The role of multichannel integration in customer relationship management

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Abstract

This paper reviews the strategic role of multichannel integration in customer relationship management (CRM) with the objective proposing a structured approach to the development of an integrated multichannel strategy. Alternative perspectives of CRM are reviewed and it is concluded that adoption of a strategic perspective is essential for success. Multichannel integration is posited as one of the key cross-functional processes in CRM strategy development. The nature of industry channel structure and channel participants, channel options, and alternative channel strategies are reviewed. The customer experience is explored both within and across channels. Analytical tools, such as market structure maps, the customer relationship life cycle, and demand chain analysis, are described. Key steps in building an integrated multichannel strategy are examined. Major challenges faced by enterprises in their adoption of an integrated multichannel approach and areas for future research are discussed.

Keywords: CRM; Multichannel integration; Channel management

1. Introduction

In less than a decade, customer relationship management (CRM) has escalated into a topic of major importance. Although the term only came into use to a significant extent in the latter part of the 1990s, the principles on which it has been based have existed for much longer. CRM builds especially on the principles of relationship marketing; the formal study of which goes back 20 years (Berry, 1983). However, its origins which involve building relationships of mutual value between suppliers and customers have existed since the start of commerce (Grönroos, 1994, 1996). What has changed over the past decade is a number of significant trends that collectively enable better customer relationships through the application of information-enabled relationship marketing (Ryals & Payne, 2001) or CRM.

Several recent trends have impacted organisations’ ability to build more enduring relationships, especially for those businesses with a large customer base. Amongst the most important ones are the following: the increasing power of computers; the decreasing cost of computers, in real terms; the increased storage capacity of computers; the significant reduction in the cost of storage of a megabyte of data; the availability of increasingly sophisticated tools to undertake data mining and data analysis; the rise of e-commerce and the ability to be able to target customers via the Internet at a much lower cost; an increased recognition of the importance of customer retention and customer lifetime value; and an increased sophistication in marketing approaches and the development of better ways of targeting customers, including one-to-one marketing (Peppers & Rogers, 1993), permission marketing (Godin, 1999), and mass customisation (Pine, 1993). For the industrial marketer, these trends provide special opportunities to develop closer relationships with customers.

CRM is a management approach that seeks to create, develop, and enhance relationships with carefully targeted customers to maximise customer value, corporate profitability, and thus, shareholder value. CRM is often associated with utilising information technology to implement relationship marketing strategies. As such, CRM unites the potential of new technologies and new marketing thinking to deliver
profitable, long-term relationships. Customers today have an increased range of channel options. At the heart of successful CRM is the need to more effectively manage customer relationships within a multichannel environment. It is within this channel environment that much of the customer experience occurs.

Within the literature on channel management, there is little by way of guidelines as to how to develop a multichannel strategy. Whilst a number of useful methodologies have been developed to address specific components of channel strategy, such as market mapping and channel chain analysis, little previous effort appears to exist in developing these into a framework for multichannel integration. This paper reviews the role of the multichannel integration process in CRM. Its objective is to provide a structured approach to the development of an integrated multichannel strategy in an industrial market.

The paper is structured as follows. First, the nature of CRM and multichannel integration is considered and the need to develop a strategic approach to CRM is emphasised. Second, industry channel structure and channel participants are reviewed. Third, channel options and channel categories are identified. Fourth, a range of channel strategies are explored. Fifth, the nature of the customer experience both within and across channels is explored. Finally, six steps for building an integrated multichannel strategy are proposed.

### 2. CRM and multichannel integration

CRM builds on the philosophy of relationship marketing. This emphasis on relationships, as opposed to transactions, is redefining how companies are interacting with their customers (Gummesson, 1999; Kotler, 1990; Sheth & Parvatiyar, 2000). CRM stresses two-way communication from supplier to customer and from customer to supplier to build the customer asset over time. Advances in technology, especially the Internet, have greatly enhanced the flow of dialogue, and the capture, interpretation, and dissemination of information. Crucially, Internet technologies enable the development and management of more complex multiple channel and cross-channel relationships. CRM is important because it provides enhanced opportunities by using data to understand customers and to implement improved relationship marketing strategies.

There are many perspectives and definitions of CRM. CRM has been defined variously as: “an e-commerce application” (Khanna, 2001); “a management approach that enables organisations to identify, attract and increase retention of profitable customers by managing relationships with them” (Hobby, 1999); “CRM is a business strategy combined with technology to effectively manage the complete customer life-cycle” (Smith, 2001); as “data-driven marketing” (Kuttner & Cripps, 1997); and “CRM is about the development and maintenance of long-term mutually beneficial relationships strategically significant customers” (Buttle, 2001). CRM can be seen as a term for methodologies, technologies, and e-commerce capabilities used by companies to manage customer relationships (Stone & Woodcock, 2001) and an application of one-to-one marketing and relationship marketing, responding to an individual customer based on what the customer tells you and what else you know about that customer (Peppers, Rogers, & Dorf, 1999).

