

## **Using the Voice of the Customer to Meet the Multi-channel Imperative**

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**Based on a study conducted by the Customer Care Alliance**

## The Multi-channel Imperative

If you visit Giant Food's corporate web site, you'll find their "Quality – Service – Satisfaction" pledge: "You have the right to quality and service. Your satisfaction is guaranteed". Nowadays, at Giant Foods, "your right to service" means you also have the right to serve yourself.

About a year ago, our neighborhood Giant supermarket on Duke Street in Alexandria, VA installed those new, fancy self-service checkout terminals. I tried using one of the two new test machines a few times only to discover a short time thereafter that this wasn't an experiment. Soon, there were nearly as many self-service terminals as there were checkout lanes staffed by your friendly Giant customer service clerk.

Lizzy, my 8 year old daughter, loves these machines! She feels like she's 'playing store' or that she's part of some sort of reality show where those customers who take too long (they can't bag their groceries before the next self-service shopper starts sending items down the conveyor belt) or set off the revolving 'help' light are kicked off the island (and asked to never shop here again).

I'm not so sure all of Lizzy's fellow shoppers share her enthusiasm for the self-service game. Oh, there was optimism when the new, talking, twinkling gadgets were introduced. What power in the optical scanning experience! What promises for a better shopping experience! Now, we could count on a faster, more convenient shopping experience; no more dealing with rude, too friendly, or slow cashiers; and, best of all, shopping could be 'fun' again!

Fun for sure. My favorite memory was watching a neighbor – 75 year old Mrs. Wiener – try to figure out how to feed her dollar bills into the machine and how to get her change. She kept looking under the conveyer belt and at the three yards of register tape and coupons spewing from the printer. And we always thought *Candid Camera* was a ruse.

While I can't be certain – and I'm sure Giant Foods could tell me otherwise – it feels like I now wait longer in line (think 7-Eleven at the Slurpee machine in a heat wave), I have more, but shorter conversations with *the* cashier (the *one* guy is pretty busy hurdling kiosks to check the IDs of people older than me who, as the machine announces, “have purchased an age restricted item”), and I've learned more than I ever cared to know about grocery scanning (did you know that the conveyer belts stall or go backward when the items are too heavy or you don't gently place them onto the belt?).

All this convenience, and for the same price too (I'm told that these machines cost a lot to install)!

Giant Foods isn't alone in its pledge to offer you a multi-channel customer experience (i.e., shop in the store and be waited on, shop by the web and have them deliver to your door, or shop in the store and check yourself out – but please, SHOP!). It's what I call the multi-channel imperative; you're going to have to learn how to use many different channels to buy (or sell) and get help with (or provide service for) products and services. More importantly, the multi-channel imperative is also about a more skilled use (deployment) of the *alternative*, self-service channels such as the web, touch tone and speech recognition telephone systems, and web chat. The fabulous, lower-cost, multi-channel, self-service strategy has become the holy grail of customer care in

the new millennium. Being a competent customer *and* service provider has never been more challenging.

And while there are success stories to be told (how did we ever put up with airport check in lines, getting money once a week from our branch bank, or Amazon.com?), it seems fair to say that there are as many multi-channel service disasters.

Studies conducted by researchers at Arizona State's Center for Services Leadership suggest that the key to overcoming the inherent challenges of the multi-channel imperative is to provide consumers with *options* for using multiple and alternative channels, *motivate* them to use the channels you want them to use, and *educate* them how to use those preferred channels. Our own research corroborates this perspective and suggests that the ROI of your multi-channel plan will be optimized when it is formulated on two core principles.

First, invite customers rather than obligate them to use alternative channels. One study we conducted on behalf of the Society of Consumer Affairs Professionals (SOCAP) illustrates this rule. This 2004 study showed that "offering" IVR as an option to customers with questions or complaints had neither a positive nor a negative impact on satisfaction (i.e., merely offering IVR as an option was a neutral experience for customers). However, "forcing" customers to use an IVR converted a satisfaction-neutral experience into a "strong negative" one (i.e., customer satisfaction dropped significantly). Obligation equals confusion at best and resistance at worst. Confusion and resistance lead to dissatisfaction and, usually, a higher cost to service (i.e., e.g., when the alternative low cost channels fail to meet basic expectations and customers turn to higher cost channels to resolve their problems or complete their transactions).

Second, motivate your customers to accept your invitation to use alternative channels. Of course, motivating customers to accept your invitation implies that you know which channels work best, for which segments of customers, and on which specific transactions. In other words, a successful multi-channel plan – one that increases the use of alternative channels where appropriate – is based on listening to the voice of the customer and incorporating customer needs and expectations into the execution of the plan.

While this “customer centric” approach to managing the multi-channel imperative is common sense, it frequently gets lost in translation from strategy to execution. Generally predicated on “empowering the customer” or “enabling a more satisfying self-service experience”, most multi-channel plans are justified on the basis of their cost savings potential (i.e., a way to save headcount by pushing customers to lower cost alternative channels). Not surprisingly, many of these multi-channel plans fail (i.e., cost savings are not realized) because companies overstate the willingness of customers to use alternative channels.

