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SCHOOL OF ECONOMICS AND BUSINESS

MASTER THESIS

**THE ROLE OF ONLINE AND OFFLINE CHANNELS IN  
DELIVERING OMNICHANNEL CUSTOMER EXPERIENCE**

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## AUTHORSHIP STATEMENT

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## **LIST OF ABBREVIATIONS**

sl. – Slovene

**AI** – (sl.umetna inteligenca); Artificial intelligence

**CDP** – (sl.platforma podatkov o potrošnikih); Customer data platform

**CEM** – (sl. management izkušenj potrošnikov); Customer experience management

**CES** – (sl.stopnja prizadevanja potrošnikov); Customer effort score

**CMS** – (sl.sistem ravnanja z vsebinami); Content management system

**CRM** – (sl.management odnosov s potrošniki); Customer relationship management

**CSAT** – (sl.zadovoljstvo potrošnikov); Customer satisfaction

**CX** – (sl. uporabniška izkušnja); Customer experience

**ERP** – (sl. načrtovanje virov); Enterprise resource planning

**GDPR** – (sl. regulacija varovanja podatkov); General Data Protection Regulation

**KPI** – (sl.ključni dejavniki uspeha); Key performance indicator

**NPS** – (sl. stopnja zagovornišva); Net promoter score

**SERVQUAL**– (sl. kakovost storitve); Service quality

**SMEs** – (sl. Mala in srednje velika podjetja); Small and medium enterprises

**UX** – (sl. uporabniške izkušnje); User experience

**UXD** – (sl.oblikovanje uporabniške izkušnje); User experience design



## INTRODUCTION

The internet, technology developments, and ongoing digitalization significantly impacted the way customers interact with brands. The shift in the marketing paradigm happened when consumers became active co-creators of value and collaborative participants in creating organizational strategies rather than passive recipients (Brodie, Hollebeek & Conduit, 2015, p.21). The post-modern consumer is no longer bounded by the working hours, location, or information absence. It has almost limitless opportunities for interaction with a brand through multiple channels to co-create experience and participate in value creation. As Barwitz and Maas (2018) emphasized, customers have numerous possibilities to research and purchase products and services and individualize their customer journeys. Such growth of touchpoints forced companies to think about ways to understand better and manage a customer journey to deliver an outstanding customer experience.

With the arrival of new channels and technologies, the customer journey became even more complex and pressured companies to adopt new channels and implement new communication strategies. In addition, the increase of touchpoints between consumers and firms resulted in more complex customer journeys and put a burden on many companies to deliver seamless customer experience, especially in an environment of accelerating media and channel fragmentation, where omnichannel management has become the new norm (Lemon & Verhoef, 2016). To deliver a personalized experience, companies must understand and reach their customers through meaningful messages and different marketplaces and touchpoints while considering critical changes in consumer behavior and emerging social trends (Batat, 2019, p.78).

According to Larke, Kilgour and O'Connor (2018), to ensure a seamless customer experience, companies should implement the omnichannel strategy to maximize customer value from both a customer and an organizational perspective and consequently increase interactions and drive sales. Delivering a unique and attractive customer experience became one of the top priorities and management objectives and a challenge for many organizations. They must understand numerous touchpoints of the customer's decision journey (Econsultancy.com, 2016).

The interest in the concept of customer experience stretches beyond academia and practitioners. The concept of customer experience became attractive to Accenture, Gartner, IBM, and McKinsey, which built entire practices around the customer experience (De Keyser, Lemon, Klaus & Keiningham, 2015). Research undertaken by Forrester showed that 87 percent of organizations agree that traditional experiences are no longer enough to satisfy customers (Accenture.com, 2018). Every decision made by companies will eventually impact consumers and their experience of the product or service they consume. Therefore, providing a unique and memorable experience is an opportunity for companies to build a stronger relationship between the brand and consumers and eventually increase performance outcomes (Accenture.com, 2018; Amoroso, 2019). As McKinsey's report pointed out, it is

no longer enough to focus on product or service development but on finding ways to integrate and expand current offers to create a seamless, omnichannel customer experience (McKinsey, 2017). Researchers Stein and Ramaseshan (2016) agree that the customer experience is partially created through the determinants already in a firm's control (e.g., service interface, store displays, and advertising). However, they emphasize that elements that stretch beyond the firm's control, such as customer interactions and the purpose of shopping, significantly influence the overall customer experience. This aspect is out of the company's control as it represents an individual's highly personal and intrinsic desire towards the brand's offering.

