



Winning Customers in an Omnichannel World

Medallia



WHY THIS MATTERS

Today's consumers want to buy anything, anytime, anywhere, often using multiple channels and devices to shop at their favorite brands. In response, companies are taking significant steps to realign their operations and adopt new technologies. The goal: to provide customer experiences that are flexible and consistent across channels—including brick-and-mortar stores, call centers, websites, and mobile apps.

Organizations that want to remain competitive in the face of seismic industry shifts often wonder what factors are most important to creating strong omnichannel experiences and what impact they're likely to have on customer behavior. In this report, we quantify the value of a great omnichannel experience and identify what companies are doing to create strong omnichannel programs.

KEY INSIGHTS

Our research finds that customers who use multiple channels are highly valuable. They typically spend more in both the short and long term and also tend to be more loyal than customers who use only one channel. More importantly, delighting omnichannel customers can lead to significant increases in spending: customers with the best experiences across channels spent 22 percent more over a six-month period than those with the worst.

Efforts to create an exceptional omnichannel experience usually extend well beyond the boundaries of a single function or department. Drawing on lessons from a broad range of companies, we find that improving omnichannel operations often involves three core streams of activity:

- Gaining a deeper understanding of the customer journey
- Strengthening data collection and analytic capabilities
- Creating business-wide alignment around the omnichannel customer

Introducing the Omnichannel Customer

Meet Clare, a 27-year-old Millennial who needs a new suit for a last-minute job interview. Because she is short on time, she pulls out her smartphone and quickly browses through her favorite websites to find a suit she likes at a price she's willing to pay. After picking a winner from a well-known retailer, she opens its mobile app to look for loyalty promotions and to locate the nearest store where the suit is in stock. She completes her purchase via her phone and chooses to pick it up at the store, so that she can be sure to get it in time for the interview and to save on shipping costs.

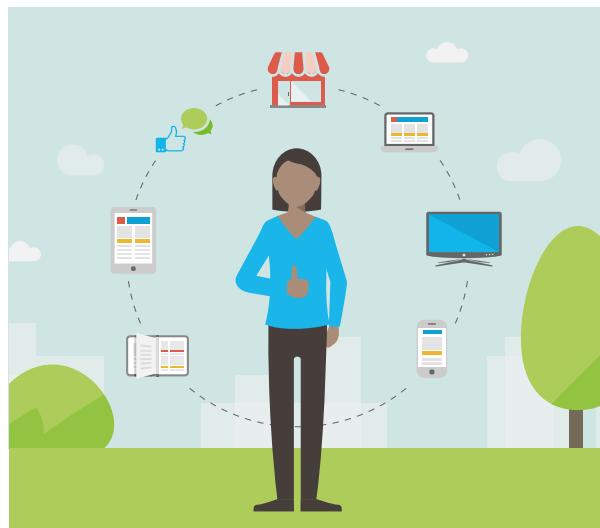
Clare is the epitome of an omnichannel consumer: she is informed, empowered, always connected, and comfortable using multiple channels and devices—store, call center, web, and mobile—often simultaneously. Clare is not alone in the way she interacts with her favorite brands. A [study by MasterCard](#) found that eight out of 10 consumers use a computer, smartphone, tablet, or in-store technology while shopping.

While customers use different channels for different purposes—to gather product or brand information, compare prices, request customer service, interact with other customers, or make a purchase—they increasingly expect a [seamless and frictionless customer experience \(CX\)](#), regardless of the channels they choose. Many are also looking for a more personalized shopping experience. They want companies to understand their preferences and lifestyle, and to provide them with experiences that match their shopping habits, past purchases, browsing history, current location, and other relevant information.

If one channel in the customer experience falls short, the total experience is jeopardized.

CX Qualities Customers Value

- **Seamless:** Customers see consistent branding, design, product inventory, and pricing across channels.
- **Frictionless:** Customers can begin their shopping experience in one channel and switch to others without having to start all over or repeat previous steps. Hand-offs from one channel to another are fluid.



Now that consumers have immediate access to a wide range of options online, it's increasingly easy to switch to other brands in search of a superior experience. If one channel in the experience, such as the website or call center support, falls short, the total customer experience is jeopardized—and so is the customer's loyalty. Previous [Medallia research](#) finds that more than half of consumers (57 percent) cite a negative customer experience as the top reason they leave a brand. So the question dogging many companies is: How can a company provide a consistent omnichannel experience that keeps customers satisfied, engaged, and coming back for more?

