace and the consumerization of IT, which is blending business requirements with consumer technology such as smartphones and tablet computers.

MORE INTERACTIVE, as consumers increasingly engage in online dialogue and content sharing and produce their own content for personal use and online publishing.

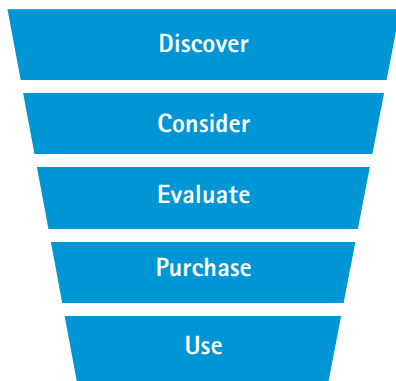
INCREASINGLY ON THE MOVE, thanks to new capabilities for mobile purchase and consumption of content and services anytime, anywhere.



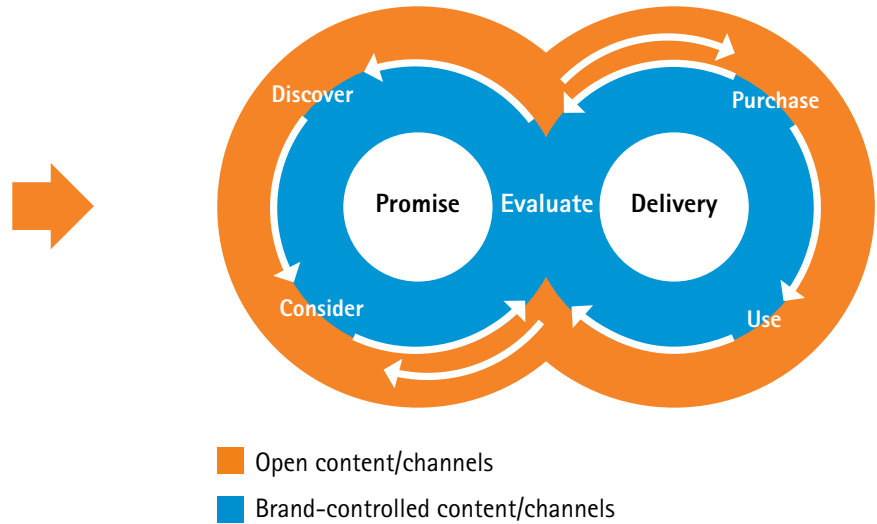
FIGURE 1 | A New Model for Understanding Today's Customer

Source: Accenture's Nonstop-Customer Experience Model. ©2013 Accenture. All rights reserved.

The Traditional Funnel



The Accenture Nonstop-Customer Experience Model



Accenture's Nonstop-Customer Experience Model (see Figure 1), which is based on insights derived from Accenture research studies¹, reflects these changes and provides a new model for service providers' understanding of customer behavior. This model illustrates how today's consumers behave, and how their journey has fundamentally changed in three significant dimensions:

1. The customer's journey is now dynamic.

One evident difference in today's consumers is their non-linear path to purchase. This path used to be illustrated by the traditional marketing and sales "funnel," which begins with awareness, moves through consideration and evaluation, and ends with purchase and retention. By contrast, while today's buyers still move through these same stages of the journey, they no longer leave the process at the accustomed exit of "purchase"; instead, they continuously cycle through the stages of the journey, without ever exiting the evaluation process.

Enabled by technology, today's customers expect to interact with providers interchangeably across channels, from web to call center to retail and mobile, depending on their needs at any given moment.

Consumers' pathways can be direct, but more often than not they are nonlinear—as consumers enter and exit relationships with providers via much less predictable points, or as they circle back to choices made previously. Customers frequently check out other options online while in a retail store; in the wireless industry, for example, **more than a fourth of customers** who search for information in-store end up buying in a different channel.

2. The journey is more accessible.

More content than ever is being put in front of customers, much of it beyond any given service provider's control. Amplified and empowered by technology, the "voice or noise of others" is increasingly insistent and influential. It is available anytime and anywhere, and it can come from or through anyone.