The concept of customer experience is not losing its relevance. In order to deliver a unique customer experience, businesses had to develop a set of competencies to map and understand the consumer decision journey across online and offline channels. Business organizations have to meet consumers at each touchpoint of their journey and provide a seamless experience. However, the relevant literature does not provide a comprehensive contribution of individual channels and how companies use them in managing the omnichannel customer experience.

Therefore, the **purpose** of the master thesis will be to answer what is the contribution of multiple channels in delivering omnichannel customer experience and the business practices in Croatia in managing the omnichannel customer experience.

The study will aim for researching the following **goals**:

- to identify which channels could be used in order to create and deliver a positive customer experience;
- to determine how companies can manage customer experience across multiple channels;
- to recognize some of the main challenges the companies are facing in delivering the omnichannel customer experience.

The identified **research questions** result from the secondary analysis of the relevant marketing literature and follow the goals mentioned above:

1. The customer experience is highly individual, and firms can utilize various experience facilitating factors to create desired experiences regarding aspects of the marketing mix under the firm's control (De Keyser, Lemon, Klaus & Keiningham, 2015). In order to identify the possibilities for channel mix, the research question would be: What is the optimal channel mix for the customer experience? When should a channel be added or removed to enhance the customer experience?



2. Despite the attempt of multichannel literature to identify synergies and potential dissynergies between channels on experience measures, the contribution (and interactions) of multiple touchpoints to the customer experience should be more examined (Lemon & Verhoef, 2016). Building on that notion, the research question would be: Can the channel integration leverage seamless customer experience across channels?
3. What is the impact of an omnichannel strategy on customer experience?
4. What are the experiences of companies in Croatia when managing the omnichannel customer experience?
5. What is the role of technology developments in augmenting the customer experience?

The thesis consists of theoretical and empirical analysis. The theoretical part was based on a secondary analysis of relevant articles and research that have been published by now. The knowledge from the secondary data analysis was used to develop a theoretical foundation of the underlying concepts and represent the ongoing trends and practices that encompass the topic. The focus here was on the reasoning behind the customer experience and its relevance. The explanation of the concept of the customer journey was discussed, along with the channel contribution to the omnichannel customer experience.

The second part of the thesis consists of the empirical analysis of qualitative data. The qualitative data was collected by conducting in-depth interviews with industry experts, professionals, and company representatives. To answer the research questions and determine the practices and experiences of companies, the interviews were undertaken with experts from the marketing agencies and consulting companies in Croatia that have practical experience from various industries. Other respondents included companies' representatives to establish a brief overview of organizational challenges and strategic practices in developing and implementing a seamless experience and potential effects on the firm's performance. Collected data was be used as a contribution to the existing knowledge about customer experience.

## **1 THE CONCEPT OF CUSTOMER EXPERIENCE**

### **1.1 Customer centricity**

At the turn of the last century, the experience economy became an interest of many researchers. Pine and Gilmore (1998) identified new developments around consumers who desire experiences and companies that design and promote them. Authors introduced the fourth stage of economic progress they named "experience economy," which arises after commodities, goods, and services in the progression of economic value (Pine & Gilmore, 1998). They advocated that the product and services as the company's offering are no longer enough to achieve the competitive advantage. They predicted that the next competitive

battleground for companies would be in staging experiences, meaning that companies will have to design engaging experiences and charge a premium price for them (Pine & Gilmore, 1998). Building on that notion, Schmitt (1999) concluded that the success in the global marketplace of the new millennium would be based on company's ability to deliver a desirable customer experience because customers want products, communications, and marketing campaigns that deliver an experience, that they can relate to and that they can incorporate into their lifestyles.

A customer-centricity is nowadays very relevant as many companies understand the importance of a customer-centric approach. Amazon is a representative company that incorporated its customer-centric approach to its mission statement (for the UK). It states that the company's mission is "to become Earth's most customer-centric company while continually raise the bar of the customer experience by using the internet and technology to help consumers find, discover and buy anything, and empower businesses and content creators to maximize their success" (Aboutamazon.com.uk, 2020). In his letter to shareholders in 2016, Amazon's CEO Jeff Bezos explained that the main reason for the company's vitality is their customer-obsessive approach while also acknowledging other business aspects that contribute to it (Aboutamazon.com, 2017). Despite being aware of the importance of superior customer experience, many companies fail to identify the most meaningful part of customer experience. Not everything is about implementing the new design or technology. To achieve a competitive advantage, companies have to think about the factors such as speed, convenience, friendliness, consistency, and human touch (Clarke & Kinghorn, 2018). These factors make customers more loyal as their experiences remain frictionless and positive.

