

The Excellent Customer Journey Experience

To Suzanne, Julius and Floris

Translation by Andrew Black

Mike Hoogveld

The Excellent Customer Journey Experience

Handbook for integrated multichannel management

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Praise for ‘The Excellent Customer Journey Experience’

Invaluable reference

Hoogveld's book is an invaluable reference for organizations planning and implementing their omnichannel strategy. Most impressive is how the book aligns all the practical advice that it provides on the omnichannel approach to established and familiar business strategies for success. The book also provides a unique blend of practically motivated content with research-based facts thanks to the author's dual backgrounds. As a result, readers are guided to implement omnichannel in a way that is most likely to generate both customer equity and business value.

Akin Arikan, bestselling author of ‘Multichannel Marketing: Metrics and Methods for On and Offline Success’

Must read for today's manager

This book hits home on a fundamental aspect of our daily lives. Life around us has become more complex. We all have a multitude of channel choices to satisfy our needs. This unique book describes this very well. Through research and practical examples, it highlights for companies the importance of reaching out to their customer base via multiple channels to ultimately improve their ROI. Hoogveld has made a very clear and practical case for the need for companies to devise and execute a cross channel strategy in order to avoid becoming the dinosaur of their respective industry.

Marco ten Bruggencate, General Manager Dow Building Solutions, Dow Chemical

Web Analysts: read this first!

Coming from the domain of online customer analytics, an area of constant innovation, I find it's important to stay connected to the fundamentals of channel marketing and customer centricity. All too often, we get caught up in the excite-

ment and challenges of yet another channel (did I hear you say social, mobile?) – with its promise of reach and relevance. The guiding principles of cross channel customer insight, as laid out in chapters 6 to 9 of this excellent book, are a must-read for all practitioners in the field of online marketing. The practical tools that Hoogveld offers, guarantee that this book will often be reached for as a source of guidance, long after the initial reading.

PJ Verhoef, President Location Based Marketing Association Europe / Account Executive Adobe Digital Marketing

Outstanding book, strongly recommended for marketers

This subject is interesting and of great value to every marketer. After reading the first 97 pages you are right at home with this topic and you have an overview of the whole field. It's a fine reference book with a checklist covering every possible channel. The strengths of this book are its complete coverage and the theoretical framework. It is of scientific value without a doubt, I know of no other book that describes the subject matter in such depth. Despite the extensive coverage of theory the book is very readable as a result of the structure and sub-divisions of the text, the images, diagrams, examples, conclusions and summaries.

Excerpts from the review on Managementboek.nl by Johan Bel RM

Well worth reading

Ever since Ogilvy introduced 'Orchestration' we have known that integrated communication works more effectively. When you also want to completely integrate marketing, sales, service, ICT and HR then you can without doubt call that a 'tour de force' for the writer. Given the breadth and depth of the theoretical framework within which the purpose and necessity of the various aspects of omnichannel excellence are presented on the basis of research, models, and checklists, Mike Hoogveld's book is a brilliant success. The same applies to the overview of channels and the related explanations. By means of the omnichannel cycle the reader is taken along on the long march from theory to the details of implementation. The cycle has been thoroughly developed in eight steps on the basis of the plan-do-check-act principles.

An excerpt from the review in the Tijdschrift voor Marketing magazine, by Nick van Loendersloot

Directly applicable in practice

This book really adds something to marketing literature. It gives every marketing and sales manager detailed insight into how their business can innovate with the implementation of channels. The suggested methods are very sound as the book is founded on extensive scientific research that has all been tested in practice. Hoogveld's style of writing is very accessible and the eight-step plan enables you to apply the theory directly in concrete, practical implementations. Really a must-read!

Pieter Paul van Oerle, Senior Manager Accenture

The future of marketing

In this bestseller Mike Hoogveld opens up the secret of design and implementation of omnichannel management. It is the fruit of his scientific research into success factors in omnichannel management. Furthermore, his practical experience (literally) speaks volumes in the many helpful overviews and checklists. However, I think the significance of his book extends further. Mike makes it crystal clear how the Marketing and Sales disciplines can be successfully put on the map again. In a period in which the media landscape is changing continuously, seamless integration of the Marketing and Sales strategies, channels, structures and processes is a must. Deming, the inventor of the PDCA cycle, would be delighted to see that after making inroads in the production sector his cycle has now found its place in the commercial sector.