A review of these and other definitions suggests that CRM can be considered at three levels: CRM is about the implementation of a specific technology solution project; CRM is the implementation of an integrated series of customer-oriented technology solutions; and CRM is a holistic strategic approach to managing customer relationships to create shareholder value. We consider that the full potential of CRM is only realised by addressing CRM from the latter strategic perspective. In this paper, the strategic approach to CRM developed by Payne and Frow (2004) is adopted. This utilises a process approach based on five key cross-functional CRM processes that need to be considered by most organisations. These processes are as follows: the strategy development process, the value creation process, the multichannel integration process, the information management process, and the performance assessment process. These processes are shown in Fig. 1.

This approach views CRM as a strategic set of processes or activities that commences with a detailed review of an organisation’s strategy (the strategy development process) and concludes with an improvement in business results and increased shareholder value (the performance assessment process). The notion that competitive advantage stems from the creation of value for the customer and for the company (the value creation process) is key to the success of any relationship. CRM activities for all substantial companies will involve collecting and intelligently utilising customer and other relevant data (the information management process) to build a superior customer experience in each touchpoint where the customer and supplier interact (the multichannel integration process).

The multichannel integration process has a pivotal role to play in CRM as it takes the outputs of the business strategy and value-creation processes and translates them into value-adding interactions with customers. It involves making decisions about the most appropriate combination of channel participants and channel options through which to interact with your customer base; how to ensure the customer experiences highly positive interactions within those channels; and, where the customer interacts with more than one channel, how to obtain and present a ‘single unified view of the customer.’

There is increasing interest from academics and practitioners in the area of multichannel integration. Whilst there is a huge literature on channels, there is relatively little published work dealing with issues relating to multichannel integration in CRM or its predecessor, hybrid marketing systems (Moriarty & Moran, 1990). A good proportion of

The multitude of channels creates enormous opportunities for improving the scope and strength of business-to-business (B2B) customer relationships but great challenges in managing the complexity of channels in a successful and cost-effective manner. Of particular importance to CRM is the recent development of electronic channels. This is an area currently attracting significant interest, including a recent special issue of this journal (Lancioni, Schau, & Smith, 2003).

In today’s environment, costs within many traditional channels, such as in sales forces and branch networks, are increasing at an alarming rate. As a result, there is increasing pressure on organisations to move to electronic channels and seek to develop customer self-service strategies to reduce cost. A number of leading companies in the B2B sector, such as British Telecom (BT), Oracle, Xerox, and IBM, are now embracing self-service. Self-service enables customers to order products or services, seek information, and solve problems at the time and place their needs dictate. This is made possible through a combination of personalised web sites and contact centres. Benefits to the customer can be identified through regular customer satisfaction tracking surveys.

However, as companies seek to introduce such cost savings, it is essential that there is not a significant reduction in customer value as the result of the introduction of a new channel. The dramatic decline of the technology stocks listed on stock exchanges at the start of this decade has caused an increased focus on electronic channel solutions. These solutions must address real customer needs and create significant customer value based on sound business models. Thus, a more sophisticated approach to using electronic channels is emerging—one that seeks increases in customer satisfaction and increases in sales and profits, as well as reducing the cost of sale.

3. Industry channel structure

A review of the existing industry structure and its channel participants, as well as likely future shifts in it, needs to be undertaken prior to addressing how multiple channels should best work together. Whilst this review is typically considered as part of the strategy development process in CRM, as shown in Fig. 1, it now needs to be considered at a more detailed level within the multichannel integration process.

The existing industry channel structure involves a study of the current channel participants and their roles (Slater & Olson, 2002). There are a range of channel participants through which a company may seek to serve the final customer. The channel structure that will be appropriate for any given organisation will depend upon which combination of approaches can best attract the final customers in the target segments, which in turn will depend upon the organisation’s and intermediaries’ ability to create value relevant to those customers’ needs. The choice regarding channel alternatives should be made following a determination of the value proposition (Lanning, 2000) relevant to the final customer in the desired segments that a company wishes to serve and may involve a combination of those shown above.

As well as considering target customers’ current buying behaviours and motivations, it is important that a company should also consider how these might change over time, particularly with respect to the impact of developing technology (Wilson et al., 2003). Over the last decade, the traditional channel structures of many industries have been dismantled and reconfigured in response to new electronic technologies that have opened new paths to market. Organisations, such as BT, have now developed new channel
management teams who map channel coverage for new propositions and products as they come to market (McLaughlin, 2003). Such teams can manage changes in the channel mix, based on consequent shifts in margins, as products move through their life cycle.