According to Lemon and Verhoef (2016), marketing literature has been slow in adopting these developments. Business interest in the topic stimulated academic researchers to delve into the research of the customer experience. There is a considerable debate amongst academics and practitioners as to what exactly the definition, dimensions, and foundations of the customer experience are, and this is why the Marketing Science Institute labeled "understanding customers and the customer experience" as the top-tier research priority from 2014 to 2016 (De Keyser, Lemon, Klaus & Keiningham, 2015). The interest in customer experience continued in the following years (2018-2020), as one of the key research priorities of Marketing Science Institute (Msi.org, 2018), through a focus on consumer insights and the rise of omnichannel promotion and distribution, along with the channel structure.

With the ongoing global pandemic, the global economy changes will have lasting impacts in the long run on every aspect of a company's environment (i.e., market regulation and public policy, the marketplace), consumer behavior, and future brand strategies will have to forecast and prepare for future uncertainties (Msi.org, 2021). That is why the research focus for the next period (2020-2022) will encompass priorities that reflect new circumstances: Delivering Customer Value; Evolving Landscape of Martech and Advertising; Tools for

Capturing Information to Fuel Growth; The Rise of Omnichannel Promotion and Distribution; Organizing for Marketing Agility; Innovation, NPD and Commercialization; and Promoting Inclusion and Diversity in Marketing and Society (Msi.org, 2021). Before explaining the concept of omnichannel, the following section will focus on describing the concept of customer experience, distinguishing the concepts of customer and user experience, and providing an overview of customer experience management.

## **1.2 Defining the customer experience**

The beginning of the customer experience research dates back to the 1950s when Abbott and Alderson (in Lemon & Verhoef, 2016) started to discuss that what individuals desire are not products but fulfilling and satisfying consumption experiences. This research period was mostly characterized by discussions about symbolic aspects of products, which continued in the following two decades (Hirschman & Holbrook, 1982). In the 1980s, the concept of customer experience was conceived when experiential theorists introduced a new view on consumer behavior and challenged the rational aspect of human behavior. Hirschman and Holbrook (1982) defined hedonic (experiential) consumption as features of consumer behavior that relate to the multisensory, fantasy, and emotive aspects of one's experience with a product. As human behavior consists of rational and emotional decisions, people's experiences have emotional aspects as well. Such viewpoint confronted the classical economic theory where consumers make logical purchasing decisions based on rational problem solving and introduced an emotional and irrational side of customer behavior (Gentile, Spiller & Noci, 2007).

In their article "Welcome to the experience economy," authors Pine and Gilmore (1998) explained that memorable experiences result from intentional actions undertaken by the company, where services are staged, and goods are used as propositions, in order to create a memorable event and engage individuals. They further explained that those experiences occur within an individual due to different emotional, physical, or spiritual factors, and therefore are inherently personal. That was just the beginning of the new stream of researchers who aimed to provide a comprehensive definition of the customer experience, yet mainly undertaking a holistic approach by identifying affective, cognitive, behavioral, and psychological processes (Amoroso, 2019).

One of the first scholars with a new perspective on customer experience was Columbia Business School professor Bernd Schmitt (1999, p.57), who demonstrated that customer experiences occur as a result of encountering, undergoing, or living through certain situations and provide sensory, emotional, cognitive, behavioral, and relational values that replace functional values. In his later work, Schmitt (2003) often challenged traditional marketing concept, customer satisfaction model, and customer relationship management with an argument that they focus on product functionality rather than the experience of the customer, who is not a rational decision-maker who trades off functional features and benefits but frequently engages in emotion-, intuition-, and impulse-driven purchase. He

provided a clear distinction between the customer experience and the customer satisfaction paradigm. The latter is outcome-oriented, as the customer compares a product performance with its prior expectations and expresses satisfaction or dissatisfaction, where the set of experiences while consuming the product is lacking.

Analysis of available literature shows that the holistic and multi-dimensional nature of customer experience construct was underlined with many researchers within the marketing discourse yet considering different factors in relationships in which the experience occurs. In their article, authors Schwager and Meyer (2007) defined customer experience as the internal and subjective response customers have to any direct or indirect interaction. While former interaction occurs as a direct touchpoint between the company and the customer that initiated the contact (i.e., while purchasing or using the company's offering), the latter is more related to the indirect interactions that occur with third party actors and social networks that have an impact on customer experience (i.e., product or service reviews, promotional activities or company's subcontractors). This perspective shows that the relationship between a customer and a firm is two-sided. However, multiple actors and stakeholders impact the customer experience during the consumer decision journey, which other authors also underlined.

