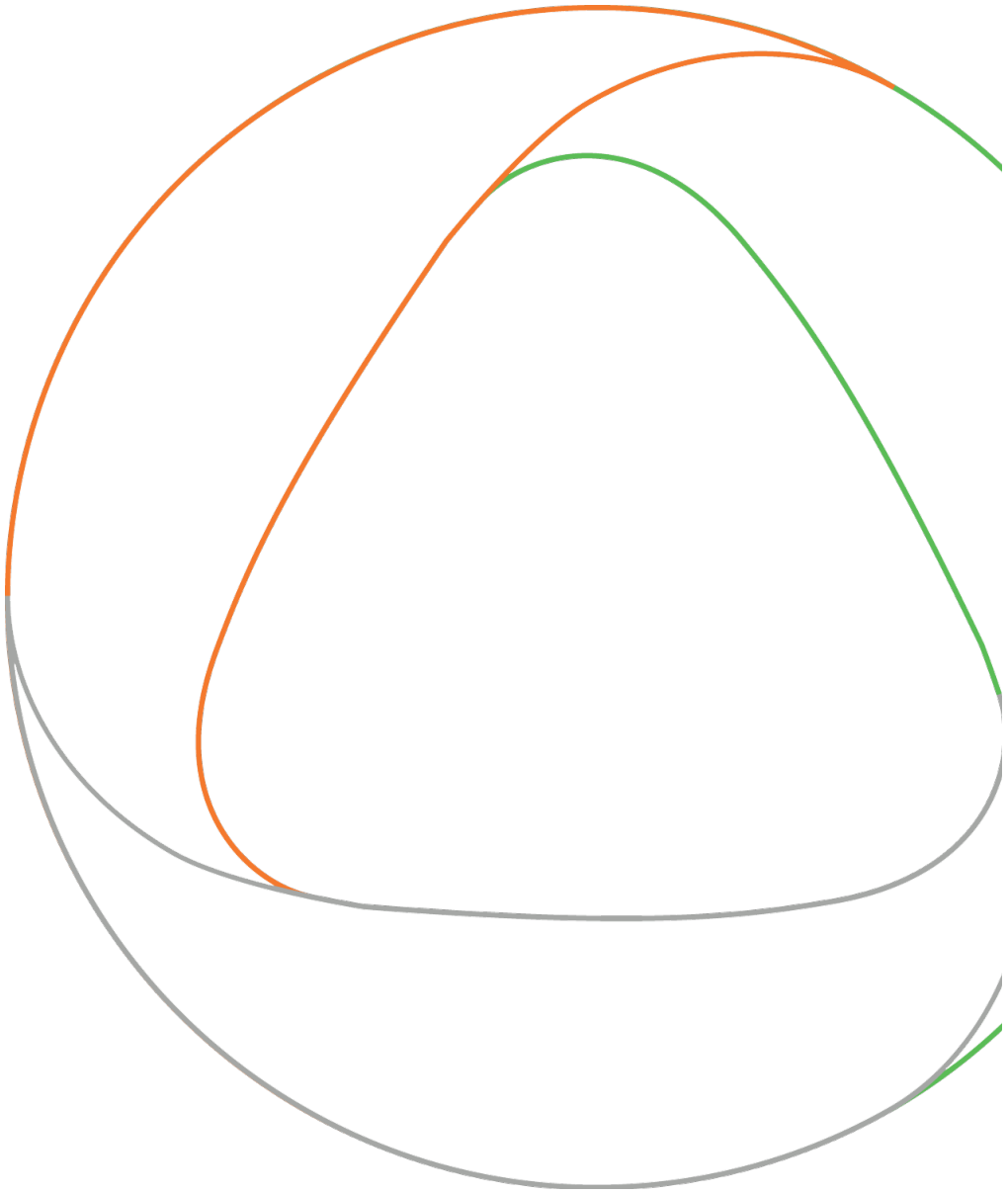
AsiaInfo

Quantifying the value of

Omni-channel CRM for Telecoms

Version 1.0 | February 2015 | Katie Matthews



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1 Executive Summary

The concept of a single customer view (SCV) is not a new one. Indeed, many vertical industries have been trying to get a grip on this for decades in an attempt to offer a seamless customer experience across their sales, customer service and self-care channels.

The space that was once occupied by the retail store, mail and telephone continues to grow to include web, SMS, email and, more recently, smartphone apps and multiple social networks. And so, a multi-channel presence has become a basic requirement for telecoms operators, with digital channels increasingly taking center stage.

While telecoms operators have been quick to provide these numerous multi-channel touch points for their customers, few have managed to implement a solution that offers a Single Customer View, and provides customers with an omni-channel experience.

In this paper 'Single Customer View' (or SCV) refers to the operator's holistic representation of the information known about an individual customer, while 'omni-channel' alludes to the same concept but from the customer's perspective i.e. omni-channel empowers the customer to start an interaction in one channel, and seamlessly transition to another without having to reinitiate the dialogue from scratch.

In omni-channel the operator is working toward a 360-degree view of its customers across all channels, ensuring the service level, responsiveness and quality of service received across channels is consistent. In multi-channel the operator is just offering customers a selection of channels to choose between.

Telecoms operators need to leverage every customer interaction in real-time to understand customer needs and motivations, maximizing every engagement opportunity in order to increase customer satisfaction and deepen the relationship with customers across all channels. These benefits are not lost on operators. But however compelling the omni-channel/SCV concept, there have been relatively few case studies from real-world implementations, and little visibility of the business case for deploying an omni-channel solution for telecoms.

AsiaInfo commissioned independent research consultants, Northstream, to study how organizations in a variety of verticals have realized the benefits associated with the omni-channel and SCV capabilities of next generation CRM, and to quantify the benefits to the telecoms sector in particular.

Following extensive interviews with European telecoms operators[1] to validate their findings,

Northstream concluded that, with a well-implemented omni-channel/SCV CRM solution, Western European operators could save up to $4.6 billion in OPEX annually.

[1] Interviews with 19 enterprises were conducted to confirm the benefits seen in other verticals and to quantify the expected impact on Western European telecom operator OPEX.