We set out to look at some of these questions by partnering with a major U.S. retailer that operates hundreds of stores nationwide. Using behavioral and customer experience data from more than

46,000 customers, we examined every aspect of the customer shopping journey, including which channels shoppers used, how frequently they used them, and why.

Our findings suggest that omnichannel customers behave differently than single-channel shoppers and are typically more valuable.

Most Customers Are Omnichannel Shoppers

At least for the retailer in this study, most customers reported using multiple channels when they shopped. The breakdown:

- Seventy-three percent used multiple channels to shop in various combinations and places
- Twenty percent shopped only in stores
- Seven percent shopped only online

Not only did these omnichannel shoppers use smartphone apps (to compare prices and download coupons), they also reported using in-store digital tools such as an interactive catalog or a price checker. Some customers bought in the store and had their purchases shipped, while others bought online and picked up their purchases at the store.

Omnichannel Customers Are More Valuable

Evidence suggests that omnichannel customers spend more. According to [a 2015 International Data Corporation study](#), omnichannel customers have a 30 percent higher lifetime value than those who use just one channel. [Walmart](#) estimates that an average in-store-only customer spends about \$1,400 a year, compared to an online-only customer who spends \$200 a year. But customers who shop at Walmart through multiple channels spend a whopping \$2,500 a year—almost twice as much as in-store-only customers and approximately 12 times more than customers who shop solely online.

Our research finds that omnichannel customers are more valuable in three ways. Namely, they:

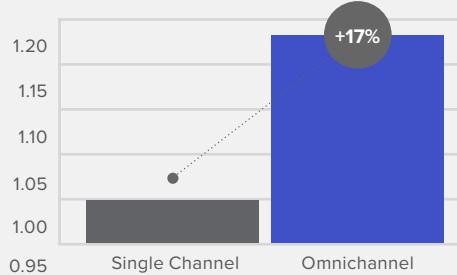
- Spend more during each shopping occasion
- Spend more in the future with the same brand
- Log more repeat shopping trips

Omnichannel shoppers have a 30 percent higher lifetime value than those who shop using only one channel.

Among the shoppers in our study, omnichannel shoppers spent more not only in their initial shopping experience—4 percent more in store and 10 percent more online—but also in their future experiences with the retailer. Omnichannel customers spent 17 percent more, on average, over the next six months (see Figure 1), and they purchased 15 percent more items compared to single-channel customers. This is after controlling for factors such as their previous spending, certain shopping habits, membership in a loyalty program, feedback ratings, and a host of demographic characteristics. Even when we accounted for these other factors, we found that the more channels shoppers use, the more they spend now and later.

Figure 1: Average amount spent within the next six months

Index: 1.0 = Single channel average amount spent within the next six months



Note: The results reported in the figure are based on regression analyses controlling for past customer spend (prior six months), holiday transactions indicator, demographic variables (gender, generation, ethnicity, and income), customer characteristics (loyalty program membership, life segment, store region, and shopping habits), and customer experience (recommendation likelihood) n=7,214 customers, p<0.01

Pattern and significance remain when we control for the number of returned items in the future period.

Our study also found that omnichannel customers tend to be more loyal—they reported being more likely to recommend the retailer than their single-channel counterparts, and they returned to shop more frequently. Within six months of a purchase, omnichannel customers transacted 33 percent more with the brand, on average, compared to customers who used only one channel, controlling for other factors that typically impact transaction behavior (e.g., past customer purchase behavior, customer demographics, and customer experience).

The value of the omnichannel customer is undeniable. The real question, however, is not “Do you have omnichannel customers?” but rather “How will you win with them?”

Delivering a Great Omnichannel Experience Pays Off

The stakes are higher with omnichannel shoppers—[they outnumber traditional single-channel shoppers](#) and spend significantly more. It's one thing to recognize their value, however, and another to capture it. While more and more companies recognize the value of omnichannel customers, the very best see an exceptional omnichannel experience as a true differentiator.