The challenge for managers responsible for channel strategy is to understand both the nature of their industry channel structure now and how it is likely to alter in the future. Valuable insights into emerging trends within channel structures can be gained from understanding the previous evolution of the industry channel structure as well as examining the experiences of other sectors or other industries on a global basis. Of particular relevance are the opportunities and threats that may result from two forms of structural change: disintermediation and reintermediation (Chircu & Kauffman, 2000).

In seeking to benchmark practices from other industry sectors, the exact role of mediation requires careful examination. In some industries, intermediaries are becoming more valuable channel members, whilst in others, the value of intermediaries is being challenged. Unless the intermediary is adding value to the customer relationship, it may prove to be an unnecessary cost and may be bypassed. Organisations are now finding that to build stronger relationships with final customers, they need to change the emphasis and expenditure at different channel levels, or, alternatively, refocus the existing expenditure in ways that build deeper and more sustained relationships (McDonald & Wilson, 2001).

3.1. Developing market structure maps

The existing industry structure and the role of channel participants can be better understood by means of a market structure map (McDonald & Dunbar, 1998) that shows how products or services flow from the producer through various intermediaries to the final customer. The market map identifies the volumes of product and services sold and the sales values associated with them.

A market map is constructed by plotting the various stages in the channel structure. It identifies all stages from the production of goods or services by the enterprise (and its competitors), through the various channel members, to the final users. Quantification of the volumes or values at each of these stages is a key element in the process. Possible changes in volumes and values over time should be identified on the market map so that the dynamics of channels can be better understood. Ideally, margins retained by each channel member at each stage of the market map should be identified, as well as how these may have changed over time.

As the market map is developed, further refinements to it are made, including the addition of information about specific market segments and different purchasing procedures encountered by channel members (McDonald & Dunbar, 1998). Market maps help evaluate the success of existing channel participants, help evaluate the amount of marketing effort aimed at different channels, and help consider alternative future structures.

4. Channel options

Equipped with a sound understanding of the key issues underlying selection of the appropriate channel participants, managers can then examine and evaluate the channel options available. Channel options fall into six main channel categories (Payne & Frow, 2004).

- sales force
- outlets
- telephony
- direct marketing
- e-commerce
- m-commerce

Although there are many individual channel options, for practical purposes, it is convenient to group them within these categories, as follows: sales force (including field account management, service, and personal representation); outlets (including retail branches, stores, depots, and kiosks); telephony (including traditional telephone, facsimile, telex, and call centre contact); direct marketing (including direct mail, radio, traditional TV, etc., but excluding e-commerce); e-commerce (including email, the Internet, and interactive digital TV); and m-commerce (including mobile telephony, SMS and text messaging, and WAP and 3G mobile services).

These main channel categories can be represented as a continuum of forms of customer contact ranging from the physical (such as a face-to-face encounter with a company sales representative) to the virtual (such as an e-commerce or G3 phone transaction).

Deciding which channels to use and in what combination (including at what time and with which segments) is a matter of being aware of the channel members and channel options available and then evaluating them in the context of the company’s business situation. This requires a full understanding of the nature of each channel type, including how it functions, and what benefits and limitations it offers. In B2B markets, where there is complex account management and a large product portfolio, there will inevitably be the need for a detailed evaluation and for a wider range of channels to be utilised (Courtheoux, 2003). An extra level layer of complexity can occur here because of the channel hand-off required as the product or proposition moves through the sales cycle from demand generation to fulfilment.

5. Channel strategies

The basic decisions relating to a firm’s strategic channel decisions have been considered by researchers, such as
Rosenbloom (1999). However, much less discussion seems to be devoted in the literature as to the broad channel strategy options that should be considered. The starting point is to consider objectively who should dictate channel strategy, the customer or the supplier. In general, the customer’ s needs must first be considered. If customers in the firm’ s target segments have demands that can be satisfied best through a particular channel strategy, this should be emphasized in the firm’ s CRM strategy. As Butanay and Wortzel (1988) have observed, a channel strategy becomes relevant because the target customer segments want it that way. However, circumstances, including capacity, competences, and capabilities, and business ambitions may dictate a more supplier-oriented, and less customer-oriented, approach.

As part of our research, we have identified a number of specific categories of strategies that we consider cover the majority of commercial businesses:

A mono-channel provider strategy is based on customer interactions through one main channel. First Direct Bank in the UK initially built a highly viable business with just telephone operations and no branch structure (many years later, they offered the Internet channel as well); in the online environment, certain B2B electronic marketplaces and auctions, as well as consumer companies, such as Amazon, have adopted single-channel Internet strategies, often referred to as ‘pure play.’