This was driven by:

- **Around 20% reduction in Customer Service OPEX by eliminating duplication of agent work in the contact center and retail store**
- **Improved Net Promoter Score (NPS), resulting in benefits from increased customer satisfaction and up to 10% reduction in annualized churn**
- **Up to 30% savings in IT OPEX from back-office streamlining and automation**

For the first time Northstream's research maps out a quantitative business case for Western European operators to invest in a truly omni-channel solution by assessing the OPEX saving benefits that next generation CRM can provide.

By investigating the impact of next generation CRM within other verticals, Northstream also demonstrated that, in addition to the immediate OPEX savings, an omni-channel approach could help to significantly increase sales revenue as well. The impact on revenues could potentially be even more significant than the cost savings.

2 The background

2.1 Customers are changing

The argument for investing in Next Generation CRM Capabilities is based on a sea change in customer behavior. We're all digital people – social, mobile, always on, connected, online. Our methods of communicating with each other have evolved as the digital age has developed. This has given rise to a leap in our expectations around convenience, choice, reliability and speed, which ultimately revolves around a flexible channel mix.

Customers expect a consistent brand experience regardless of the channel they use – store, voice, email, social or web chat – and that the agents they interact with will have full access to the data from previous interactions. For example, a customer that registers an issue with their mobile phone during a live web chat with an operator would expect the retail store to have a record of that conversation if they subsequently went in to replace their phone.

2.1.1 The multi-channel experience is failing the customer

A multi-channel presence has become a basic requirement for operators, with the digital channel taking center stage.

Operators have altered their business models from single-channel to multi-channel, and most are currently offering a '2nd Generation' multi-channel experience. The issue is that typically each channel operates in a silo with its own capabilities, databases and business logic (see Figure 1), thereby causing inconsistencies in the customer experience across channels. This generates a 'ping pong effect', with the customer frequently forced to reinitiate the dialogue with the operator from scratch when entering via another channel.

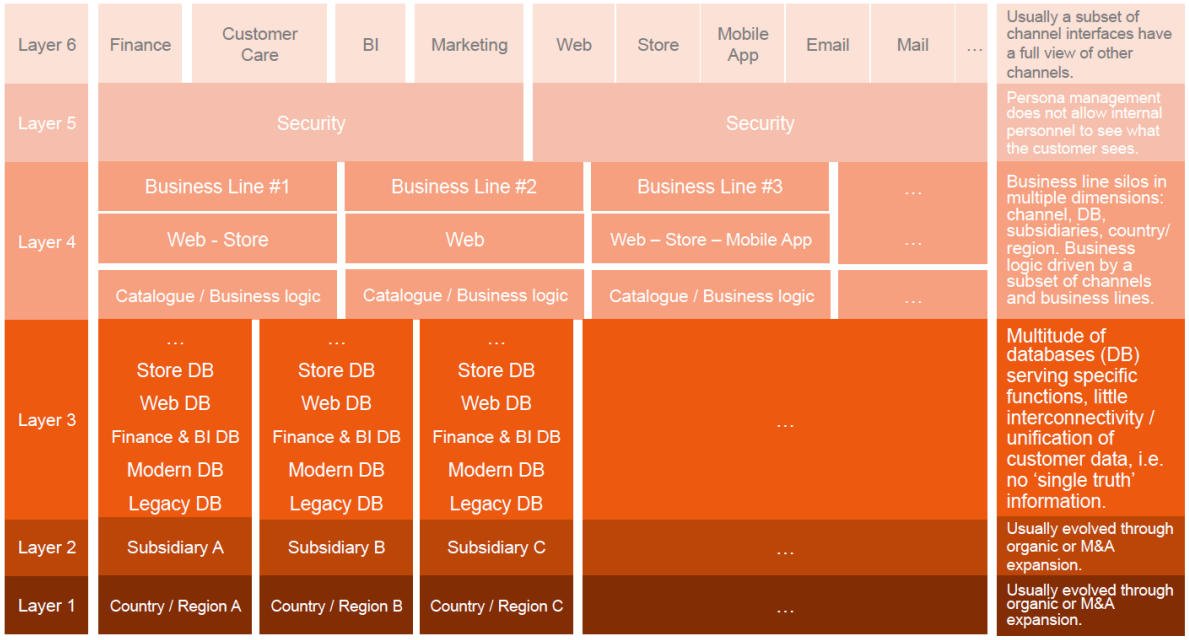


Figure 1: The multi-channel (non-omni-channel) landscape has multidimensional silos making it impossible to create shared business rules and configuration for all channels

So, while operators may be *accessible* to their customers via multiple channels, this presence is only really meaningful if a customer chooses to start and complete a transaction in the same channel. In reality, a customer may start in one channel, and move through others as they progress to a resolution.

As it stands, many operators would struggle to support a customer throughout this type of journey, and the failure to do so risks customer dissatisfaction due to an inability to give them the relevant information they need, in the right context and at every touch point in their journey, in order to facilitate the desired outcome. With the number of digital channels growing constantly, this is not a sustainable way to operate.

Omni-channel is an inevitable evolution to reduce the complexity of a cross-channel experience, and provide a streamlined process to more effectively handle multiple channels (and hand-offs between channels). Omni-channel anticipates that the customer may start in one channel and move to another as they progress to a resolution.

At its best, omni-channel delivers the promise of customers moving fluidly between different customer service, shopping and self-care channels, with the operator in lockstep and able to delight the customer with a truly joined-up experience.

2.2 The Operator Perspective

Telecoms operators are well aware of these changing customer expectations, and most believe that an omni-channel solution is key to meeting their requirements. As one Senior Business Analyst said during an interview with Northstream: *"From a disruption perspective, if you are the one in telco that can provide SCV and omni-channel in a good way, you can have an enormous advantage over the others."*

Naturally, there are some major challenges associated with the omni-channel approach. It's no great surprise that legacy IT is considered by operators to be the main barrier for implementing omni-channel, according to Northstream's research. The existing disconnected multi-channel set up means that operators can perform *specific* omni-channel actions, but to do so involves a lot of manual effort.

"We wanted to connect all our channels. We could see the potential but the challenges in either getting rid of legacy, or finding a way to deal with it, has been a struggle." - Product Manager at a Nordic operator.

The complexity involved in the management of these legacy systems and their disconnected multi-channel set up is hard to overstate. In practice it means that operators face significant customer-related challenges: primarily, channels cannot share their customer data, preventing meaningful, holistic customer insights from which the operator could create personalized, value-added services.