3. The journey is continuous, because the touch points consumers are exposed to are "always on."

As a consequence, evaluation of new products and services, not purchase, is now the focal point. Consumers can more easily compare a provider's promise versus delivery, and how well the overall experience matches up to their own expectations.

1 Accenture Global Pulse Research, 2012, <http://www.accenture.com/us-en/Pages/insight-accenture-global-consumer-pulse-research-study-2012.aspx>.

The Need for an Omni-Channel Approach

Because their journey is dynamic, accessible and continuous, today's customers increasingly expect a seamless, integrated, consistent and personalized experience with their service providers which current multi-channel models—with their multiple silos of customer contact—are unable to provide. Instead, a fully integrated response to these new customer requirements will need to be both customer-driven and omni-channel in nature.

Omni-channel can be defined as a synchronized operating model in which all of the company's channels are aligned and present a single face to the customer, along with one consistent way of doing business. In this model, companies replace the many views of the customer they often hold today with one unified view of the customer—enabling them to respond in a consistent way to the customer's constantly evolving needs.

In an omni-channel approach, the service provider's brand effectively operates as a single channel, orchestrating high-value customer experiences across all touch points. The customer experience it delivers is seamless, consistent and personalized through the integration of agent-assisted channels with digital channels such as social media, so that customers can interact whenever, wherever and however they want with the provider, across all channels.

Each interaction becomes a seamless extension of their previous interaction, allowing each customer's journey to continue where it left off; enabling customers to use the channel of their choice for each step along the journey, including product research, product comparison, buying and paying; and giving customers access to all the promotions, discounts and loyalty points they have acquired, regardless of channel.

The old "customer-centric," multi-channel approach is being replaced by a more assertive, **customer-driven** approach in which companies do not just **know** each customer, but actually **respond dynamically** to non-stop customers who are constantly re-evaluating what they want to buy and from whom they want to buy it. Providers, in turn, are able to leverage new technologies to develop personalized marketing strategies, and to deliver a superior customer experience that educates and engages the customer.

Another aspect of providing a seamless customer experience is understanding customers' new expectations, which as Figure 2 illustrates may be summed up in four simple phrases: Know Me, Show Me You Know Me, Enable Me and Value Me.

"Knowing the customer" manifests itself in providing a very personalized buying and service experience. Customers want the service provider to know their personal profiles, including devices, services and content purchases. From a sales perspective, when they interact with a service provider, they desire that provider to be able to offer very relevant recommendations (e.g., offerings and promotions) that would be valuable for them.

In short, an omni-channel approach reflects an appropriate response to the new customer model and customers' increasingly dynamic, accessible and continuous decision making. It is a customer-driven approach, which takes advantage of the provider's full knowledge of each customer, and applies it to every interaction with that customer.

An omni-channel approach must be distinguished from a multi-channel approach. Accenture has encountered multiple cases where a company believes that the metrics associated with each part of its multi-channel approach are good, and yet the company's net promoter scores continue to fall.

Today's customers are increasingly demanding a seamless customer experience. If a customer buys a tablet computer online and then returns it to a physical store, but the store is not equipped to take it, due to its being part of a different P&L, the customer is increasingly likely to be frustrated or even astonished by this problem. After all, the customer views the company as being one company, and expects that the company will likewise have one view of them as a customer across all channels.

This is one reason why Macy's, as a leading retailer aiming to reshape its model for the new realities, has created a position called "head of omni-channel." This approach, which is now being used by several retailers, is a significant step toward eliminating traditional channel boundaries and delivering one, unified customer experience in-store, online and through mobile devices, among other channels.

In effect, instead of multiple channels, omni-channel is a single channel with multiple touch points—delivering a completely seamless and consistent experience for customers.

FIGURE 2 | Customers Seek Recognition That They Are Understood and Valued

Source: Accenture analysis. © 2013 Accenture. All rights reserved.