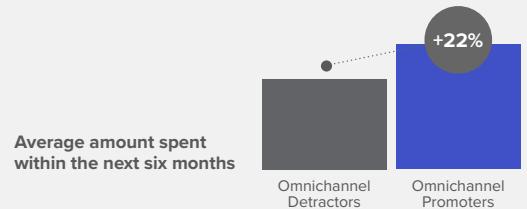
Companies that invest in providing a great omnichannel customer experience can achieve substantial gains. For example, retailers that are able to monitor feedback from the same customer across time and channels can pinpoint where along a typical journey the experience breaks down. Of course, this requires having a common customer metric to ensure score comparability across departments, as well as technology that can capture and report feedback consistently. This data can then be used to prioritize improvement initiatives and allocate limited resources. One retailer we worked with used this approach to identify which of its fulfillment centers had the lowest customer experience scores and

then rerouted shipping orders accordingly. By prioritizing its customer experience initiatives this way, the company was able to make greater improvements more quickly, and enhance the customer experience as a whole.

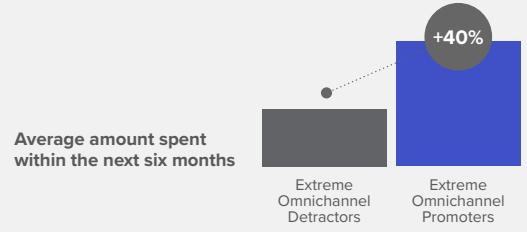
To quantify the value of customer experience in an omnichannel setting, we compared the shopping behavior of omnichannel promoters (customers who said they were very likely to recommend the retailer) to omnichannel detractors (those who said they were very unlikely to recommend the retailer). We found that over the next six months, omnichannel promoters spent 22 percent more than omnichannel detractors (see Figure 2). At the extremes, omnichannel customers with the very best experiences spent 40 percent more than those with the very worst.

Omnichannel customers with the very best experiences spent 40 percent more than those with the very worst.

Figure 2: A great omnichannel experience pays off



Customers with the best omnichannel experiences (rating their likelihood to recommend the retailer a 9 or 10 on a 0-to-10 scale) spent 22 percent more over the next six months than those with the worst experiences (omnichannel detractors with scores of 0 to 6).



Extreme omnichannel promoters (with a 10 out of 10 likelihood to recommend scores) spent 40 percent more over the next six months than extreme omnichannel detractors with scores of 0 out of 10.

Clearly, providing a great omnichannel experience pays off. But creating a great omnichannel experience can be a daunting task, often requiring coordinated action across organizational boundaries.

Building the Foundation for Omnichannel Success

To provide a fully consistent and frictionless omnichannel experience, companies must develop a deep understanding of how omnichannel shoppers behave. They need to know when and why customers prefer to use one device or channel over another, and what makes for a great experience in each of these interactions.

Technology and common metrics on their own are not enough to achieve the organizational learning required to transform customer feedback into coordinated action. And without action, simply understanding where and how the customer experience is falling short does little good.

Improving the omnichannel experience involves both understanding and responding to customers. Because omnichannel programs span channels, functions, and business units, almost by definition, they require broader, more systemic change than other improvements to the customer experience. Drawing on our work with customer experience leaders across four different industries—retail, telecommunications, airlines, and financial services—we've identified three streams of activity that are critical to building better, more seamless omnichannel experiences.

Develop A Deeper Understanding of the Customer Journey

Somewhat surprisingly, one of the core tenets of business—to “know the customer”—can be the most challenging to get right. To win with the omnichannel customer, companies must truly know the omnichannel customer. This requires

developing a deep understanding of how and why customers engage with the brand, from in-store shopping interactions to mobile app engagement to call center exchanges.

Companies offering exceptional omnichannel experiences often develop this understanding using “customer journey mapping,” a process for systematically thinking through the steps a customer takes when interacting with a company’s products or services. Two-thirds of the decisions customers make are informed by the quality of their experiences all along their journey, according to [research by McKinsey & Company](#).

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Journey maps spur new insights and greater empathy with customers because they encourage a broader perspective, expose disconnects and frustration points, and shine a light on the overall experience rather than on a single transaction. When companies define the customer experience more broadly—starting with the very first contact and continuing through each interaction at every touchpoint—they find more opportunities for improvement.

Journey mapping across channels, however, can be challenging. Companies must be able to follow customers and track their behavior across different types of interaction over time. Tracking customers who come and go through different channels can be especially difficult. How do you know if the Sam Smith who bought a pair of jeans in the Jacksonville store is the same Sam Smith who used a mobile app in Topeka? Having a unique identifier that stays with a customer across all devices and channels of engagement creates more accurate mapping and allows companies to distinguish between channel-specific issues and broader ones.

A financial services company, for example, might have different teams in charge of financing car loans and providing car insurance. But a customer's total journey with the company may include all of the steps from an initial online search for financing options to calling the support center for help with the first insurance bill. A journey mapping exercise helps companies understand all of the meaningful events in the auto financing experience and come up with new ideas for improving it.