2.2.1 The Legacy Issue

The migration strategy from multi-channel to omni-channel can vary in complexity, depending on how much legacy the operator has. For operators with less legacy, a gradual migration is sometimes feasible. But the more there is, the more necessary a fundamental architectural renewal becomes to a successful omni-channel deployment.

Operators need to manage their legacy IT systems in order to avoid additional complexity when implementing omni-channel. The following quotes illustrate two operators' experience of migration:

"The ambition, system-wise, was huge. The last year, we did some work in those systems. Recently, we realized that the leaps, system-wise, were too big. It would take too long, so we are in the process of restructuring the systems." - Product Manager at a Nordic operator.

"Thanks to the IT transformation project we have a single service logic across all channels, allowing all databases to be the same for all employees. A high-speed data layer takes care of this. We are replicating the information in real-time updates." - Head of IT at a Western European operator.

Figure 2 shows the basic architecture to support an omni-channel customer experience. The key feature of such a streamlined architecture is that all business logic configurations are handled at the back-end instead of deploying the business logic in the front-end of the channel or multiple channels. Information/data has a channel agnostic agility, i.e. any information about the business or the

customer can be presented and updated in real time in any channel that requires it. The CRM system must be able to collect and provide access to customer history (usage, billing, care tickets, services, etc.) across all channels, business functions and product/service lines.

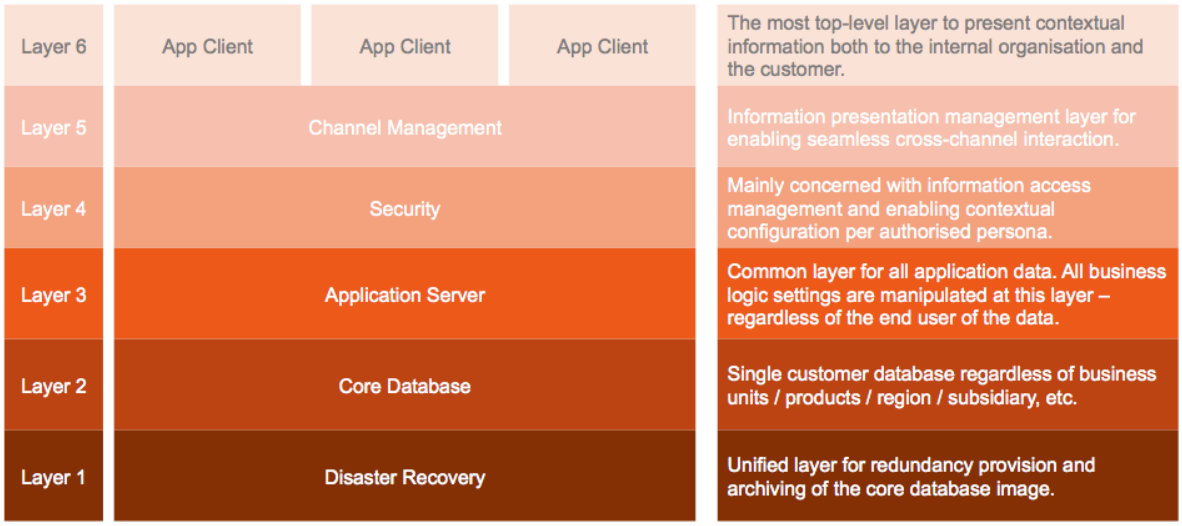


Figure 2: Simplified architecture is critical to omni-channel success

The link between omni-channel and personalization is also important (i.e. sending personalized messages/offers to a customer in Channel A, based on their behavior in Channel B). Therefore any omni-channel solution requires integration of analytics, allowing operators to collect information across all channels, analyze data and respond automatically with a personalized service.

Legacy IT is not the only challenge that operators are dealing with when it comes to deploying omni-channel. With multiple teams operating channels in parallel to each other, with their own processes and compensation/commission models, organizational structures (and process legacies) are another significant hurdle in achieving success with an omni-channel deployment.

"Implementing omni-channel is a project that involves a lot of areas and people, the challenge is to make progress, and not let the program grow too big to actually perform."- Head of IT Strategy at a European financial institution.

2.3 Research Methodology

The arguments in favor of progressing from multi-channel to omni-channel are well worn. But there seems to be a gap when it comes to a hard and fast business case that actually quantifies the benefits of modern CRM for telecoms[2].

[2] Industries that sell physical goods can more easily prove the omni-channel business case through improved sales. It is more challenging to prove the benefits in industries that are more service heavy, as it focuses on loyalty, more than sales.

AsiaInfo commissioned independent research consultants, Northstream, to identify and estimate in quantifiable terms the benefits that next generation omni-channel CRM can bring to telecom operators in Western Europe. The study particularly focused on the omni-channel/SCV aspects of modern, advanced CRM.

Northstream first looked at how SCV is used in adjacent industries, with a focus on implementation, challenges and benefits. They then conducted interviews with a number of European operator CRM experts to discuss their expectations of omni-channel/SCV, and what the main drivers for implementing such a solution were.

In order to identify the specific omni-channel benefits, and their associated OPEX saving impact, Northstream evaluated the similarities and contrasts between adjacent industries and telco operators. They then extracted the qualitative benefits (eg customer satisfaction and efficiency savings), quantified these as operational savings, and then validated these findings with telco experts.

The material in this white paper consists of primary research from Northstream as well as secondary research material.

3 Findings

3.1 The omni-channel challenge in telecoms

Operators are dealing with a more complicated environment than is seen in adjacent industries. Telco propositions are complex by their very nature. As well as the differences in the way products and services are bundled, there are more sophisticated processes for promotion, lifecycle and order management.

To support the complex inventories, contract offerings, numerous payment options and billing analysis (all characteristic of the telco operator landscape) requires a great deal of resilience and heavy lifting.

Omni-channel commerce is complex, calling for a huge amount of accurate information to be available to the customer and the operator 24/7. Managing this requires specialized systems, built for the job and integrated into the operator's enterprise architecture, not adapted or re-engineered systems simply 'bolted on' to do the job.

3.2 Quantifying the Operator Benefits

"Enabling omni-channel for us means to have one truth of the customer, and that is as close as possible to real time." - Director of Customer Support at a Nordic operator.