Leo Kerklaan, author of several books on quality management and learning organisations, Associate Partner Passionned and Director Franeker Management Academy

Unique book about customer communication

How can you approach customers and prospects in the most effective and efficient manner? This is a central question in a time when there are more communication channels than ever available. In his book Mike Hoogveld makes a brave and successful attempt to provide an integral answer to this question. By on the one hand taking theory and research as his basis and on the other hand by providing guidelines to implementation. It is a successful attempt to combine theory and practice. Every modern marketer should become acquainted with this.

Wil Wurtz, Partner Metrics & More – Ambassador CRM Association NL

Foreword

In the olden days we only had a single channel: the front door. The front door was our only access to the outside world. If we wanted to know what the weather was doing we stuck our head outside. Those who wanted to look something up went through the front door to the library. Those who wanted to book a journey or buy some clothes went through the front door 'to town'.

We have recently been given an additional front door; a digital front door that has changed the world once and for all. Weather sites are among the most frequently visited, we use search engines to find all kinds of information and many travel agents and shops have been forced to close their doors.

With this new digital front door an entirely new industry has arisen that is thriving and growing in spite of every recession. Recent years have seen a spectacular increase in expenditure via the Internet. And the end to this growth is not yet in sight.

New business models have made their appearance. And so it turns out that knowledge of our search behaviour is worth a lot of money. Search engines and comparison sites are flourishing because they resell that information to those who are offering all kinds of goods and services.

Has this rendered the traditional front door redundant? Not at all. Orienting yourself on the Internet and subsequently buying in the shop has become a very common sequence. But it's possible to do it the other way round: seeing, touching, trying on or trying out in the shop and subsequently buying the best online offer on the Internet is an alternative sequence.

It is notable that the consumer is much more in the lead in this process than he used to be. He or she has many more possibilities to choose from and has far more information available than ever before. Through the enormous growth of social media, non-commercial word of mouth product appraisals are available to everyone everywhere at any time.

All this has a tremendous impact on businesses and especially on marketing. We are on a tipping point from push marketing to pull marketing. From target groups to followers groups. From making publicity to being found.

It is remarkable that for many companies this tipping point is passing by very slowly. Apparently their traditional way of working is firmly ingrained and they only achieve the necessary commercial innovation with great difficulty. Lack of knowledge and experience certainly plays a significant role here.

Multichannel and cross channel management are a daunting challenge for many. Practical problems arise especially from the need for consultation and coordination between the various departments involved.

In this book by Mike Hoogveld you find an extremely practical approach whose success has been amply demonstrated in practice.

Prof. dr. John Koster

*Nyenrode Business University
Holland Consulting Group*

I Introduction

“Make love, not war”

(Franklin Rosemont)

1.1 Suez and Panama

Until the early 20th century ships with intercontinental freight were obliged to take the route around Cape Hoorn, the southernmost point of South America. Firstly the French started work on the Panama Canal in 1881 and subsequently, after an interruption of 15 years, the Americans took on construction of the canal that would join the Pacific Ocean to the Caribbean Sea. More than 275 million dollars were invested (6.33 billion dollars at current value). Nearly 250 million cubic metres of soil were excavated and more than 27,000 men lost their lives. When the Panama Canal was opened on 15 August 1914, with a length of 50 miles and a breadth of up to 770 yards, it was no longer necessary to circumnavigate the whole South American continent. This shortened the distance to be travelled by approximately 8,000 miles and eliminated the need to sail in the extremely dangerous Southern Ocean.

The 120 mile Suez canal, which was opened as early as 1869 and since then has been regularly enlarged, is in many respects comparable to the Panama Canal. By linking the Mediterranean sea with the Red Sea it rendered superfluous the traditional route around the Cape of Good Hope, the southernmost point of Africa. This shortened the journey by more than 5,000 miles.

Both canals naturally enabled enormous reductions of time, risk and cost. And that led to fundamental changes in the transport of goods. Suddenly it was possible and economically attractive to transport goods with shorter shelf lives and lower value to volume ratios to distant markets, in spite of the relatively high toll levies. All this created an impulse for world trade and resulted in great changes in many markets. Now each year 32,000 ships with almost 950 million tons of cargo are using the canals.