De Keyser, Lemon, Klaus and Keiningham (2015) defined the customer experience as a composition of the cognitive, emotional, physical, sensorial, and social elements that mark the customer's direct or indirect interaction with a (set of) market actor(s). Lemon and Verhoef (2016) similarly described the customer experience as a result of consumer interaction with a firm during the entire purchase journey while acknowledging the holistic, multi-dimensional construct of consumer's cognitive, emotional, behavioral, sensorial, and social responses. Amoroso (2019, p.111) provided an overarching definition of consumer-brand experience as a "multi-dimensional and holistic process, characterized by the stratification of all interactions between the brand and consumer, which occur in different times and different spaces, as a result of co-creation by both the firm and the consumers and influenced by the environmental and individual characteristics that shape and alter the perception of the experience." In her analysis, Amoroso (2019, p.108) identified five main dimensions of customer experience:

- multi-dimensional, as CX involves cognitive, emotional, behavioral, sensorial, social, and spiritual responses to all interactions with a firm,
- subjective, meaning that every experience reflects internal, subjective, and unique mental processing by a consumer,
- holistic as it embraces all the stages of consumer decision making and consumption process,
- co-created since experiences are co-created between the customer's goals and organization's offering,

- and systemic because it can be analyzed as an outcome and a process.

Each of the properties has its significance on the outcome, which is the customer experience. As people are different, their experiences differ as they are highly influenced by individual experiences and are accordingly intrasubjective, as well as the societal norms and values within the social system(s) in which people live, which makes the CX socially intersubjective (De Keyser, Lemon, Klaus & Keiningham, 2015).

In defining the customer experience, authors acknowledge the role of a customer and its experience through multiple touchpoints that exist due to their interactions with a company and its offerings, as well as with their friends, communities, and other market actors. The role of the context in observing a customer experience has become prevalent in marketing literature. There is a move from the dyadic customer-firm relationship to a networked view that encompasses the immediate personal environment of the customer and the broader context that bridges commercial and non-commercial market players (De Keyser, Lemon, Klaus & Keiningham, 2015).

On a broader level, customer-company relationships occur within a complex social system with specific values that impact their perceptions of reality, thinking, and behavior regarding value co-creation (Edvardsson, Tronvoll & Gruber, 2011). According to the authors, social roles and the context are why people cannot experience two events in the same way. For instance, if a customer participates in the same type of event within a different social context (i.e., business and personal trip to the same location), his experience will be diverse as he performs distinct social roles.

When it comes to the context-related dimension of customer experience, researchers argued that the role of consumers drastically changed as they stopped being passive adopters of the company's offering at the end of the value chain. Consumers engage in creating and developing the products and services according to their needs and interact with other consumers, communities, and market players (Brodie, Hollebeek & Conduit, 2015). As customers became more interconnected with other customers, they not only started to explore other people's opinions but consider them as a decision-making factor for their purchase decisions, such as recommendations or product reviews. Their role changed from passive observers to active participants in an active dialogue and co-creators of their own, personalized experience (De Keyser, Lemon, Klaus & Keiningham, 2015).

Therefore, companies realized that to capture customers across multiple channels, they have to approach them proactively and provide unique moments with an extraordinary experience that resonates with the customer's expectations and goals about utilizing the service or product. It is not possible to design the experiences that will follow the predicted outcomes but create conditions that will assist customers in creating their desired experiences (Teixeira et al., 2012). Suppose the provided service or product corresponds accurately with the customer's personal needs and wants. In that case, customer experience will move towards

the positive direction, where a consumer will create a more stable relationship with a company's offering and become loyal.

It is worth mentioning that customer's consumption goals are often driven by personal or societal interest topics, which was evident during the Covid-19 global pandemic. As a result, consumers changed their purchase habits and their brand expectations regarding safety measures and supply chain reliability. As Diebner, Siliman, Ungerman and Vancauwenberghe (2020) underlined, a crisis like this one significantly impacts interactions between a company and customers who quickly and permanently change their trust and loyalty. Moreover, the authors stressed that this particular crisis provides an opportunity for better positioning of customer experience leaders through rapid changes and innovation of consumer journeys and taking advantage of long-term shifts in consumer behaviors. As uncertainty increased and customers became more fragile to the new environment, the most logical step for most companies was to provide compassion and security to maintain positive brand perception and customer loyalty at different times.