Customers Have Higher Expectations, More Power and Choice

Provider Strategy

BE ENGAGED IN THEIR ECO-SYSTEM

Community + Influence vs. Push + Control

BE AT CHANNEL OF CHOICE

Anywhere, Anytime, Increasingly Self-serve

BE RELEVANT

No Relevance + No Dialogue = Little Influence on Choice

Customer Expectations

KNOW ME: PERSONALIZED INTERACTIONS

"...Recognizes me, my existing subscription and service and interaction history."

"...Acknowledges and tailors my interactions based on recent actions across channels."

SHOW ME YOU KNOW ME: TARGETED PROMOTIONS AND MARKETING TECHNIQUES

"...Personalizes offers and target products and promotions at a price that's right for me given my likes."

"...Helps me comprehend the benefits in easy-to-understand language tailored to my profile/account type, context and knowledge level."

ENABLE ME: INVEST IN SOCIAL, MOBILE AND RETAIL CHANNELS

"...Makes physical and digital shopping and interacting with the brand convenient and hassle-free using my preferred channel."

"...Allows me to express my passions and be recognized by others through my insights, opinions and recommendations."

"...Equips me with the resources that help me understand the benefits of my choices and provides me with insightful advice on a complete solution for me."

VALUE ME: THE CUSTOMER NOW CONTROLS THE SHOPPING PROCESS

"...Grants me complete flexibility to configure my product and service bundles (e.g., a la carte bundles) and payment options in a manner that yields maximum value for me."

"...Rewards me for my loyalty and depth of relationship and the degree of influence I wield on others' purchases."



The Implications of Omni-Channel for Communications Service Providers

The growing need for a seamless, consistent and personalized omni-channel response will soon be table stakes to compete in this ever-changing digital ecosystem. Unless CSPs meet customers' expectations for such a unified response, they may lose market share, or worse still, struggle to stay profitable.

To provide such a response, they must do the following:

- Meet customers where they are, i.e., in the channel of their choice.
- Recognize and acknowledge who individual customers are, the products and services they have purchased, and their prior interaction history, regardless of channel.
- Operate as a single brand and channel, orchestrating customer experiences across all touch points.
- Show customers they are valued through personalized offers, treatments and rewards.

CSPs should be able to create highly personalized, value-added buying and servicing experiences, using tools such as customer segmentation, churn prediction, social network analysis, mobile browsing analysis and sentiment analysis to develop a highly detailed understanding of each customer. Using analytics to build on their deep knowledge of customers' usage of digital services, they should be able to achieve a 360° view of their customers' communication behavior.

However, CSPs face real difficulties in adjusting to today's customers and their new expectations. The underlying problem is that service providers generally do not have the single, unified approach that is needed for a personalized customer experience. Many providers have been put together through M&A deals that combined multiple regions, services or both, and have frequently expanded into multiple new businesses. They are inheriting or

launching new siloed organizations that support their new business units, while also maintaining existing operations; and the new siloed organizations are frequently driven by different leadership, different strategic objectives and priorities, and different metrics.

As a result, CSPs now face a number of distinct customer-related challenges, including scattered customer information and insights, a limited understanding of customer interactions with the company, and poor orchestration and personalization of cross-channel customer interactions. All these factors are combining to create an inconsistent, disjointed customer experience that fails to deliver on providers' marketing promises.



How Can Communications Service Providers Respond?

Service providers need to adjust their approaches to cope with the advent of the highly disruptive competition they face from OTT providers. CSPs need to avoid the traditional utility mentality, which reassures them that customers will not leave, and instead recognize that with many companies entering their traditional spaces, they need to earn the right to provide enhanced new services.

To address these imperatives and meet their customers' new demands for seamless service, CSPs need to break down the walls, integrate across the traditional silos, and leverage digital innovations to provide personalized interactions and services. Integration across traditional and digital channels is the obvious initial response. However, for sustained high performance, gains from focusing only on customer interfaces are likely to be of low order and short-lived. To deliver the omni-channel

promise for customers, there is a need to re-examine the operating model as it spans business functions, product lines and external partners. Providers' focus should be on the operating model, business processes, and business technology as drivers and enablers of the integration effort focused on omni-channel experiences. They must pursue a customer-centric approach to their operational capabilities by optimizing and integrating their operations in several areas:

- Insight-driven personalization across the enterprise.
- Integration across all channels.
- Integration across all business functions.
- Integration across all products and services.