A customer segment channel strategy recognises that different customer segments may wish to interact with different channel types. Zurich Financial Services operate in B2B-intermediated markets as well as consumer markets. They use different channels and brands to appeal to particular market segments. Thus, their brands, such as Allied Dunbar, Zurich, Eagle Star, and Threadneedle, use different routes to market, including a direct sales force, independent financial advisers (IFAs), and a telephone contact centre, to serve 18 customer groups with differing needs and attitudes.

A graduated account management strategy is based on the existing and future potential value of customers. Many B2B companies (e.g., insurance brokers) have implemented a graduated approach where important commercial customers are served by a direct sales force of key account managers; medium-sized businesses are dealt with through telephone-based account managers; and small customers through a call centre.

A channel migrator strategy is concerned with migrating customers from one channel to another. This strategy may be driven by the potential within a new channel to serve more lucrative customer segments or the opportunities to reduce cost or increase customer value. Low-cost airline EasyJet commenced selling tickets solely through a call centre, but is now encouraging customers to purchase their tickets through the Internet. They have used a combination of financial incentives and reduced levels of service in the call centre to successfully encourage over 90% of both their B2B and B2C customers to buy online.

An activity-based channel strategy recognises that customers may wish to use different channels in combination to undertake different tasks. Thus, a customer purchasing a computer may visit a branch to physically inspect it; use the internet to select the exact specification of the computer; and use a call centre to confirm that this specification will meet their specific needs and to order it. Dell Computers have successfully adopted this strategy.

An integrated multichannel strategy involves utilising the full range of commercially viable channels to serve customers and integrating them without attempting to influence the channel that the customer wishes to use. RS Components, an electrical components supplier, and BT in the UK are responding to their corporate market demands by deploying such an integrated multichannel strategy. Here, the business should seek to capture all customer information across all channels and integrate it within a single data repository so the business can recognise previous interactions with the customer, regardless of the channel in which the interactions took place, and use this to enhance the customer experience.

Discussions about channel options are sometimes dominated by considerations relating to making the sale. However, for strategic CRM, the channels need to be considered in the context of the whole interaction over the life cycle of the customer relationship, not just in terms of the sales activity (Storbacka, 2001a,b). Customer understanding needs to go beyond traditional market research, which tends to be descriptive and aggregate results together, and drill down at a microlevel into the characteristics of the customer value chain for key customer types, or segments. In other words, we need to understand the processes that customers engage in—running an assembly line, an airline, or a professional services firm—and then identify the opportunities to create value within those processes. We create value either by making those processes more effective, doing them better, or more efficient, and doing them more cheaply (Christopher, Payne, & Ballantyne, 2002).

To help businesses identify such value-creating opportunities, the stages of a customer relationship are divided under three broad headings of acquisition, consolidation, and enhancement (Storbacka, 2001a,b). These stages can be broken down into more specific elements which will vary depending on the business being considered. For example, a computer manufacturer selling to business customers identified the following key elements: marketing communications, prospecting and lead generation, sales qualification, proposal generation, presales activity, selling, installation, postsales service, and ongoing account management. The channel approach adopted by a supplier should be developed in a way that enables the company to meet different customer segments’ needs over the life cycle and to maximise the value it creates for them.
6. The customer experience

Faced with the necessity of offering customers different channel types to meet their changing needs during the sales cycle (pre sale, sale, and post sale), it is increasingly imperative to integrate the activities in those different channels to produce the most positive customer experience and to create the maximum value. Competitive advantage today is not just about selling products and services to customers; it is about delivering world class service, and building long-term and profitable relationships with customers, which are founded on mutual benefit and trust. To succeed, therefore, the company must consistently seek to offer an individualised relationship (Peppers et al., 1999), where economically feasible, in every customer interaction through whatever channel is being used.

With the accelerating pace of technology, it is increasingly impossible to maintain competitive advantage merely through the attributes of individual products. Product life cycles are now so short that soon after launch, a company is likely to find competitors or new entrants imitating any new innovation (Christopher et al., 2002)—hence, the logic for CRM. Rather than merely producing discreet products for a mass market, the company pursues ongoing relationships with its most profitable customers. The value to the customer resides not in any single product but in the reassurance that the company will continue to offer them a stream of products tailored to their particular needs. In a sense, the company becomes the trusted supplier for the customer. By continually offering superior customer value to the customer in an extended relationship, the financial or psychological cost to the customer of switching to another supplier rises dramatically. The result is increased levels of customer retention and profitability, and a potential decrease in customer sensitivity to price.

However, if a company is to succeed in this endeavour, it needs to ensure that it continues to offer the customer the same individualised relationship over time and across all points of contact. In other words, the structure and flow of activity in the different channels through which the company and customer interact must be integrated so that the channels, both individually and collectively, consistently deliver the value proposition in the eyes of the customer. The provision of a ‘seamless and consistent customer experience’ at every juncture will engender trust, which in turn will reinforce the relationship and perhaps propel it towards a higher level of opportunity and return.