After researching adjacent industries, and validating their findings with operator representatives, Northstream identified four quantifiable benefits (and their associated OPEX impact) that would result from operators implementing omni-channel/SCV capabilities:

1) **Improved customer satisfaction and loyalty**
2) **Unified campaign and service launches across channels**
3) **Call-center off load**
4) **Back-office streamlining and automation**

3.2.1 Key Assumptions

- Using Bank of America Merrill Lynch's estimate of the average EBITDA margin of 34% for European operators (2013), Northstream approximates that, on average, OPEX is about 66% of revenues (or 56% excluding interconnect costs)
- Total Western European mobile revenue is assumed to be $174bn, as reported by Ovum (for 2013)[3]. The corresponding OPEX, excluding interconnect costs, is therefore calculated to be around $97.5bn.

3.2.2 High Level Quantification Approach

Conscious of the potential differences in terms of OPEX line item distribution between operators, the study uses a generalized distribution that is considered acceptable in the telecom industry (see Appendix for OPEX breakdown).

For each benefit, Northstream identified the OPEX line items that could be positively impacted. The selection was influenced both by the findings made in the case studies and interviews, as well as Northstream's own expertise in the industry.

For each OPEX line item, Northstream assessed the probable range of the potential savings. The range reflects the fact that the impact of omni-channel varies greatly, depending on the operator's legacy systems, actions already taken to develop omni-channel and, in particular, how flexible the operator's IT architecture and infrastructure are today. Northstream's interviews showed that, aside from legacy IT, the other factors affecting the savings generated included current level of customer satisfaction, market position and the operator's scale.

Based on the operator feedback during the validation process, Northstream believes that most

[3] The list of the countries included in Ovum's definition of Western Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, Aland Island, Andorra, Channel Islands, Cyprus, Faroe Islands, Gibraltar, Greenland, Guernsey, Holy See, Iceland, Isle of Man, Jersey, Liechtenstein, Luxembourg, Malta, Monaco, San Marino, Sark, Svalbard & Jan Mayen Islands.

operators will recognize themselves somewhere within the ranges given. In some cases the range is quite large. For example, the OPEX breakdown for Benefit 4 (Back Office Streamlining and Automation) shows a range between 4.6% and 28% for IT Savings. This large range highlights potentially very significant IT cost savings for operators at the less efficient end of the scale.

3.3 Understanding the impact on OPEX

This section takes a closer look at each of the four benefits identified by Northstream in order to understand their impact on the relevant OPEX line items.

3.3.1 Benefit 1: Improved customer satisfaction and loyalty

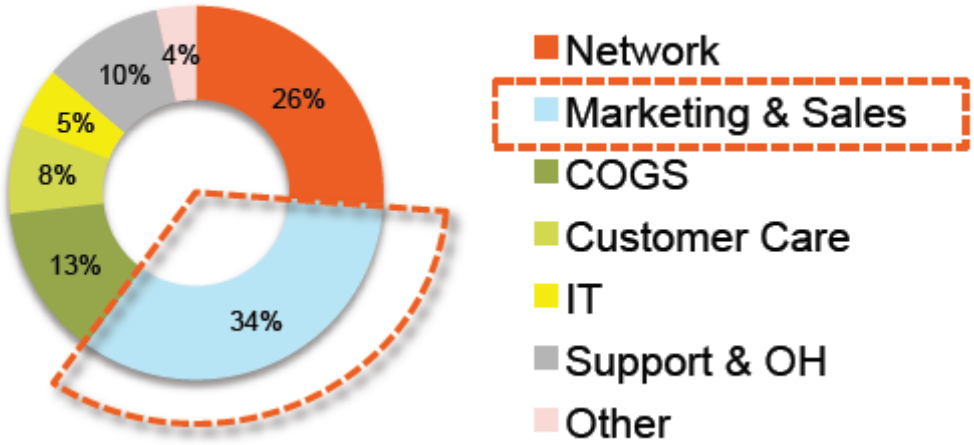


Figure 3: Affected OPEX items for Benefit #1

"We see Net Promoter Score (NPS) as the holy grail, in that it leads to good results in other OPEX metrics."- Nordic Operator.

Customer satisfaction and loyalty were highlighted across the studied industries as a key motivation for upgrading from a multi-channel environment to an omni-channel capability. Omni-channel gives operators a better insight into customer behavior and, as a result, they are able to improve customer satisfaction. This improvement in customer satisfaction demonstrates itself in fewer complaints and enquiries, as well as faster resolution of customer enquiries.

An improving Net Promoter Score (NPS) correlates positively with savings in Subscriber Acquisition Cost (SAC) and Subscriber Retention Cost (SRC), as well as the savings in dealer expenses and commissions. As one operator said during the Northstream interview process: "as customer satisfaction increases, you do not have to offer huge kickbacks".

Northstream estimated the quantifiable impact of improved customer satisfaction and loyalty as:

- **OPEX savings within the Marketing & Sales category between 0.8 % and 3%**
- **This equates to between 0.3 % and 1.0 % savings in total OPEX**

- **Which in cash terms represents $294M to $995M annual industry savings, in Western Europe.**

3.3.2 Benefit 2: Unified campaign and service launches across channels

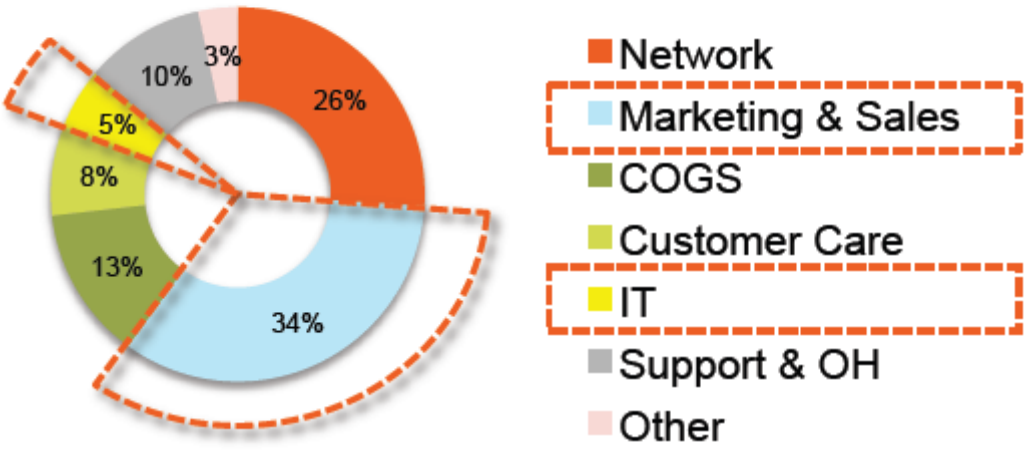


Figure 4: Affected OPEX Items for Benefit #2

"With one database for all customers, employees can access information depending on clearance. Both training employees and doing system changes become easier and faster this way." – European financial institution.