Companies can further create strategies that will enable them better flexibility and readiness for the upcoming post-crisis period. Diebner, Siliman, Ungerman and Vancauwenberghe (2020) identified four actions that may serve as a framework for creating a positive customer experience by having a better response to the customer needs and future challenges, as follows:

1. focus on customer care by offering sincere support to the employees and community with information surplus and guidance while remaining loyal to the company's values;
2. meeting the customers where they are by developing digital solutions that will help them safely enjoy the company's offering;
3. reimagining the CX for a post-Covid-19 world having in mind economic impacts on the business and the change of the importance of online and online channels;
4. building agile capabilities for a fast-changing environment.

These individual contacts between the firm and the customer, through the product, service, company's representations, or third parties, at distinct points in the experience are being called touchpoints, and they add up throughout the customer journey and serve as the points where companies collect data from a consumer (Lemon & Verhoef, 2016; Schwager & Meyer, 2007). Touchpoint is an event-specific customer experience related to a particular customer-firm interaction, opposed to the dynamic customer experience that evolves due to many event-specific experiences that are colored with different intensity, time-intervals, and low fluctuations (De Keyser, Lemon, Klaus & Keiningham, 2015). Keeping in mind that customer experience is very subjective, dynamic and that customer preferences may change over time, the value of each touchpoint is changing as well. Schwager and Meyer (2007) underlined that the success of a brand depends on its ability to embed the value proposition

in every feature of company's offering, while Schmitt (2003, p.68) pointed that while monitoring the experience at each touchpoint, the objective of the company should be to understand and leverage the customer experience through the decision-making process.

In further examining the customer experience, one should also consider the related concepts of customer engagement and customer value, both fundamental concepts in marketing theory. Lemon and Verhoef (2016, p.74) defined customer engagement as "the extent to which the customer reaches out to and engages with the firm through various touchpoints along the customer journey and results in cognitive, emotional, behavioral, sensorial and social responses on the part of the consumer, where customer engagement becomes a part of the overall customer experience and constitutes specific touchpoints along the customer journey". These interactions may be related to a different set of activities and reflect an experience consumers had during the purchase and consumption of a product or service. Depending on how the customer values the past, present, and future experiences, the customer engagement will be more positive and increased or negative and low (De Keyser, Lemon, Klaus & Keiningham, 2015). Especially within the digital environment, engaged customers have an important role as providers of reviews about products, services or brands, developing new products or services, and co-creating experience and value (Brodie, Hollebeek, Ilic & Juric, 2011). Their engagement plays a crucial role in increasing brand awareness and extending the reach of the brand's voice. Additionally, there is a concept of customer value as an evaluative motivational force that is experiential. It is derived from a direct reflection upon customer experience on the specific product or service (De Keyser, Lemon, Klaus & Keiningham, 2015).

Since different touchpoints influence overall customer experience, and as companies are more than ever focused on building successful digital channels, user experience is inevitable in designing and managing the customer experience. Therefore, companies have to gain a profound understanding of their customers and align the design and functionalities of their digital tools to create a desirable user experience. The following subchapter will explain the user experience and the main differences compared to a customer experience.

### **1.3 The difference between customer and user experience**

As of April 2021, research showed more than 4.72 billion internet users in the world, which means that almost 60 percent of the world's population uses the internet, a growth of 7.6 percent compared to the previous year (DataReportal.com, 2021b). Additionally, last year was especially fruitful for the social media platforms. More than half a billion new users joined social media platforms last year, causing total numbers to increase to 4.33 billion active social media users. Users spend more time with different digital media and devices, predominantly on mobile phones and laptops (DataReportal.com, 2021b). As consumers increasingly use different devices to access various content and interact with a company or its offering, the challenge imposed to the companies is to differentiate from the competition and achieve competitive advantage through a compelling customer experience that will

stimulate consumers to become loyal and increase their returns. As companies moved towards developing their digital assets and adding channels to their channel mix, they have to consider the importance of the user experience (UX) to increase the satisfaction of their users.