The collective experiences of a customer develop into an ‘emotional reservoir of goodwill’ (Payne, 2003) towards the supplier. High-quality experiences increase emotional goodwill and the likelihood of the customer giving his/her supplier further custom. In contrast, failure to deliver on the individualised relationship value proposition can leave the customer disappointed and frustrated, leading to dissonance in the relationship and worse, to the ultimate defection of the customer to a competitor. In evaluating the customer experience, a five-point customer satisfaction scale is often used. Findings in a number of studies have confirmed the importance of seeking high levels of satisfaction. For example, a study by Jones and Sasser (1995) on loyalty and customer satisfaction reached two major conclusions: (1) only highly delighted customers (e.g., a “5” on the five-point scale) can be considered truly loyal; and (2) customers who are just satisfied (e.g., a “4” on the five-point scale) are only slightly more loyal than customers who are thoroughly dissatisfied (e.g., a “1” on a five-point scale).

Because of the great importance of a highly positive customer experience, the channel strategy should seek to ensure such an experience occurs both within channels and across channels. The channel experience needs to be considered, in the context of a company’s industry sector and its important customer segments, by identifying the following: the typical and perfect customer experience within channels; the typical and perfect customer experience across channels; and how to sustain and improve the customer experience within channel, across channel, and substitute an existing channel for a better one.

6.1. The customer experience within channel

As part of a broader study on CRM, we sought over 1000 managers’ views of their experiences within two channels—the Internet and call centres. Two specific questions were asked relating to experiences within channels: first, what percentage of telephone calls have you made to a call centre over the past 2 months that have resulted in a perfect/outstanding customer experience; contrast these with those where you have experienced delays, poor interactive voice response (IVR), multiple hand-offs, etc.? Second, what percentage of the visits to Web sites have you made over the past 2 months that have resulted in a perfect/outstanding customer experience; contrast these with those where you have not been able to complete the registration process, experienced unreasonable requests for information at registration, poor layout, broken linkages, poor navigation structures, your computer locks up (apparently due to the Web site), or unnecessarily long delays in moving around the site?

Over 70% of respondents indicated only 1 in 10 experiences in contacting a call centre were perfect or outstanding and more than 60% said only 2 in 10 experiences in visiting Web sites were perfect or outstanding. Many complained about the poor customer experience within these channels. Given such poor results, companies need to understand, within their industry, what constitutes an outstanding and what constitutes a typical customer experience amongst their key customer segments and how they can improve it.

However, improved customer experience must be achieved at an affordable cost. The concept of segmented service strategy is important here. Improvement should be based on
6.3. The role of technology in improving the customer experience

Technology can make a major contribution to achieving an outstanding customer experience. For example, within a call centre, caller line identification (CLI) can identify the caller and rules-based systems can accelerate important customers up a large queue of calls; IVR can assist a customer to find the most appropriate person to speak to without multiple hand-offs; computer-telephony integration (CTI) tools, in conjunction with CLI, can enable a customer’s computer records to instantaneously be called up and be shown on the call centre operator’s screen. Together with an empathetic and well-trained company representatives, these technologies can dramatically improve the customer experience, in this case, in the contact centre environment.

The advent of increasingly sophisticated database technologies has greatly enhanced the ability of companies to target and differentiate their products, customers, and customer communications. Special search, analysis, and tracking features also enable companies to monitor the effectiveness and efficiency of marketing activity, and thus to maximise the return on marketing expenditure. By recording customer’s responses to different messages sent through different communication channels, the company can learn progressively more about its individual customers and how they (and others like them) are likely to respond to certain communications. Based on this information, the company can develop models to use in predicting the customer response behaviour of different segments to various types of communication. These educated projections can then be employed to help marketers evaluate alternative communications programmes and the probable return on investment these might achieve. As a result, more informed multichannel strategies can be developed.

7. Developing a multichannel strategy

Developing a multichannel strategy that delivers an appropriate customer experience for a company’s key customer segments is essential to effective CRM. Our work has identified six key steps involved in building a multichannel strategy: develop strategic multichannel objectives, understand customer and channel touchpoints to leverage competitive advantage, undertake a strategic review of industry structure and channel options, understand shifts in channel usage patterns, review channel economics, and develop an integrated channel management strategy. These steps are now briefly described, drawing on the discussion above.

7.1. Develop strategic multichannel objectives

The starting point for formulating a multichannel strategy is to determine the key strategic objectives. The overall objective of multichannel integration is to provide a signif-

the profit potential of different customer segments and service strategies and investment decisions should be made with the knowledge of this profit potential (Payne & Frow, 1999). Where a customer interacts with multiple channels, which is increasingly the case, the customer experience needs to be considered cumulatively across all channel interactions.