It is becoming ever more complicated and expensive to coordinate and launch new services within an operator's existing multi-channel set up. With data stuck in siloes, and different business logic per channel (e.g. order management), the multi-channel environment is driving up the cost of campaign management and service launches at the same time as degrading the service experience for customers.

Northstream estimated the quantifiable impact of the ability to offer unified campaign and service launches across channels as:

- **Between 0.7% - 1.6% savings in Marketing & Sales**
- **Between 1.4% - 3.2% savings in IT**
- **This equates to between 0.3% and 0.7% saving in total OPEX**
- **Which in cash terms represents $300M to $700M annual industry savings in Western Europe.**

SCV unifies systems with common data, allowing the same service catalogue to be used as the basis of business logic across all channels, thereby enabling automation of service launches i.e. the service can be designed and deployed once and rolled out across channels simultaneously:

"*Time to market to deliver a new product could be eight months. With common business rules we*

have reduced that to few clicks of a button." - Central European Operator

With common parameters[4], different sales channels can unify their systems and share information more efficiently, so less time and resource is spent manually configuring parameters and conditions for new campaigns and service launches.

3.3.3 Benefit 3: Call center offload

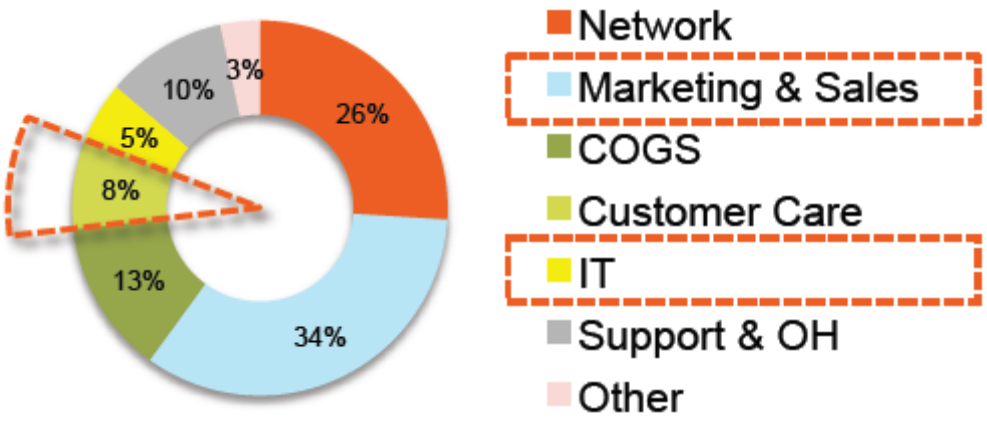


Figure 5: Affected OPEX items for Benefit #3

"*With the perfect online environment, we believe that 20% of customer care issues could be resolved by customers themselves"* – International Operator.

If agents across all channels have one SCV, issues could often be solved immediately in the retail store or online (via self-service options), thereby reducing the workload for call centers.

Omni-channel contributes in three major ways in offloading the call center:

- Firstly, as the available self-service improves, many customers never have to contact the call center.
- Secondly, as all channels get access to relevant customer information, customer service issues can be solved immediately in the first contacted channel, improving first call resolution.
- And thirdly, the combined information collated across channels means that overall resolution time is reduced because the call center agent is able to more quickly understand the likely reason for the customer's call, and does not need to repeat the discussion and work conducted previously by colleagues in other channels.

[4] Central campaign/offer management frees up resources from marketing, product management, IT and customer service, and reduces the need for front-end business logic management.

Northstream quantified the benefits of call center off-load by estimating the resulting savings in customer service costs. They estimated the impact would be in the range of:

- **12% - 18% savings in Customer Care**
- **This equates to between 0.9% and 1.4% saving in in total OPEX**
- **Which in cash terms represents $894M - $1,341M annual industry savings in Western Europe.**

3.3.4 Benefit 4: Back-office streamlining and automation

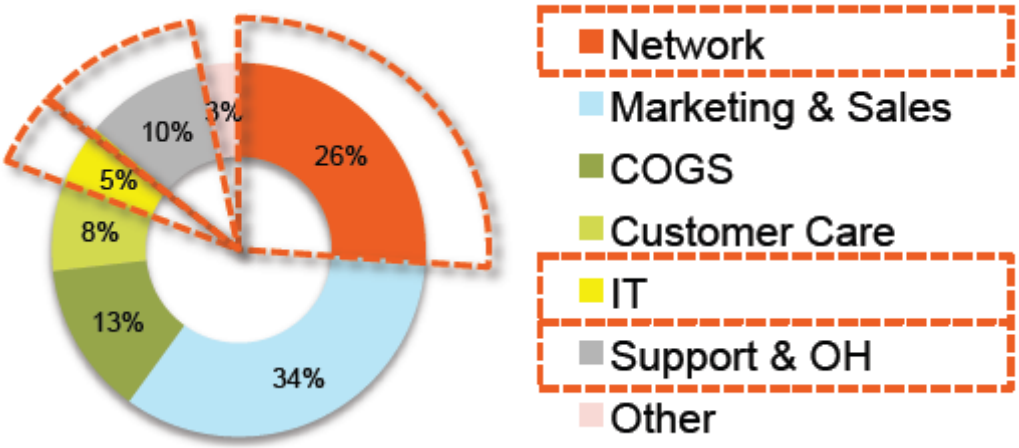


Figure 6: Affected OPEX items for Benefit #4

"Through streamlining and automating back-office processes, we reduced IT-related FTEs by approximately 80%." – Central European Operator.

In today's multi-channel environment, complex customer structures and processes generate a considerable amount of manual work in terms of service changes and in bill-runs, as well as financial and product reporting. These are processes that could be automated with the right systems in place.

Omni-channel mandates a single master data source of customer information. This allows sharing across channels, as well as the streamlining and automation of back-office processes.