Overly optimistic forecasts of customer channel use are usually a byproduct of relying on managerial intuition (e.g., “this is the new age and customers expect us to provide all channels, for everything, all of the time”), reacting to competitors (e.g., “all of our competitors are doing the multi-channel thing”), or over generalizing anecdotal data about customer use and preferences (e.g., using the results of a few focus groups). The best way to reduce the risk of implementing a failed multi-channel plan is to conduct a formal, baseline survey of customer channel use, preference, and satisfaction.

A 2004 study we conducted provides a model of how such a study can be conducted to support the design of a company-specific multi-channel plan. It also provides a set of general guidelines companies can follow when designing of their multi-channel plan. Our study – based on a national household sample and 1,000 completed telephone interviews – examines channel preference by pre-purchase, purchase, use, and complaint transactions. Channel preference is also reviewed for both different industries and specific transactions (e.g., applying for a credit card). Next, channel use is profiled. Finally, consumer satisfaction with channel use is measured.

This article reports some of the key findings from our study and discusses how channel preference, use, and satisfaction data can be utilized to prepare a customer-driven, multi-channel plan.

## **Channel Preference**

The first issue to consider when designing a customer-driven, multi-channel plan is channel preference. In our study, channel preference was measured by asking respondents to state which of nine channels they preferred for 60 pre-purchase, purchase, use, and complaining transactions.<sup>1</sup> Table 1 reports a strategic profile of channel preference for these four sets of transactions across the nine channels included in this study.

Insert Table 1 here

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<sup>1</sup> The 60 transactions covered a wide range of industries that consumers deal with on a regular basis and a diverse set of specific transactions. To address the likely respondent fatigue associated with rating 60 transactions, individual respondents were asked to state their channel preference for only five of the 60 transactions. Assignment of transactions was made on a random basis.

Regardless of transaction type, “visit(ing) a business in person” and “speak(ing) to a live company representative (via telephone)” were – by far – the most preferred channels. Next in preference came “surf(ing) the web” and “mail(ing) a letter or a completed form”. Few preferred the remaining “new technology” channels.

Preference varied substantially by transaction type. When gathering pre-purchase information, “visit(ing) a business in person”, “speak(ing) to a live company representative (via telephone)”, and “surf(ing) the web” were the preferred channels. This was the only instance where a “new technology” option was preferred by more than 10% of the respondents. When making a purchase, 80% of respondents voiced a preference for either “visit(ing) a business in person” or “speak(ing) to a live company representative (via telephone)”. “Speaking to a live company representative (via telephone)” was preferred by a majority of the respondents in the case of using and complaining about products or services.

These results suggest that, while most consumers gave high priority to convenience (“speak[ing] to a live company representative [via telephone]” and “surf[ing] the web”), they exhibited some skepticism about many of the “new technology” channels. On the other hand, a significant minority of the respondents felt quite comfortable with the most traditional channel (“visit[ing] a business in person”).

While Table 1 provides a strategic profile of channel preference, Tables 2, 3, 4, and 5 present a much more tactical point of view.<sup>2</sup> Although the trends illustrated in

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<sup>2</sup> These tables present a representative excerpt from the study’s findings. Preferences for ten transactions in each of the four sets of consumer transactions are reported.

Table 1 apply generally, wide variations in channel preference between industries and specific transactions are reported for each of the four consumer motivations.

Insert Tables 2, 3, 4, and 5 here

For example, while overall 25% of the study's respondents preferred "surf(ing) the web" in the pre-purchase setting, 58% preferred this channel for finding the lowest airfare vs. only 13% for doing research to get a credit card. Likewise, while overall 51% of study respondents preferred "speak(ing) to a live company representative (via telephone)", when making a contact regarding using products/services, 84% preferred this channel for reporting a medical emergency vs. 0% for paying monthly utility bills.

Of special note is the channel preference for buying groceries reported in Table 3. During the internet bubble, 100's of millions of dollars were spent building on-line, home delivery grocers. Our study found that, with the small exception of "speak(ing) with a live company representative (via telephone)" (6%), and mail order (3%), 91% of the respondents preferred "visit(ing) a business in person". None of the respondents preferred the internet options. On the other hand, 19% preferred internet channels for getting technical support to solve a computer problem and 17% for paying monthly credit card bills. Once again, the findings of this study show that channel preference varied by industry and specific transaction types.

Much anecdotal evidence, as well as the findings reported in Table 1, suggests that consumers preferred talking to live telephone agents over using automated telephone response technologies. Table 6 addresses this issue by asking whether respondents would

be willing to “pay a small, additional service charge” for 24 hour access to a live telephone agent instead of using an automated response system. Here 35% were definitely/probably willing to pay a fee in order to be assured access to a live agent. Only 41% said that they would probably/definitely NOT pay such a fee. This finding adds to the strength of preference felt for the “speak(ing) with a live company representative (via telephone)” channel.