The user experience, according to the International Organization for Standardization (Iso.org, 2020), includes all the users' emotions, beliefs, preferences, perceptions, physical and psychological responses, behaviors, and accomplishments that occur before, during, and after use and/or anticipated use of a product, system or service. What differentiates the customer experience from the user experience is that the former encompasses all the external interactions between a company and the customer, but also looks into the internal process related to the customer-centric mindset within the company, the employee satisfaction, and their adherence to the company's strategy (Robier, 2015). On the other hand, UX is the sum of all the experiences (physical, sensory, emotional, and mental). However, it represents the overall satisfaction a user gets from interacting with a digital tool or a product such as a website, mobile site, web and social media applications, videos, or landing pages (Stokes, 2018). Kraft (2012) also highlighted the emotional dimension of the user experience, which occurs when using a product. For this reason, he pointed out that the user experience can range from a different side of the emotional spectrum – from hate to love, from anger to happiness– and as it may change through time due to the different circumstances, the company should aim for maximizing positive moments and reducing the negative ones for users.

The concept of user experience encompasses multiple factors and functionalities that enable easier interaction with existing consumers and a way for the company to acquire a new one, foster its return to the webpage or the mobile application, and continue using it. To establish a good webpage or mobile app, one should think first of the user experience while considering the target audience, the characteristics of their behavior, their needs, and the context in which their usage occurs. Each step on the consumer journey should be well considered as it sums up the overall customer experience. For example, suppose the customer arrives at a company's landing page with inadequate information architecture or broken links within the page. In that case, the customer will probably create a negative experience since it could not find the information it searched for, where the purpose of the web page visitors will not be fulfilled. Another example may be the too-long loading of the mobile application or too many steps to finish a specific process. These are some of the potential aspects that the user experience practitioners should consider to prevent losing customers and create loyal ones willing to return.

The user experience is happening due to embedding the UX design principles in the development of digital assets. It leans on many spheres of digital marketing – from creating a strategy, identifying, and analyzing the target groups, developing the digital asset, design, content creation, advertising to the optimization techniques (Stokes, 2018, p.113). Moreover, digital channels often serve as the first touchpoint of a consumer with a brand, thus creating



the first impression that influences the consumer expectations in further interactions. For that reason, it is of uttermost importance to provide a satisfactory user experience from the beginning, so-called “the moment of truth”, till the end of the customer journey and over the various channels through an omnichannel strategy.

Nevertheless, Kraft (2012) emphasized that when thinking about the user experience, what matters as much as the first impression is a long-term user experience, which he compared to a personal relationship. The company will not maintain the relationship with the consumer unless it provides reasons to use the web page, application, or product. In order to stimulate consumers to come back, the company has to provide them an incentive, a source of constant excitement over the new product features, upgrades, or similar benefits. So as to provide the customers with a good user experience when using the service or product, Stokes (2018) demonstrated six qualities that should be thought of and serve to leverage the UX:

- findability (i.e., how much time does the customer need to find specific information),
- accessibility as the degree to which a website is available to users with physical challenges or technical limitations (i.e., is the service available on all devices that customers use or does it work in offline mode),
- desirability (i.e., does it provide enough value to consumer to use it),
- usability as a measure of how user-friendly and efficient a digital product is (i.e., is the tool easy to use and intuitive),
- the credibility that a webpage or application looks trustworthy and legitimate (i.e., is it safe for use),
- usefulness (i.e., what is the benefit of using it).

Today’s consumers are saturated with excess information being served to them, which is why communicators, content producers, designers, and developers have to think about ways to serve the vast amount of data in a simple, yet comprehensive, utile, and utile engaging ways. Robier (2015) inferred that human receptiveness would not have a chance to keep pace with such speed, as consumers have already started to disregard unnecessary information, as is the case through the “banner blindness” when people tend to ignore advertisements and focus on the website content. Therefore, the first step in designing a great user experience is understanding the consumers, needs, and wants. That is why designers when thinking about the user-centered design, adopt a philosophy that puts their customers first, beyond other factors, and undertake a process of understanding the consumer that entails profound research and testing with the actual user of the site or product (Stokes, 2018). The role of practitioners is to determine what their users want even if they do not know by themselves and provide them a superior experience.

Usability, or in other words, user-friendliness, is another essential factor in developing products, services, and processes in an efficient, effective manner, and to the highest satisfaction of the customer, in order to create and design holistic user experiences (Robier, 2015, p.13). As the author further explains, in order to start with the design process for the products and services, the user experience practice in different industries and areas must rely on UX properties and consider all customer processes that lead to and follow the usage of a product, to provide the user with a positive experience – before, during and after any interaction with the product or service.