One of the goals for SCV (from an internal perspective) is to automate services as much as possible. Northstream found that once the organization has SCV, automation of self-service functionalities becomes possible, so consumer and enterprise customers can manage their own accounts. SCV also facilitates automated business rules to be created for bill-runs and reports, reducing the need for manual work by specialized service delivery personnel (Network, Support & Overhead and IT).

Northstream quantified the benefits from self-service and automated back office processes by estimating the resulting savings in automation, reduced customer care costs, improved efficiency for IT personnel, and improved control and flexibility for billing and invoicing (finance costs).

They estimated that operators implementing an omni-channel solution would see results within the following ranges:

- **0.2% - 0.3% savings in Network-related OPEX**
- **4.6% - 28% savings in IT**
- **0.4 % - 0.9% savings in Support & Overhead**
- **This equates to between 0.3% and 1.6% savings in total OPEX**
- **Which in cash terms represents $325M - $1,600M annual industry savings in Western Europe.**

3.4 Summary

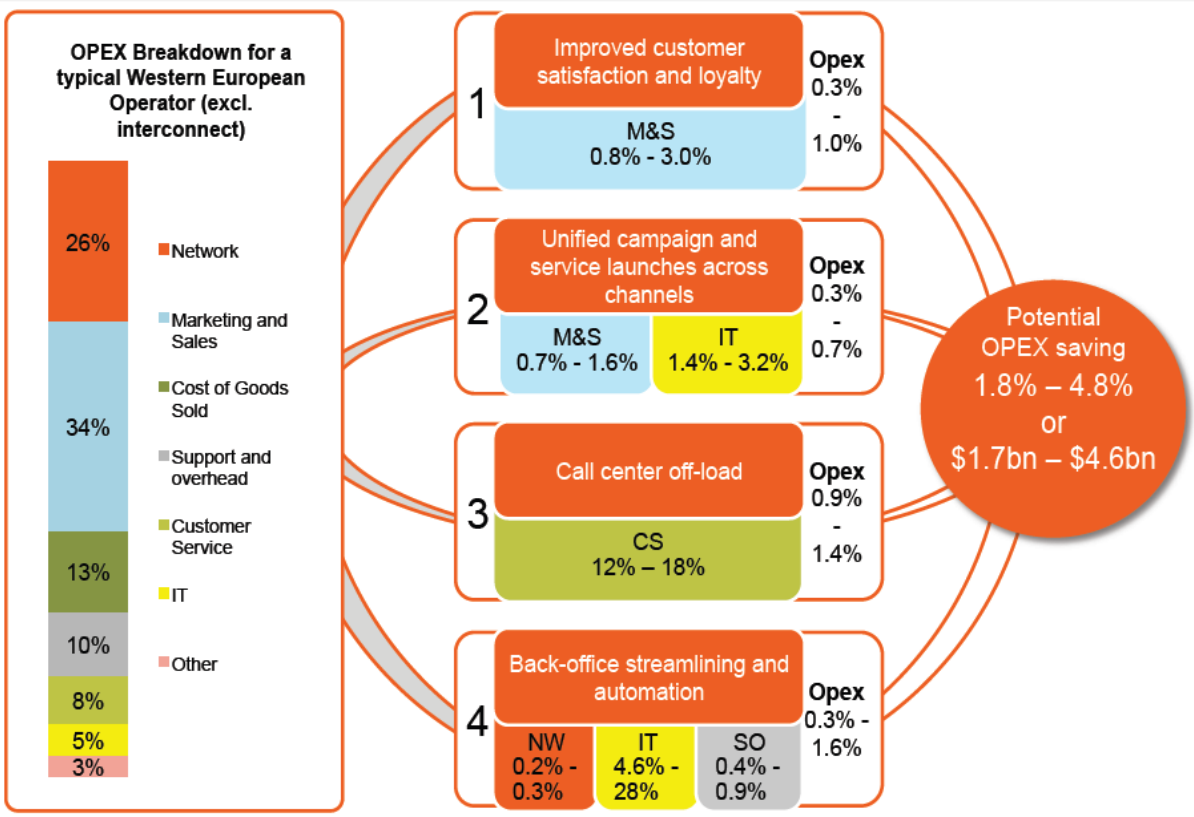


Figure 7: Aggregated industry OPEX savings for Western European mobile operators

Savings vary between operators and categories but the potential aggregated industry savings appear to be significant according to Northstream's findings.

With a well-implemented omni-channel and SCV solution, Western European operators could, in total, save up to $4.6 billion in annual OPEX. This is an aggregated industry saving across operators' key OPEX categories, including Network, Marketing & Sales, Support & Overhead, Customer Service, and IT.

The most significant potential savings are in Marketing & Sales, Customer Service, and IT, which corresponds with operators' stated motivations for implementing an omni-channel solution – i.e. improving the customer experience and making efficiency savings.

Northstream's research shows that, while operators see legacy IT as a huge challenge to implementing omni-channel, the IT OPEX cost savings from deploying such a solution are potentially massive – up to 30% for some Western European operators. Equally, operators stated during the interview stage of Northstream's research that an improved customer experience is a key motivation for implementing omni-channel. The findings show that an SCV contributes to considerable OPEX savings in both the Customer Service (12-18%) and Marketing & Sales (0.8% and 3%) OPEX categories.

The potential OPEX savings depend on variable factors, such as market size, position, the amount of legacy IT that exists within the business and, in particular, how flexible operators' IT architecture and infrastructure are today.

The business case we have made in this paper is that omni-channel improves customer experience at the same time as driving efficiencies across the operator's business. Northstream's cross-industry research also shows the impact omni-channel can have on sales revenue – for example, by optimizing its digital channel, John Lewis drove a 19% YOY sales increase for the five weeks to 27 December 2014. Online sales now account for 36% (versus 32% last year). It is likely that this trend could be replicated in telecoms too, especially as personalization will start to play a greater role (through insights gained from the holistic cross-channel view), enabling operators to make more relevant and meaningful marketing promotions to each customer, ultimately driving sales revenue.

4 Conclusion

Omni-channel is no longer a 'nice to have'. The need for a seamless, consistent and personalized omni-channel customer response is now critical for operators wanting to compete in this ever-changing digital ecosystem. Operators need to meet customers' expectations for such a unified response - and fast:

"*There will be a number of large telcos that will lose a lot of business in five years because they have not kept up with consumer patterns and implemented omni-channel*." - Senior Business Architect, Telecoms industry.