Use Cross-Channel Analytics to Create Better Experiences

[Cross-channel analytics](#) are especially valuable for improving omnichannel experiences. When companies integrate data from different channels into a single system, they can take advantage of digitization to provide customers with far better experiences. Analyzing customer feedback scores together with operational and behavioral data across all parts of the customer journey can expose places where experiences are breaking down, pinpoint problems within specific channels, and identify transition points that need to be strengthened. It can also reveal patterns of behavior that companies can use to deliver more targeted, just-in-time information—special offers, personalized incentives, and information to make the customer experience easier and more enjoyable.

Cross-channel analytics are especially valuable for improving omnichannel experiences.

Take, for example, a large global airline, which uses cross-channel analytics to predict future customer behavior and increase retention. The airline tracks airport competition (e.g., a price drop by a competitor, new routes by airlines) and monitors customer attitudes (e.g., through survey ratings) and behavior (e.g., travel frequency, change of address). When a regular flier from

Frankfurt to New York City stopped booking flights and updated her residence to Paris, the airline system automatically flagged her as a customer at risk and alerted the customer service team. The team immediately sent her a personalized email commenting on the fact that she had stopped flying and offered her a discount on a direct flight from Paris to New York. Practices like this helped the airline retain a large percentage of its at-risk customers by identifying them early and re-engaging when needed.

Companies are also using cross-channel analytics to assess customer needs and personalize their approach when making cross-sell or upsell offers. For example, by analyzing customer click-through behaviors, [one retailer discovered](#) that a specific customer segment preferred digital shopping over in-store purchases and always read e-mail on Saturdays. The retailer customized its e-mail campaign to send the cohort online offers only on Saturdays.

Align the Organization

A major hurdle for any company trying to align behind an exceptional omnichannel initiative is just that: alignment. As companies scale, too often the left hand loses track of what the right hand is doing—what data are collected, what metrics are evaluated, what prices have been set, and so on. Different divisions and functions only vaguely understand one another's goals, and important learning often gets stuck in siloes or lost in translation.

Alignment requires, first and foremost, something to align around—in this case, a shared vision of the desired customer experience and a shared commitment to delivering the vision in the marketplace. As companies struggle to compete with major online players like Amazon, every employee, from the C-suite to the frontline, needs to understand and unite behind a common customer vision. This is especially important for building strong omnichannel programs, because they require significant integration across channels (digital, contact centers, in-store) as well as functions (procurement, IT, merchandising,

marketing). For omnichannel programs to produce truly seamless experiences, teams across the organization have to work well together to create the experiences their customers value. This happens more easily when all of the teams are committed to the same goal.

Another way companies foster the alignment needed to build strong omnichannel programs is by establishing clear accountability and creating structures and reporting relations that reinforce that accountability. This might entail putting all channels within a single reporting structure and rolling them up to a single leader, such as the head of marketing or customer experience.

Another alignment strategy is to create a dedicated team responsible for the success of the omnichannel initiative. This could be a dedicated omnichannel team with full-time members or a team made up of representatives from all relevant departments (digital, marketing, operations, and so forth). When a large telecommunications company wanted to align its otherwise siloed functions around a single omnichannel strategy, it created an independent omnichannel support team that was responsible for the totality of the customer experience. The team's primary objective was to make sure that all previously disconnected functions—digital, retail, and customer care—were coordinated around consistent brand messaging, interface designs, and content for each new product launch, feature update, or marketing campaign. To ensure continuous collaboration, the omnichannel team embedded performance experts within each channel, who facilitated alignment sessions and communicated ongoing progress to the senior executive team every two weeks.

Creating greater transparency is another way companies drive alignment. The same telecommunications company hard-wired customer feedback into its processes by providing both frontline employees and managers with direct access to customer survey ratings. To drive company-wide engagement aligned with the omnichannel initiative, the omnichannel support team created a comprehensive customer

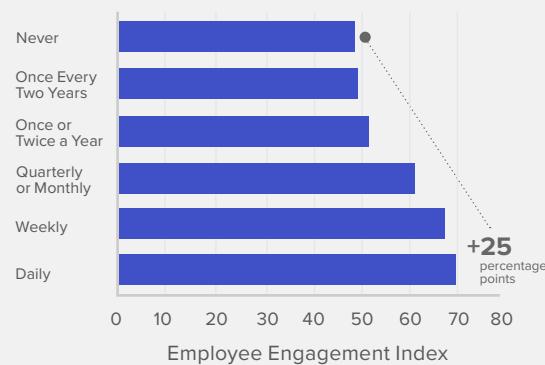
scorecard and made it visible to all relevant departments associated with each channel. The scorecard combined customer survey scores and other metrics for each division, represented in an automated dashboard that updated in real time as data flowed in.