6.2. The customer experience across channels

The customer experience commences with the communications activities undertaken as part of the company’s acquisition programme and continues through all subsequent forms of customer interaction (Smith & Wheeler, 2002). In communicating with the customer, a company is likely to use a combination of different channel options or media, such as advertising, direct mail, sales promotions, public relations, and so on. If the company is to be successful in forming a particular perception of itself in the mind of the customer and in building a relationship with them on that foundation across channels, it must ensure consistency in the messages conveyed by these different means (Storbacka, 2001a,b). Any incoherence or conflict in the messages in different channels will confuse the customer, who may then misinterpret or ‘draw a blank’ about what the company stands for and what it is offering. This confusion across channels can seriously diminish the customer’s view of the company, and possibly instigate negative word of mouth.

The ‘touchpoints’ where the customer interacts with the supplier in multiple channels represent the most crucial opportunities to leverage advantage. It is here that the planned marketing communications meet the reality of what the customer actually experiences when they interact with the company. The customer’s ‘experience’ of the company will likely be a composite formed through using different types of channel. It will be based, for instance, on how the customer’s call is handled when they phone the company, how efficiently their orders are processed, how professionally their complaints or service queries are dealt with, and whether the visiting sales representative listens to them and responds appropriately.

If the customer’s experience of the company falls short of what they have been led to expect, their disappointment will likely show as frustration or a withdrawal of trust in the company. Unless the resultant quality gap or damage to the relationship can be quickly and fully redressed and the customer reassured, the company’s espoused position will be undermined. The danger is not just that the company will lose a customer, but that it will effectively hand the customer to a competitor. At the other extreme, if the customer’s experience of dealing with the company meets or indeed surpasses their expectations, such that their experiences are outstanding (or better), then the company’s reputation will be given a boost and the relationship will be strengthened (Jones & Sasser, 1995).
icantly enhanced customer experience that results in higher customer satisfaction, and increased sales, profits, and share of wallet. Ideally, this should be accompanied by a lower cost to serve, through alternate channels, lower in the value chain, e.g., from direct sales force to desk-based account management or a shift from desk-based account management to the adoption or increase in the use of electronic solutions.

Specific strategic objectives should be developed by a company to reflect the earlier CRM strategy development and value-creation processes. For example, the broad objectives set for a new multichannel strategy by a leading company for its major business clients included the following:

- Improve the customer experience
- Increase account coverage
- Improve revenue growth
- Decrease operating expenses
- Utilise the full skills and resources of our business and its employees.

These objectives then should be translated into more specific quantified ones. This may require a benchmarking exercise by understanding experiences of similar companies or undertaking a pilot project to better quantify potential targets. The objectives are likely to be further refined as a result of the further steps outlined below. For example, one large UK industrial services firm developed specific objectives which included the following: improve total customer experience as measured by customer satisfaction index by 12%; reduce cost of sale by 5%; increase account directors’ face-to-face selling time by 20%; and achieve revenue growth of 15%. In this firm, a total of 16 target measures were developed.

7.2. Understand customer and channel touchpoints to leverage advantage

The needs, wants, and concerns of customers should be a primary consideration in the design of marketing channels. Central to this is undertaking a detailed customer segmentation that helps identify key needs and concerns at the segment level and an integration of customer touchpoints across channels. Understanding and managing customer touchpoints or customer encounters represent an extremely important part of multichannel integration and CRM. An analysis of the customer’s needs, wants, and concerns helps identify how such touchpoints can be leveraged to gain advantage.

These needs, wants, and concerns need to be viewed over the entire life cycle of the customer relationship (Vandermerwe, 1996). The stages of a customer relationship can be considered under the three broad headings of acquisition, consolidation, and enhancement. These stages can be broken down into more specific elements that will vary depending on the business being considered. For example, a computer manufacturer selling to business customers identified the following key elements: marketing communications, prospecting and lead generation, sales qualification, proposal generation, presales activity, selling, installation, postsales service, and ongoing account management.

Each of these elements may include many touchpoints or encounters. The analysis of the needs, wants, and concerns can help in gaining insight into how customers experience relationships. To be able to develop the relationship process, objectives based on customer needs can be designed for each relationship stage. After the objectives have been defined, the process can be analysed to evaluate whether the current encounters and their content will work towards achieving these objectives. This may enable a reengineering of the touchpoint or encounter contents (Storbacka, 2001a,b).

TNT Express UK is a good example of an organisation dedicated to creating competitive advantage through understanding these touchpoints. TNT has developed a programme called ‘the perfect transaction’ aimed at improving the customer experience across all their touchpoints with customers. This programme involved identifying the needs, wants, and concerns of their customers across different channels and using econometric modelling to prioritise them. The ‘perfect transaction’ involves improving the full chain of encounters across all channels from when a customer requests a collection to the time that payment is received for the consignment. This initiative, which has been highly successful, focuses on each person sharing in the responsibility for seeking ‘perfection’ in each step of the transaction.