Let us look at each of these four areas in turn.

Insight-Driven Personalization Across the Enterprise

First, CSPs must respond, across the enterprise, to customers' demands for a **personalized and contextualized experience aligned with their needs and issues**. To achieve this objective, one of the core capabilities required is to access, maintain and combine meaningful customer data extracted from a variety of sources, including traditional physical channels, digital and social channels, network data, and data based on the customer's location and consumption patterns.

This data should be leveraged to create digital-focused micro-segmentation and to generate advanced propensity models that

predict up-sell, cross-sell, and churn behaviors. Empowered by advanced analytics models, providers should focus on creating a personalized offer to be delivered through an insight-driven marketing campaign. In addition, to be truly effective, the recommended interactions should be generated dynamically based on the customer's context, by leveraging tools such as Next Best Action, and delivered on both inbound and outbound channels.

To illustrate this point, consider a customer who is in the process of making a long-distance call on her wireless phone. Just before the call goes through, the service

provider informs the customer through a text message that she can make the call at a cheaper rate if she takes advantage of a long-distance calling plan. The customer immediately purchases the new plan, resulting in a win-win outcome for both the provider and the customer.

To take it a step further, imagine the same customer visiting the foreign country she had called. On detecting through location/network-based intelligence that the customer is in another country, the provider should be able to offer the customer roaming packages that are cheaper or otherwise more attractive.

Integration Across All Channels

Since omni-channel ideally reflects a single channel with multiple touch points, service providers must also achieve **synchronization across all channels**. This will require integration of both agent-assisted and self-service capabilities, and of underlying organizations, processes and technology platforms. Just as the consumer expects the enterprise to have a consolidated view/profile of him/her, so too he or she expects a consistent experience from the provider across channels. This requires:

- Consistent insight-driven personalization embedded into all channels, including physical, web and store—providing the right information in an actionable form from real-time analytics engines, and used to intervene in the customer interaction at the most opportune time.
- Unified P&Ls, with incentive management systems and omni-channel-driven KPIs, that focus on profitably delivering diverse products and services seamlessly across channels based on customer preferences.
- The ability to handle marketing, selling and servicing in an integrated manner across multiple channels, and to seamlessly track individual customers across the channels that they prefer to use.
- A flexible, integrated and responsive technology platform that can support new products and services, facilitate the new operating model, and keep pace with the rapidly evolving digital consumer.

Currently, most CSPs are organized by channel. Their retail stores, call centers, social media, and other channels are separately managed, and often run as separate businesses with separate P&Ls, frequently resulting in misaligned objectives and a disjointed customer experience. Since today's customer expects there to be no channel boundaries, physical and digital channels will need to be integrated. When customers want to make a purchase, renew a service, or resolve a problem, their preferred channels now include "all of the above"—physical stores, online e-commerce, social media and call centers. For example, the purchase of a new handset would typically include conducting research on-line, using social media to get perspectives from friends, and going into the store to touch, test and purchase the device.

Likewise, channel strategies will increasingly require **unified** incentive systems, and depend on the customer's perception of a **unified** experience. Customers increasingly possess a mindset that predisposes them to "call, click or come in," depending on their preferences at any given moment; and service providers need to be able to respond effectively to that need for a seamless experience.