While usability focuses on improving a product's subjective experience, user experience approaches the process more holistically by looking at the entire process from product search to the actual purchase. Hence, user experience design (UXD or UED) is the process of applying proven principles, techniques, and features to a digital tool to create and optimize the user experience (Stokes, 2018, p.89). Even though constant testing and optimization of product features and functionalities may be expensive and take much time, there are benefits of the user experience that surpass the cost in terms of improving consumer satisfaction and, consequently, loyalty, impacting the overall customer experience, leveraging the conversions, reducing the bounce rate and attaining the competitive advantage at the market.

To achieve the satisfaction of consumers, the user experience at all touchpoints has to follow the design principles that enhance the usability, efficiency, and effectiveness of the product, process, or service and ultimately trigger experiences (Robier, 2015). From the brand communication on social media to the mobile application design, managing each touchpoint strategically and achieving the positive customer experience is a part of the process that is carefully examined by the customer experience management that will be discussed hereafter.

#### **1.4 Customer experience management**

Along with the rise of consumer empowerment, companies have started to understand the importance of collecting and understanding data to predict consumer decisions throughout the consumer journey, identifying their needs and pain points to solve (Edelman & Singer, 2015). To provide value for the consumer through a compelling experience, a company must understand the decision journey to create a unique experience tailored to each individual. The customer journey has to be frictionless as consumers expect the brand to deliver the same experience across various channels and stages of their purchase.

From the viewpoint of a company, there is considerable potential for achieving competitive advantage through a customer-centric strategy to reach the customers, as all the touchpoints are tools for adding value in terms of sales success (Scherpen, Draghici & Nieman, 2018). The customer experience management framework provides all the steps to follow throughout the customer journey to create a loyal customer by optimizing the touchpoints between a customer and a company. In order to capture the whole journey, the customer data has to be integrated to provide a thorough picture of consumers.

To understand the benefits of investing in customer experience management (CEM) data, one must clearly understand its difference compared to the customer relationship management (CRM) data. Schwager and Meyer (2007) identified the significant difference between those, where the CRM captures historical point-of-sale data about a consumer through its purchase history. On the other hand, the CEM data capture customers' subjective thoughts about a particular company through an immediate response at the touchpoint.

*Table 1: Comparison of customer experience management and customer relationship management*

|   | <b>What</b>   | <b>When</b>                                       | <b>How Monitored</b>   | <b>Who Uses the Information</b>  | <b>Relevance to Future Performance</b>  |
|---|---|---|--|--|---|
| <b>Customer Experience Management (CEM)</b>   | Captures and distributes what a customer thinks about a company | At points of customer interaction: "touchpoints"  | Surveys, targeted studies, "voice of customer" research                                  | Business or functional leaders in order to create fulfillable expectations and better experiences with product and services                    | Leading:<br>Locates places to add offerings in the gaps between expectations and experience |
| <b>Customer Relationship Management (CRM)</b> | Captures and distributes what a company knows about a customer  | After there is a record of a customer interaction | Point-of-sales data, market research, website click-through, automated tracking of sales | Customer-facing groups such as sales, marketing, field service, and customer service, in order to drive more efficient and effective execution | Lagging:<br>Drives cross-selling by bundling products in demand with ones that are not      |

*Source: Schwager & Meyer (2007).*

Table 1 explains the differences between CRM and CEM considering the type of data, the moment of the customer journey when the data gets collected, tools, use, and relevance of such information. The difference between the CEM and CRM was earlier described by Schmitt (2003, p.17-18), who accentuated that CEM stretches beyond CRM by moving from recording transactions to building rich relationships with a customer. What makes a clear distinction is a source, timing, and use of consumer data. The CRM is oriented towards the