Omni-channel has the potential to overhaul the customer experience, improve efficiencies across the business, deliver cost savings and drive revenues. Operators are well aware of the arguments in favor of such a solution – even if the evidence for the quantitative OPEX business case has not been previously published. So where is the telecom industry in terms of upgrading its multi-channel environment to omni-channel?

The majority of operators Northstream spoke to see omni-channel as a gradual process, which requires changes in IT systems, processes and organizations. However, not all have had success with this approach because it increases complexity in the system and takes a long time to deliver. This means that most operators are still working with fragmented multi-channel systems that create an inconsistent, disjointed customer experience that fails to deliver for today's customers and their increasingly high expectations.

Patching up legacy systems risks slowing down the process, or failing to deliver altogether. Transitioning to omni-channel is an ambitious goal; the systems supporting the migration should be equally ambitious, which in many cases will involve swapping out the legacy IT for a system that has been designed specifically to support this new digital reality.

Northstream's research illustrates the potential impact that omni-channel can have, and should encourage operators to make it a priority. Those that have already made investments are seeing the benefits and creating market differentiation. But this is the exploratory stage – the environment is changing fast, and there is still time for operators to make their mark.

The social media channel, in particular, is a nut still to be cracked. Traditionally, operators have used social media as a channel for marketing, or to direct customer care issues to more traditional channels. For many customers, social media is their preferred method of communication for which operator on-boarding becomes a major enabler to an improved customer experience.

"We are waiting for the ones who crack the code behind social media. If customers have invoice questions, social media channel is too open to be direct in those conversations. There is no system yet to bring your social media presence and link it to your CRM account." - Director of Customer Support at a Nordic operator.

But again, for operators to be in a position to fully support social media applications (particularly as more are added), they will require a specific IT architecture with clean separation between the front end channels and the back end services and data. This is a future-proof model that allows any front-end channel to access common business logic, business rules and data. As the business evolves, and new channels are added, processes and rules can be developed and adapted quickly and simply, instead of requiring an expensive and time-consuming IT project.

Omni-channel is a key solution to fix the broken customer experience many operators provide today. This research from Northstream partially quantifies the key benefits of omni-channel, providing an annual OPEX saving to guide operators' motivations to change to an omni-channel environment.

All operators will, eventually, need omni-channel capabilities in order to stay abreast of customer requirements and competition. With next generation CRM coming to the market, enabling operators to provide joined-up selling, customer service and marketing campaigns across all channels in a consistent manner to ultimately improve customer satisfaction and brand loyalty, now is the time for operators to make their move to ensure they are well positioned for the omni-channel revolution.

5 Appendix

5.1 Lessons from adjacent industries

There has been a clear "paradigm shift", according to Northstream's cross-industry research, whereby the customer dictates where, when and how they deal with their service providers. The ideal response from a service provider's perspective is to intelligently and successfully fulfill a customer interaction at first contact, via the customer's channel of preference.

Northstream's research shows that there are many commonalities between industries in terms of the benefits generated from deploying omni-channel. For example, Northstream found that most of the companies studied are better informed about their customers and, as a result, are able to respond more swiftly (and with less effort) to market changes.

The majority of the companies studied also reported an increase in sales. Although it's not easy to determine how much of this was as a direct consequence of implementing omni-channel, or simply an effect of having more measurement points across the business, there is clearly an improvement in the ability to drive more sales, particularly through the digital channel.

Where the benefits experienced were broadly the same across verticals, the challenges tended to be industry-specific. However, a key weakness was the handling of social media – a channel that is still mostly used for marketing purposes, as opposed to a customer service and sales channel.

A summary of Northstream's findings from adjacent industries is included in the Appendix. The following case studies highlight the implementation experience of two companies operating in adjacent verticals (retail and finance).

5.1.1 Retail

- Omni-channel for retail is about the growth of online commerce (behavioral driver), cross-channel inventory management and optimized delivery logistics
- The key driver is expanding the sales channel (from store to online, or vice versa)
- An omni-channel solution allows retailers to offer a more personalized shopping experience both online and at the store, driving customer loyalty and spend
- The biggest barrier for a successful omni-channel deployment is legacy IT. Retailers have upgraded legacy CRM, inventory and e-commerce tools, but single-channel attribution metrics (compensation, reporting, organization) hamper the migration.

Case Study: John Lewis' aim is to become 'Britain's leading omni-channel retailer'. But this hasn't been without its difficulties, as laid out by the company's Retail Director, Andy Murphy: "The move to omni-channel retailing has been a challenge. We'd just got our heads around splitting [the different channels] into three, when we realized that customers are not doing that."

Instead, John Lewis saw that customer behavior had evolved. The retailer now estimates that at least two-thirds of its customers are already omni-channel – in other words, their purchase journey

extends in some way (from research to payment) across online, in-store, phone and other mobile devices. Designing a seamless experience whereby customers could research in one place, shop in the other; buy in one place, pick up in another has become a key tenet of the John Lewis sales strategy[5].

John Lewis customers are now benefitting from some of the omni-channel solutions that the retailer has implemented. John Lewis was the first retailer to launch a 'Click and Collect' service back in 2009. It has since extended this service by partnering with the Collect+ network (5500+ collection points) and, in 2014, launching 'Click and Commute' – a dedicated store in St. Pancras, London for picking up/returning orders. The retailer has also been innovative in using mobile to complement the in-store experience, such as its iPhone app that enables customers to scan barcodes of products in-store and order via the mobile site, if the store is out of stock.

5.1.2 Finance

- Service and customer experience innovation are at the core of every bank's strategy to remain relevant in the market
- At the same time, they have a responsibility to increase shareholder value so operational efficiencies are necessary
- Most banks have focused on key channels (with a clear digital shift):
  - Branch digitization: virtual staffing, 24x7 digital kiosks, e.g. Garanti
  - Mobile: fulfillment of almost all actions on a mobile app, e.g. Garanti
  - Video: secure consultation through video conferencing, e.g. Barclays
  - Social media: mostly preferred by customers for complaints, mostly preferred by the banks for marketing (although Nationwide in the UK recently launched a Twitter account dedicated to customer service @AskNationwide)

Case study: Turkish bank, Garanti, recognized omni-channel as a key differentiator, and is now amongst the most digitally advanced banks in the world, with a strong focus on the mobile channel.