For CSPs, in the past, stores have been used only for sales, with service being handled through other channels. In the future, however, stores will become branded customer experience centers, handling an increasing array of roles and responsibilities, including sales, distribution and fulfillment. And because the increased movement to online sales may actually have the effect of driving customers to the retail channel

as a supplement to the online experience, the digital and physical channels increasingly need to work together: While a significant segment of consumers will research products through the digital channel, actual acquisition will still frequently take place in a physical store. In fact, 88 percent of consumers surveyed said they have "webroomed"—"browsing first on the Internet, then buying in the store."²

For a communications service provider, offering meaningful physical and digital retailing will also demand more of its people. As providers become more sophisticated in the products and services they offer, their front-line troops must also become more sophisticated in their knowledge in order to sell those products and services effectively. Store associates must evolve to deliver an ever-changing, dynamic customer experience. Associates may need to specialize within a given vertical area, such as mobile devices, mobile devices' data plans, small and medium business voice plans or entertainment. Selling the services associated with digital homes, including home automation and home security systems, will require even more specialized knowledge. Meanwhile, other associates may need to specialize in fulfillment, enabling increasingly complex delivery options.

Supporting this integration of physical and digital channels will also require a flexible, integrated technology platform. The technology stacks that support the new organizational structure will enable all customer interactions to be handled across every channel, easily sharing customer data and efficiently providing integrated customer support. Providing separate call centers for wireline and wireless service looks even more problematic today.

² Accenture, "Seamless Multichannel Retailing—Customize. Connect. Converge. Collaborate," January 2013, <http://www.accenture.com/us-en/Pages/insight-seamless-multichannel-retailing.aspx>.

Integration Across All Business Functions

In addition, CSPs need to support the customer in a seamless way across all their **business functions**. The marketing, sales, service, training, product management and supply chain functions must work in conjunction as a unified entity, meeting customers' demands by providing what they want, when they want, and in the channel that best suits their needs at any given moment.

Operationally, this can work effectively only by driving customer centricity from the top down: clearly designing, communicating and delivering structured reward structures, including alignment of organization and employee KPIs to incentivize delivery of seamless omni-channel experiences.

Marketing and product management, which for service providers includes devices and accessories groups, will need to work in tandem, with the customer experience considered just as important as product and price.

Because service providers must be seamless in terms of buying, placement, and promotion of devices, accessories and other merchandise, inventory must be managed at the enterprise level. And that means the supply chain will need to develop the ability to holistically manage inventory forward, backwards and sideways, and ideally with the flexibility to deliver products to the

highest-return opportunities. If there is a limited supply of equipment, the system needs to have the capability of determining which sales opportunity offers the highest margins, regardless of channel. It should also have the capability of determining the best, lowest-cost means of fulfillment that is tailored to the individual customer's needs.

In all these ways and more, communications service providers will need to get the new operating model right, bringing their siloed business functions together to know and serve the customer.

Integration Across All Products and Services

Finally, CSPs also need to support the customer in a converged manner across **all products and services**. Providing end-to-end solutions that are comprised of bundles of services—including voice, TV, Internet/data, devices, connectivity and content—will be critical. This may mean shifting from product-centric operations to customer-centric operations.

Customers want to feel they are dealing with a single person for all their needs, across all their products. They want the service provider to know their personal profile, including devices, services and content purchases across the entire portfolio and across all accounts—personal and business. Metrics and incentives will therefore need to expand to include holistic

customer value, with comp "customer" sales becoming as important as comp "store" sales. Service providers must stop thinking just in terms of ARPU, and must instead look at average revenue per **account**, including different members of a household, and consider the lifetime value of a household.

Conclusion

Making the Vision a Reality

In summary, while digital convergence is a threat to the unprepared, it is also a tremendous growth opportunity for companies that can out-innovate and out-execute their ever-expanding list of competitors. A clear vision of the omni-channel future is emerging, and is accessible to communications service providers just as it is to companies in other industries.



Powered by technology, analytics, mobility and flexible marketing operations, communications service providers can deliver innovative experiences in ways that bridge marketing, commerce and service interactions. And they can do so by integrating across all functions, products and services, and ultimately, by providing personalized customer interactions across all channels.

However, vision without execution is as significant a barrier as an actual lack of vision. Service providers need to ask themselves whether they are investing just in fixing the past, or in building for the future. Achieving an omni-channel reality requires the executional courage to move forward, the right organizational structure, and a partner who can bring the global horsepower to get things done.



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