Insert Table 6 here

## **Channel Use**

The second area to address when formulating a customer-driven, multi-channel plan is channel use. Three issues are of relevance: overall customer channel use patterns; demographic segmentation of channel use; and, the validity of customer channel preference.

Table 7 reports the percentage of respondents who utilized each of 10 channels<sup>3</sup> during the 12 months preceding the study. With the exception of the “live chat room”, respondents reported wide spread use of both “traditional” and “new technology” channels. 65% of the respondents used at least five of the channels.

Insert Table 7 here

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<sup>3</sup> The automated response telephone channel was divided into two options for purposes of this question: “key in the numbers” and “talk to a computer”.

Any company's plan for providing customers with multi-channel access should supplement, not replace, the more "traditional" channels available for customer contact. While use of "new technology" has expanded over the last decade, this study found continued heavy use of more "traditional" channels such as "speak(ing) to a live company representative (via telephone)" and "visit(ing) a business in person".

Another issue to consider is the relationship of channel use to "ping-ponging" (the need for customers to make multiple contacts to complete their pre-purchase, purchase, use, and complaint transactions). Other research we've conducted has consistently shown a strong relationship between first contact resolution of customer transactions and satisfaction/brand loyalty.

Table 8 reports the percentage of respondents who reported a need to use multiple channels (i.e., make more than one contact) to complete their transaction. While low inter-channel "ping-ponging" was the norm for the more "traditional" channels, the least channel "hopping" was associated with the "automated telephone response system (key in numbers)". The internet channels reported the highest channel "hopping". Wherever possible, the corporate multi-channel plans should be formulated so as to minimize ping-ponging.

Insert Table 8 here

Demographic segmentation is another key component to formulating a customer-driven, multi-channel access plan. By understanding such segmentation factors, corporate policies can be fine tuned to fit the unique demographic configuration of a customer base.

While our study found a limited relationship between gender and channel use, Tables 9 and 10 report a positive relationship when age and family income were considered. The three age groupings (from young to old) in Table 9 exhibited widely varying use patterns. For example, older respondents tended to use “new technology” channels less often than the younger study participants.

Insert Table 9 here

Table 10 reports a general positive relationship between family income and channel use. The largest variation in channel use existed between low income and affluent respondents. Such a relationship was to be expected given the fact that higher income families engage in more commercial transactions.

Insert Table 10 here

Tables 11 and 12 examine such “new technology” demographics as home computer access and internet use. As would be expected, these factors showed a strong positive relationship with use of the four internet-related channels. More surprisingly, such access to technology also had a positive relationship with use of such “traditional” channels as “speak(ing) to a live company representative (via telephone)”, “mail(ing) a letter or a completed form”, and visit(ing) a business in person”.

Insert Tables 11 and 12 here

Finally, the multi-channel use portrayed in Table 7 supports the validity of the preference findings. Exposure to multiple channels gave respondents a “real world” frame of reference when deciding their preference for the pre-purchase, purchase, use, and complaint transactions. In this sense, multi-channel use increased the salience of the preference options.

## **Satisfaction with Channel**

The final factor to consider when designing a customer-driven, multi-channel plan is customer satisfaction; how satisfied are customers with the available channel options? The aim, of course, is to offer those options that produce the highest levels of customer satisfaction and/or to ensure that those options producing lower levels of satisfaction are engineered to overcome the barriers to satisfaction.

Table 13 reports customer satisfaction<sup>4</sup> with the 10 channels by the four transaction types. Respondents were most satisfied when conducting pre-purchase transactions and least satisfied when complaining. When considering satisfaction by channel, “surf(ing) the web” reported the highest customer satisfaction and the “automated telephone response system (key[ing] in the numbers)” the lowest.

Insert Table 13 here

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<sup>4</sup> Satisfaction was measured for the respondents’ most recent use of the designated channel. The question was only asked of those who used the channel within the past 12 months.

These findings, however, must be interpreted with great caution. It's difficult to sort out inherent satisfaction with a channel from satisfaction with how the channel is *operationalized*.. In other words: were the low satisfaction scores (e.g., for the “automated response system - talk[ing] to a computer”) a result of respondents disliking the channel itself (e.g., speech recognition technology) or the faulty use (e.g., didn't like the authoritative voice, rate of speech) of such technology? Further, self selection in the use of the “chat room” channel could have also colored these satisfaction ratings (i.e., the small minority of respondents using this internet channel may have been favorably predisposed to “new technology” applications).

## **Application of Study Findings to a Company-specific Setting**

We live in a multi-channel world. Sometimes forced to use many or alternative channels and other times opting to do so, customers have their own multi-channel agendas. They know which channels they most want to use and when they want to use them. Ignoring these usage behaviors and preferences unnecessarily increases the risk that your multi-channel plan will fail.

Our study provides broad, strategic guidance for designing a customer-driven, multi-channel plan. However, the fact that wide variations in channel preference were found between both different industries and specific transaction types limit the applicability of these findings for use in preparing company-specific, multi-channel plans. Therefore, company-specific data is a prerequisite for preparing a customer-driven, multi-channel access plan.