With a population median age of 29 in Turkey, Garanti wants to keep up with the next generation of customers. And, with 80% of its transactions going through the digital channel, Garanti recognized that there was a large tech-savvy segment to its customer base that should be specifically catered for. So the omni-channel experience (digital in particular) was designed to serve 'Generation C' – the Connected Customer.

All of the bank's business activities are integrated into one IT system that has been built to function

[5] "The art of sales is consistent across channels, so the whole approach is to make it channel agnostic. They are not even supposed to know or see or realize which channel they're using because it's one overall customer experience." (John Lewis MD Andy Street, Mycustomer.com, Apr 11, 2013)

in real-time 24x7, in multiple currencies, languages and countries. At the core of the system is the mobile channel, which aims to be a proactive 'bank in the pocket' – for example, its 'Contextual Banking' service, available via the mobile app, tracks each customer's financial habits, and then suggests suitable, personalized options (overdraft, loans, interest-bearing savings, stock, etc.) that can be fulfilled within the app.

Following its initial launch, the iGaranti app had 7,500 active users (5,000 of which had previously never used the digital channel), 18,000 savings accounts were opened, 800 loans were issued and 6,000 debit/credit cards were issued. Optimizing the digital channel has had a positive knock-on effect in Garanti's physical stores, where the staff are able to focus on advice and consultation for large transactions such as loans and mortgages.

Garanti considers contextual awareness to be its next greatest challenge. Its aim is to improve 'living services' that learn and evolve with the needs of the customer.

5.2 Further findings from adjacent industries

Table 1: Adjacent Industry Findings

Organization	Omni-channel Solution	Impact
John Lewis Partnership plc. • 31 UK department stores • 10 John Lewis 'at home' shops • Shops at St Pancras International and Heathrow Terminal 2 • 335 Waitrose supermarkets	• Click & Collect – shop online and collect from any JL/Waitrose branch across UK • Click & Commute • My John Lewis – online personalization, purchase history and recommendations • iPhone App – Scan product barcodes in store and order via mobile site • Omni-channel store – opened in Exeter in October 2012. Offered the full list of John Lewis products in a smaller store through the use of online technologies.	• For the five weeks to 27 December 2014, total sales were £777m, +5.8% compared with last year. • Online sales were +19% on last year with johnlewis.com representing 36% (versus 32% last year) of total John Lewis sales during this period. • The Click & Collect delivery option is proving to be the delivery means of choice, with 56% of online orders being collected in shops, overtaking home delivery for Christmas 2014.

Organization	Omni-channel Solution	Impact
Intersport • Global brand with local franchise takers • 150 stores in Sweden and 5,500 worldwide • Active in 43 countries	• Click & Collect • Click & Delivery • Online and stores today use shared inventory data	• Increased sales through mobile devices by 216% • Increased total online sales by 55%
Indigo • Canada's largest book, gift and specialty toy retailer • Stores in Canada: 92 superstores; 130 small format stores • Online at indigo.ca	• Click & Collect • Mobile application: • Loyalty programme • Real time access to rewards account information • Barcode scanning • Personalized discovery, mobile coupons	• Double digit increases in total sales from reward members who downloaded the app versus those who didn't • Significant increase in spend online and a higher spend in store than those who didn't download • Online revenues in 2014 equaled 12% in total revenues (11% increase)
Musti & Mirri / Grizzly Zoo • Largest pet accessories retailer in Scandinavia • Finland (Musti & Mirri): 107 stores • Sweden (Grizzly Zoo): 21 stores	• Click & Collect/ Click & Delivery/ Shop & Delivery • 300,000 customers in the loyalty programme • Social media and email used for marketing purposes	• Online had grown its sales share to nearly 50% • Logistics savings – stores and central storage locations are used as delivery points for deliveries • Optimized warehousing – online and stores today use shared inventory data

Organization	Omni-channel Solution	Impact
Garanti • Integrated financial services group • 2nd largest bank in Turkey • 28% market share in Turkish internet banking • 45% market share in mobile banking • Branches (countries): 990 (Turkey), 6 (Cyprus), 1 (Luxembourg), 1 (Malta) • International representation in London, Dusseldorf and Shanghai	• All bank's business activities integrated into one IT system • The system is built to function in real time 24x7, in multiple currencies, languages and countries • The mobile channel is designed to be proactive	• 80% of transactions are now through the digital channel • Increased quality of face to face interactions in store • By optimizing the digital channel, Garanti has been able to transform its physical branches, focusing on advice and consultation for large transactions such as loans and mortgages • In the first month of the launch of the mobile App (iGaranti) it had 75000 active users

5.3 OPEX breakdown

Category	Of each category	% of total OPEX
Network	**100,0%**	**26,0%**
Personnel	17,0%	4,4%
External services	14,0%	3,6%
Fee for leased line usage	9,0%	2,3%
License and vendor maintenance	14,0%	3,6%
Site and building rental	30,0%	7,8%
Power	15,0%	3,9%
Other	1,0%	0,3%
Marketing and Sales	**100,0%**	**34,0%**
Personnel	38,0%	12,9%
External services	8,0%	2,7%
Site and building rental	4,0%	1,4%
Advertising	19,0%	6,5%
Dealer expenses	15,0%	5,1%
Other	1,0%	0,3%
Commission	15,0%	5,1%
Cost of Goods Sold	**100,0%**	**13,2%**

Category	Of each category	% of total OPEX
Customer Service	**100,0%**	**7,7%**
Personnel	34,0%	2,6%
External services	51,0%	3,9%
Logistics	6,0%	0,5%
Mail and delivery	9,0%	0,7%
IT	**100,0%**	**5,3%**
Personnel	27,0%	1,4%
External services	65,0%	3,4%
License and vendor maintenance	5,0%	0,3%
Equipment rental & lease	3,0%	0,2%
Support and overhead	**100,0%**	**10,4%**
Personnel	43,0%	4,5%
External services	29,0%	3,0%
Site and building rental	16,0%	1,7%
Other	12,0%	1,2%
Other	**100,0%**	**3,4%**
Interconnect	**100,0%**	**0,0%**

Figure 8: The OPEX Breakdown for a typical European operator