Direct access to customer feedback can have a big impact on employee engagement.

The head of customer experience now says the dashboard has become a one-stop shop for business insights across the organization, and is heavily used to monitor account health and predict customer churn. Medallia research has found that direct access to customer feedback can have a big impact on employee engagement. In a survey of 1,000 customer-facing employees, employees who said they reviewed customer feedback daily were more engaged than employees who said they never looked at customer feedback—25 percentage points higher, on average (see Figure 3).

Figure 3: Impact of reviewing customer feedback on employee engagement

Frequency of Teams' Customer Feedback Review



Note: Effects controlling for other factors that impact employee engagement: company size, industry, frequency of collecting/reviewing feedback at the company and individual level, employee household income, length of job tenure, and whether the employee is full- or part-time, a supervisor, support versus sales or services and part of a union. n=642 frontline employees, p<0.001

The Employee Engagement Index is composed of frontline employees' responses to five customer-centric questions about whether they feel valued by their leadership and teammates, recognized for their efforts to delight customers, motivated to give their best at work, inspired by their company's vision, and aligned with the values their company says are important.

Conclusion

Omnichannel customers are not only the reality of modern commerce—they are the future. They spend more, are more loyal than, and outnumber single channel customers. To stay competitive in a world where customers have a growing number of channels to choose from, companies must understand the why, how, when, and what behind their omnichannel customers' behavior. Journey mapping and cross-channel analytics can go a long way toward building this understanding, but understanding alone is not enough. Enhancing the omnichannel experience requires coordinated action across multiple functions and departments. Aligning the organization behind a strong vision and clear omnichannel strategy is key to the success of most omnichannel initiatives.



Starbucks: An omnichannel leader

Seattle-based coffee giant Starbucks is widely recognized for providing a seamless experience across its digital and physical channels. Its three main customer touchpoints — physical stores, digital app, and website — are all connected through a loyalty card. Depending on their preference, customers can check and reload their Starbucks card balance through their smartphone, on the website, or at the store. Any purchase, balance, or profile change is updated immediately across all channels.

The Starbucks digital app is at the center of this exceptional omnichannel experience. When a customer places an order, the app offers a list of the nearest Starbucks stores and the estimated wait times for an order. Once a store is selected, the app can provide directions and can serve as a payment tool. [\[Source: Multichannel Merchant, “5 Excellent Examples of Omnichannel Retail Done Right,” February 2, 2017\]](#)

Laying The Groundwork For A Great Omnidirectional Experience

- **Gain a deeper understanding of the customer journey.** Map the customer journey to understand all interactions customers have with the brand and how each interaction impacts customer experience. Integrate operational, financial, and customer data for a comprehensive view of the customer. Assign unique identifiers to each customer across all devices and channels of engagement to track and understand behavior over time.
- **Use cross-channel analytics to create better experiences.** Base business decisions on all customer interactions with the brand, taking into account past purchase data, order history, survey feedback, call center interactions, social media posts, and more. Use cross-channel analysis combined with a deep understanding of the customer journey to pinpoint where the customer experience might be lacking.
- **Create business-wide alignment around omnichannel experiences.** Align the entire company around a unified omnichannel strategy and a common vision for the customer experience. Communicate how everyone—from the C-suite to the frontline—plays a part in the success of the customer experience program. Create policies, internal communications, trainings, and leadership positions (“governance structure”) that empower everyone in the organization to feel personally accountable for providing exceptional experience.



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About Medallia

Medallia, the leader in Experience Management cloud technology, ranked #15 in the most recent Forbes Cloud 100 list. Medallia's vision is simple: to create a world where companies are loved by customers and employees alike. Hundreds of the world's largest companies and organizations trust Medallia's cloud platform to help them capture customer and employee feedback everywhere they are, understand it in real-time, and deliver insights and action everywhere—from the C-suite to the frontline—to improve business performance. Medallia has offices worldwide, including Silicon Valley, New York, Washington DC, Austin, London, Buenos Aires, Paris, Sydney, and Tel Aviv. Learn more at www.medallia.com.

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