Illustration 1.1: The Panama Canal (photo: Canal de Panamá)

The Suez and Panama Canals are, of course, channels in the most literal sense of the word. But they are very similar to the channels that are discussed in this book. The use of channels opens up the possibilities for reaching new or existing target groups with new or existing products and services. And changes of momentous proportions are occurring regularly. Consider for example Apple's innovation with the introduction of iTunes. Since 2001 this new channel has caused fundamental, permanent changes in the business models for music, films, games and books. The same applies to Dell, that completely changed the market for PCs in 1985 by selling directly to customers without going through resellers.

It is also interesting to see that the strategic value of the Suez Canal may now be diminishing. And not because of a new artificial canal, but as a result of climate change. In the last fifty years the average temperature in the North Pole region has risen by four degrees so that much ice has melted in the Arctic Ocean and passage of cargo ships is increasingly feasible. The voyage from Shanghai to Rotterdam covers roughly 9,500 miles in 35 days by the northern route, compared with 12,000 miles in 48 days by the southern route. Despite the extra cost of ice breakers, the shipping companies save on balance about 185,000 dollars.

Furthermore there is the advantage of avoiding the risk of hijacking in the Indian Ocean. However, the disadvantage is that at the moment the route can only be used from June to September, when the ice is thin enough.

It should be clear: the future belongs to those who see the possibilities and opportunities in channels at an early stage and take the chance to exploit them fully!

1.2 The war between marketing, sales and service

This chapter's motto, 'make love, not war', might suggest that I am an old hippie. But my date of birth was long after that era. So what am I really? An odd man out! At least, that's how I've felt all my working life.

Since the start of my career I have actually been working on the intersection between marketing and sales. The marketers saw me as a salesman and the salesmen took me to be a marketer. You will appreciate that there are pros and cons to this situation.

And what strikes me every time I visit an organisation for the first time: there seems to be war between marketing and sales. Or formulated with a little less exaggeration: to this very day I am surprised that I have not met a single company where the marketing and sales departments work together in an effective manner. Not to mention with the service department.

A random selection of the wonderful quotes that I have come across from the sales camp:

- 'The marketing boys have never sold a thing themselves.'
- 'The marketing department doesn't understand us.'
- 'All that fancy language and big budgets, but marketing has never provided us with anything useful.'
- 'All very well, but what does that name recognition and brand experience do for us?'
- 'We understand the customers because we talk to them every day. But marketing doesn't listen to us. They're sitting in their ivory tower.'
- 'The marketing department never delivers the tools we really need.'
- 'Marketing just throws their leads over the fence, but they are unusable.'
- 'Marketing is very self-important, but if we stopped tomorrow then things wouldn't keep going here for very long.'

And we could also make a wonderful list of quotes from marketing or service...

It is my conclusion that channels are one of the last areas in business that is not yet optimally managed and of which the significance and potential are underestimated. Partly because in most organisations there is a Chinese wall between the marketing, sales and service departments. While they ultimately have the same goals: making turnover and profit. So ‘make love, not war’ is a logical starting point: cooperation leads to better results.

1.3 New channels and changing customer behaviour

If we stop looking inwards but look outwards, then it’s obvious that things are changing in the market. One of the most important changes is that more and more channels have appeared as a result of continuing digitalisation. Let’s take a look at the current forms of channels and media:

- (key) account management, field sales force, office sales force;
- contact centres: telephone, email, telefacing, chatting;
- digital publishing: e-books, white papers, newsletters, podcasts, Slideshare, blogs, RSS, etc.;
- training and education;
- Internet sites, webshops;
- search engines: organic (SEO) and paid (SEA) search results;
- social media: LinkedIn, Facebook, Twitter, etc.;
- smartphones: SMS, MMS, apps, mobile Internet sites;
- content portals: for example YouTube;
- product comparison portals; affiliates;
- links on special interest portals;
- trade shows, events;
- direct mail;
- sponsoring;
- advertising: web, print, outdoor, radio, television (including product placement);
- sponsored magazines;
- mail-order catalogues;
- shops, wholesalers, agents, dealers, resellers, etc.;
- loyalty programmes.