7.3. Undertake a review of industry structure and channel options

This step involves a review of the channel alternatives currently being used by the company and those used by their competitors as well as the potential for structural change by means of disintermediation or reintermediation (Chircu & Kauffman, 2000). This task can be assisted with a tool called channel chain analysis that considers how a combination of channels are used at different stages of the customer interaction with their supplier. McDonald and Wilson (2001) apply channel chain analysis to the B2B personal computer market and identify the different channel structures utilised by competitors at different points in time. For example, the traditional key account management structure is now mainly used only for large computers or large accounts. A direct sales model was introduced by companies, such as Dell Computers, in the mid-1990s. In more recent years, the Internet has been added to the channel mix. Having understood past and present models, future channel chain diagrams can be constructed and experimented with to consider other options (McDonald & Wilson, 2001).
7.4. Understand shifts in channel usage patterns

The consideration of possible channel options can be assisted by an understanding of how shifts will occur in channel usage patterns. For example, the Web and e-mail channels are growing at a much greater rate than traditional channels, such as voice-based telephony (Forrester Research, 2001). Companies also have experienced significantly different rates of usage of different channels and these usage patterns need to be considered as part of this analysis. The authors have worked with one European bank that identified greater product use in a new electronic channel compared with existing channels. It is successfully migrating customers to this channel, resulting in significant increase in business.

An exploration of past trends and future forecast in channel usage should be considered with respect to the company’s customer segments. In addition, the relative importance of different channels at different customer relationship life cycle stages for the product or proposition needs to be considered. Usage of different channels by different customer segments may vary considerably and, if this is the case, the potential adoption curves for key segments should be estimated.

7.5. Review channel economics

The next step is to review channel economics. In some industries, marketing channel costs may represent over 40% of the price paid by the customer, so these often represent a prime opportunity for cost reduction (Bucklin, Defalco, DeVincentis, & Levis, 1996). However, alternative channel structures and channel options have widely differing economics in terms of transaction costs, infrastructural costs, and relative usage.

Transaction costs across different channels vary so markedly that they are frequently the primary area of focus in discussions on channel adoption (Nash, 2001). Not surprisingly, many businesses have rushed into the on-line channel because of its low transaction costs. However, while channel transaction costs are important, other aspects of channel economics must also be explored. Studies, such as that undertaken by McKinsey and Co. and Salomon Smith Barney (2002) have demonstrated that the apparently low transaction costs involved on selling on the Internet need to be considered alongside other consideration, such as marketing, Web site development, fulfilment, and other costs.

7.6. Developing an integrated channel management strategy

This final step involves making decisions regarding how the company’s strategic channel objectives will be achieved through a properly integrated channel management strategy. The choice of the appropriate multichannel strategy will depend upon the desired customer experience for the key target segments, the complexity of the channel interaction, and the channel economics. The economics of channels and the relative degree of use of alternative channels by different customer segments will have significantly different profit outcomes. Understanding the different profit contributions of customer segments and successfully exploiting this is a factor of superior channel management.

Developing an integration channel management strategy gives rise to the following issues: how to achieve brand consistency in the formal communications programmes of different channels; how to achieve consistency in the way customers experience the company when they deal with its various channels; how to ensure the communications and services a customer receives through different channels are coordinated and coherent, tailored to their particular interests, and cognisant of their previous encounters with the company; and how to optimise the return on resources deployed across different channels. As noted earlier, the nature of the total customer experience across different channels needs to be carefully addressed. The concept of customer experience design is a relatively new concept. However, recent work on experience design and managing customer experiences have made a significant contribution to our thinking in this area (Gilmour, 2000; Storbacka, 2001a,b).

The relative complexity of the interactions leading to the sale and the costs of serving the channel in industrial markets also need to be fully considered. Fig. 2 provides an illustration of this in a B2B sector.

These channel options need to be considered in the context of the channel participants or channel members that are used (Marketbridge, 2003; McLaughlin, 2003). Selection of appropriate channel members, discussed earlier in the paper, can result in different industry structures that may include business partners, value-added resellers, other intermediaries, as well as direct sales models. Each channel member should utilise the most appropriate range of channel alternatives.

Fig. 2. Channel alternatives based on cost and the complexity of sale.
The examples of channel alternatives shown in Fig. 2 have different advantages and challenges. Each element of customer interaction needs to be analysed to ensure the appropriate channel is being engaged for that activity. While the face-to-face channel used in much account management is costly, it is necessary for complex tasks and important customer segments. However, less complex tasks may be handled for the same key customers through other lower cost channels. Desk-based account management might involve a highly experienced salesperson who can immediately access customer information and use it in a highly interactive and customised manner, whilst telemarketing may deal with more routine sales, service, and queries. The Internet and electronic channels provide the opportunity for high-quality personalised self-service. However, the development of this channel will be dependant on high-quality portals and customer education and acceptance.