So, in recent times an impressive number of alternative channels have appeared, each with their own specific characteristics. And customers in the business and consumer markets increasingly take advantage of them. Moreover, as shall be apparent later in the book, customers and prospects are increasingly independent in the choices they make in the use of channels in the various phases of their orientation, purchase and use process.

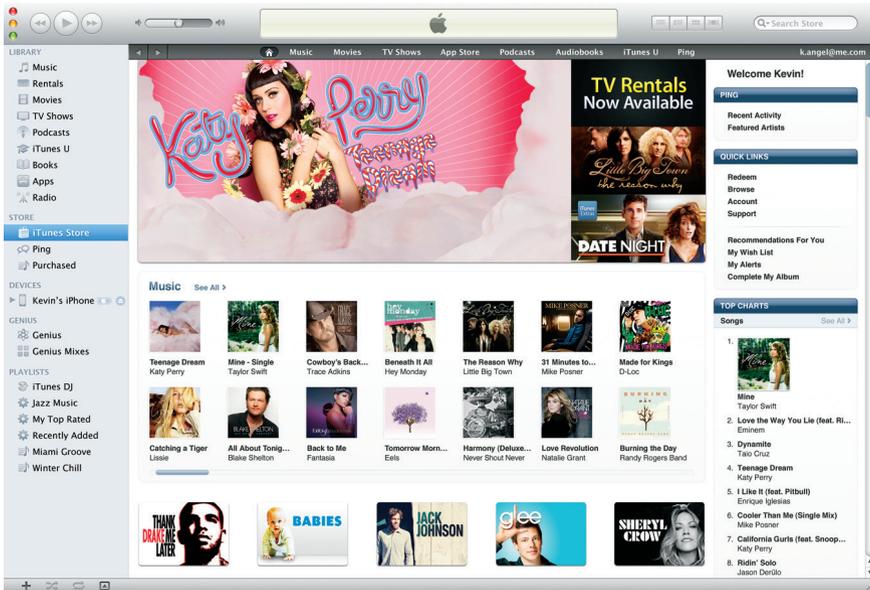


Image 1.2: The introduction of the 'iTunes Store' channel fundamentally changed the sale of music, films, games, books and other items (photo: Apple)

1.4 The resulting problems

Gartner¹ indicates that omnichannel activities fail as a result of the silos within an organisation and channel centric strategies. Customers show more and more cross-channel buying behaviour, and as a result loyalty tends to decline. 85% of consumers want an integrated shopping experience but only 50% actually experience this. And 72% want an integrated marketing approach, while only 39% actually receive it. Gartner predicts that up to 2015 80% of the omnichannel implementations will fail.

So commercial management faces many challenges:

- Marketing, sales and service are not cooperating with each another.
- The large number of available channels is growing rapidly.
- There is inadequate knowledge about these channels and their implementation.

1 Gartner, Predicts 2012: Retailers will struggle with omnichannel execution 2011

- Customers and prospects are increasingly individualistic in their choice and use of channels.
- Insight into, and understanding of, the needs, desires and behaviour of customers and prospects are insufficient.
- Unexpected competitors enter the market with the skills to play the ‘channel game’ better.

In short, a kind of Gordian Knot. There is good reason for the typical Chief Commercial Officer to have sleepless nights with a pain in his stomach!

1.5 The solution where everything comes together: omnichannel management

But I have a hopeful message for those CCOs who despair about the lack of cooperation between their sales, marketing and service departments and how this frustrates their customers: rescue is at hand! And it takes the form of a practical omnichannel approach that can be directly implemented tomorrow: ‘customer journey excellence’.

Omnichannel management can best be defined as the process of designing, implementing, evaluating and improving an integrated set of channels and media to increase customer value through optimal customer acquisition, retention and contribution margin, which leads to maximum return on the investments in marketing, sales and service activities.

In this book we shall discuss a practical way in which organisations can apply omnichannel management in their specific situation. To do this we have chosen to go deeply into the substantive and technical aspects of omnichannel management. However, ultimately it all depends on one thing and that is behavioural change. As the saying goes: ‘You can lead a horse to water, but you can’t make it drink.’