Companies, such as BT (McLaughlin, 2003) and IBM (Fury, 2002), are now driving considerable cost out of their account management structure by introducing new innovations in this area. The creation of a differentiated and superior value proposition hinges on the provision of open and responsive interactions and dialogue with customers. This means actively recognising what are the best channels for reaching individual customers and what channels individual customers prefer to use for different tasks, how they use them at present and how their usage in the future may change.

8. Conclusion

This paper has examined the role of multichannel integration process in CRM and discussed how CRM unites relationship marketing and channel management with the objective of delivering profitable, long-term customer relationships. In this final section of the paper, we review some of the key managerial issues and challenges faced by enterprises in their adoption of an integrated multichannel approach and identify some promising areas for future research.

8.1. Managerial issues

A comprehensive multichannel integration strategy that has the support of both staff and management is essential for any company that wishes to maintain a first-class level of customer experience within and across its range of channels. Today’s customers require service in a multitude of channels, including the Internet, face to face, WAP and 3G applications, call centres, and so forth. These customers are individuals, be they corporate customers or final consumers. A review of research and experience in examining companies implementing a multichannel approach involving adding new channels suggests that a number of practical issues need to be considered by managers wishing to adopt a similar approach.

First, in offering a range of channels to customers, it is important that the right message is sent to customers and that the benefits do not seem too one sided. Some companies emphasise the benefits to themselves of a multichannel approach as opposed to the benefits to their customers. This problem has been especially highlighted by Schultz (2002).

Second, extensive communication to staff of the new multichannel approach is essential. Companies have learned that their use of a blend of channels to service their customers seems to require constant explanation to employees.

Third, sales force behaviour needs to change. Sales staff, in particular, need to be taken through the economic arguments as well as an explanation of any likely impact on their work role and their remuneration. Change management and employee engagement issues are important here.

Fourth, the technology required to support integration of the off-line and on-line channels can only be prescribed once a single clear of the business processes and associated channel ‘maps’ are agreed on across marketing, sales, and service.

Fifth, companies should be aware how one channel may seek to sabotage other channels’ efforts. Unless there is a sufficient incentive for staff to behave in a mutually supportive way, the correct channel hand-off to make the integrated channel management strategy work may not happen.

Finally, there needs to be clear reason behind why integrated channel management strategy is being adopted. In many cases, this will be driven by strong competitive pressures and a need to create differentiation. Based on well-known principles of change management, the creation of a sense of urgency will help combat the considerable resistance to change that may be encountered.

8.2. Future research

There exists considerable scope for future research in this area. We draw attention to several areas of worthwhile research.

First, empirical work is needed into the adoption of new channels by enterprises in the context of their CRM strategies. How is the nature of channel usage changing over time and what are the outcomes of shifts in channel usage amongst customers? What are the sector-specific challenges confronting organisations in multichannel integration?

Second, how do organisations determine new channels when engaging with customers? How do they identify and attract early adopters? Providing products and services in both traditional and new channels is highly important for companies that want to meet the expectations of opinion leaders and ‘forerunner’ customers. What is the reaction of different customer segments to different channel options? Of
special interest in this area is the adoption and use of new mobile technologies. Third, a more exhaustive channel strategy taxonomy, in the context of companies’ CRM strategies, needs to be developed. We have identified six broad channel strategies based on a consideration of more than 30 companies we examined. A more comprehensive study would not only adopt a larger sample, but would explore the motives behind selection of actual channel strategies as well as identifying the extent to which a strategic CRM perspective was a driver of their adoption.

Fourth, how should organisations identify the level of service appropriate to different channels? Experience suggests that customers have different expectations with respect to issues, such as response times in different channels, such as on the telephone and the Internet. What are the experiences of best-in-class companies and what are the best assessment tools? How, as discussed earlier, can brand consistency be best managed across different channels?

Fifth, work needs to be done in the area of measurement of customer experience in a multichannel environment. This would involve extending data collection to capture information at each channel interface, especially in a face-to-face context where data capture is often incomplete or nonexistent. This is of obvious importance because the quality of a company’s service is only as high as the weakest link in its multichannel strategy.

Finally, academic case-based research needs to be carried out in those companies who have developed successful channel migration strategies and had significant economic benefit and customer satisfaction improvement as a result of shifts in channel usage. Channel consultancies, such as Marketbridge, have developed highly successful approaches for its clients that involve migration of B2B customers to lower cost channels with an accompanying improvement in customer satisfaction. As the multichannel environment becomes increasingly more competitive in the new millennium, there will be continued pressure on organisations, whether new or traditional, to learn from case-based research about how to improve the economics of multichannel performance and achieve higher levels of customer satisfaction and intimacy.

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