For successful implementation of an omnichannel operation it is absolutely necessary that all those concerned embrace the new way of working with urgency and ambition. And that they therefore accept the consequences that come with it. Success is impossible without behavioural change. And with this we enter the field of change management, a completely different ball game. It is of the utmost importance that the management of this change trajectory engages in co-creation with their people to prepare very carefully and then to carry out a completely disciplined secure implementation. That demands a lot from the

leadership. Not only impeccable exemplary behaviour, transparency and consistency, but also the daring to challenge employees who continue their old, undesirable behaviour.

Many good books have been written about change management and to go deeply into the subject falls outside the scope of this book. However, given the enormous importance of the subject we have chosen to discuss the most important principles of successful change management in chapter 7.

1.6 Managers' questions about omnichannel management as the basis for this book

In our consultancy practice we find that managers are struggling with many questions about omnichannel management. Among other things they are wondering about the following:

- What do customers and prospects want?
 - What, in fact, are their real needs?
 - Which channels do they use?
 - What do they use those channels for?
 - Are we missing things in our channels that they really want?
 - Does our value proposition match well with their needs?
- Which channels are our competitors using and why?
 - What works well for them and what does not?
 - What can we learn from that?
- What should our strategy look like?
 - Which target groups, value propositions and channels best fit our strategy?
 - How do I make them fit together?
 - What basis do I have for determining that?
 - What does the Internet mean to me?
- Which channels are best for us?
 - Do we have to use more channels than we have now?
 - Should we be using fewer channels?
 - Should we be using other channels than we have now?
 - And why?
 - What is it going to cost?
 - And what will it do for us?
- How do we determine the best channel mix?
- How do we build up a new channel?
- How do we deal with channel conflict?
 - How do we keep control over our indirect channels?

- How can we steer customers and prospects in their use of channels?
- How do we see whether or not a channel is generating a good contribution?
 - Which results should we be looking at?
 - How do we measure them?
 - How do we analyse and report that?
- How do we optimise an existing channel?
 - How do we increase the yields?
 - How do we reduce the costs?
- How should we structure our organisation to get better performance from marketing, sales and service?
- How should we manage and reward our people to get them to think outside their own 'channel silo'?
- How should we best implement an omnichannel approach in our organisation?
- What is the best way to achieve structural management of an integrated omnichannel approach?
- How should we organise our ICT to be able to execute good omnichannel management?

We have used these questions as far as possible as the starting points for composing this book.

1.7 Science as the basis for daily practice

Besides my consultancy practice I also have an association with a university where I am doing doctoral research into omnichannel management. And in carrying out that research it repeatedly strikes me that there is a very persistent separation between the academic world on the one hand and business practices on the other. There is a wide range of reasons for this, for example lack of contacts, budget or mutual understanding. Whereas each could be learning a lot from the other.

For example, there is an enormous amount of useful research into the behaviour of customers and prospects in omnichannel environments and how organisations can manage their channels. This provides objective, factual information on which management in marketing and sales can base their policy. Whereas this is now mainly done on the basis of personal hobbyhorses, opinions, subjective experiences, selectively written and interpreted reports, and so on.

The main principle of this book has therefore been to base everything as far as possible on scientifically proven theories and ways of working, as a result of which the chance of success is maximised. And from many years of experience in our own consultancy practice we have enriched these theories and ways of working to develop a streetwise practical approach that you can start implementing directly.

1.8 Omnichannel management as the axis on which the enterprise turns

‘The customer pays your salary’, is an observation that I make regularly to people with whom we work in our consultancy practice. That is an irrefutable statement, but nevertheless this notion is generally entirely absent. It is our conviction that the customer should be seen as absolutely central within the organisation. And if that is so then omnichannel management is the connecting link between all parts of the organisation (see figure 1.1).

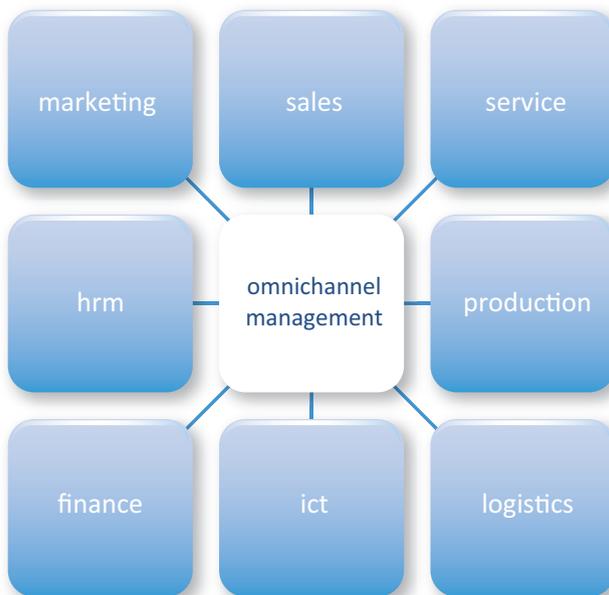


Figure 1.1: Omnichannel management as the axis on which the organisation turns

This means that, as far as we are concerned, omnichannel management belongs on the agenda of the board of management. It's not only about sales, it's not only about marketing, it's not only about service, because such compartmentalisation leads to sub-optimisation. It's about an integrated vision and management of a complex combination of strategy, target groups, value propositions, channels and results.

And that is only possible at the highest, coordinating level within an organisation. Marketing, sales and service decisions are generally taken at just too low a level!

1.9 The set-up of this book

Chapter 2 discusses the phenomenon of omnichannel management in more detail. Whereby we deal with such subjects as: what exactly is it comprised of, what problems are involved, what advantages does it offer? Channel conflicts are specifically dealt with. Furthermore we examine who exactly are the multichannel customers. Which behaviours do they exhibit, who is most open to use of a new channel, how do they choose specific channels, etc.

The characteristics of currently available channels are discussed in chapter 3. This gives insight into matters such as costs, possible returns, advantages, disadvantages and applicability of the various alternatives. These aspects form the basis for the focus of the channels on the yet to be formulated target groups and value propositions.

In chapter 4 we introduce the 'omnichannel cycle'. This is based on the method known as plan-do-check-act or PDCA, that has been scientifically proven to be successful and is used in all kinds of variants in quality management and learning organisations. We give a brief explanation of the eight steps in that cycle.

The first step in the cycle is covered in chapter 5: determining the winning strategy by means of the 'omnichannel crater'. These are based on the insights from the 'voice of the customer'.

Chapter 6 is devoted to the next step of the Plan phase, consisting of segmenting the target groups, developing the value propositions and establishment of the channels. This is done by means of 'customer journey mapping' that gives a central position to the ultimate customer experience according to the strategy. This is set out in a so-called target group – value proposition – channel model, the 'cross channel cube'.

In chapter 7 we examine the implementation of measurement: goals, KPIs, targets, metrics. We discuss how the whole ‘omnichannel intelligence’ system should be tuned: who is going to measure what, how are they measuring, recording, analysing and reporting? By means of the omnichannel balanced scorecard and CRM applications we make clear why and how you use data to maximum effect, as the beating heart of omnichannel management.

The execution of the omnichannel operation is explained in chapter 8. What are the moments of truth and how should we deal with them? And how can we apply short cycle iterations to directly achieve ‘quick wins’?

Chapter 9 discusses the ‘voice of the customer’ (VOC), that should always serve as a starting point. What are the sources and how we make optimal use of them? It is necessary to gain deep insight into, and understanding of, the needs, desires, motives, preferences and behaviour of customers and prospects in order to determine the strategy, to segment the target groups, to develop the value propositions, to establish the channels, to build the customer journey and customer experience and to optimise time and time again. In addition, we discuss the most frequently used database analysis techniques.

To have an omnichannel operation running optimally it is essential that all boundary conditions have been fulfilled in the appropriate manner. What are the critical success factors for omnichannel excellence? In chapter 10 we address, among other things, the requirements for structure, systems, staffing, skills and culture.

Chapter 11 addresses the subjects implementation and change management. Successful implementation and continuous improvement of omnichannel management is completely dependent on a systematic approach. We discuss the essentials of such a change strategy.

Subsequently in chapter 12 we discuss the optimisation of the plan-do-check-act process itself. We consider, at meta level, opportunities for improving this. And we explain how the success of all the improvements can be objectively measured in the Plan and Do phases which are then started.

Finally, in chapter 13 we describe some case studies. These serve as additional explanations of how omnichannel management should work in practice.

In short, lots of food for thought!