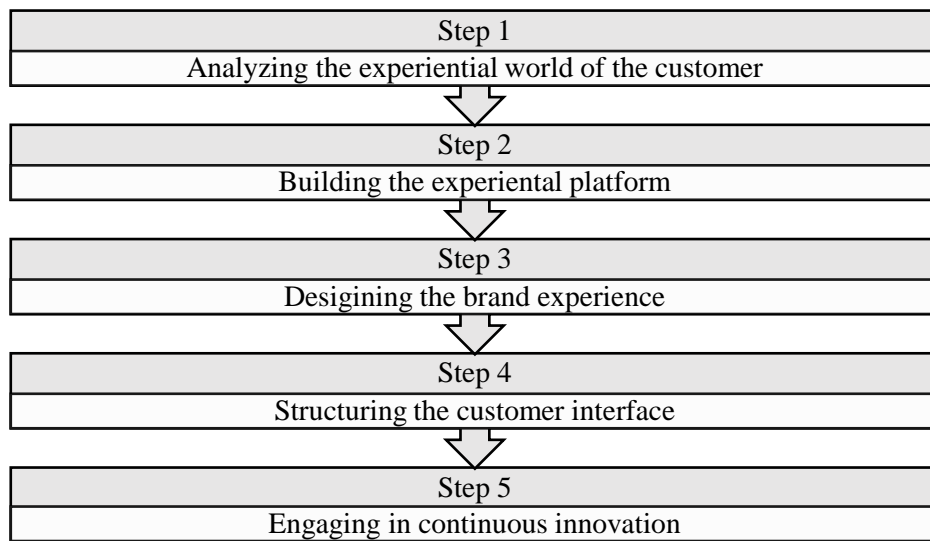
outcome and the CEM on the process – every touchpoint matters to measure the whole customer experience.

In the discussion about the concept of CEM, authors often emphasize the strategic approach of managing the customer experience through a value exchange that happens as a result of company-customer interaction. Verhoef et al. (2009) described customer experience management as a retailer's strategy to engineer the customer's experience in such a way as to create a value both to consumer and the firm and differs from CRM due to its focus on current customer experience rather than historical consumer records. Klaus, Edvardsson, and Maklan (2012, p.6) see the CEM as the strategic approach in designing value propositions based on experiences, where resources are arranged to enable customers to co-create value, resulting in an expected customer experience for both parties. Their research showed that value is more experience-driven, co-created with customers, and context-dependent, and they commend the practice of many service-provider companies.

For example, IKEA is one of the most successful examples of delivering superior customer experience across the customer journey through different channels, from physical store, even the in-home experience, to the online shop. Every step of the customer journey is well planned and connected. In stores, everything is on display to consumers; it is easy to navigate through the corridors by following the arrow lines and imagining how the furniture would look like within a home, with the support of store assistants who will immediately assist. Even from their home, customers can design furniture or try it and see how it fits within their home through a 3-D representation of the object, a feature on IKEA's augmented reality mobile app called IKEA Place. If the product matches customer expectations, it can be easily purchased through an app and delivered to the customer's doorstep. On top of the online and offline experience arrives the assembling part of the furniture by following an easy step-by-step guide – an experience that empowers the consumers and makes their experience memorable as they get a sense of self-accomplishment after their do-it-yourself project. Therefore, in order to manage and deliver frictionless customer experience across the journey, the implementation of the CEM is vital to get a total view on customer experience and functional product features, functional transactions, and other broad-based customer intelligence that provides value during the decision-making process, purchase, and usage (Schmitt, 2003).

The CEM framework provides an excellent value for both the consumer, who offers constant excitement and seamless experience on firm's offering, and the company itself in terms of positive impact on the whole organization (i.e., employee satisfaction, integration of processes, performance outcomes), subsequently leading to compelling customer experience on different touchpoints. To do so, Schmitt (2003, p.25) suggests five steps that serve the managers to implement within an organization, as presented in Figure 1. Schmitt's (2003, p. 25-29) framework is a step-by-step approach to managing customer experience, starting from the understanding of the context in which consumers operate while considering their experiential needs and wants.

*Figure 1: Schmitt's five steps of the CEM framework*



*Adapted from Schmitt (2003, p.25).*

The author suggests developing the experiential platform at the intersection of strategy and implementation, encompassing dynamic, multisensory, multi-dimensional representation of the desired experience and specifies the value that customers can expect from the firm's offering. Implementing an experiential platform has to be in line with the brand experience and customer interface. All aspects of the marketing mix have to be aligned accordingly to resonate with that brand experience and visual identity. Once it is determined, the brand experience does not change over time. In contrast, customer interface design is dynamic and interactive and must incorporate intangible elements (i.e., tone of voice, attitude, and behavioral style) while maintaining multiple touchpoints. Lastly, with continuous innovation, the company enhances customer experience continuously and shows its readiness to offer something new and compelling constantly.

Later in his work, Schmitt (2009) provided a strategic experiential module that can be used by practitioners that different distinguished types of experiences that can be created for the customers: sensory experiences (SENSE); affective experiences (FEEL); creative cognitive experiences (THINK); physical experiences, behaviors, and lifestyles (ACT); and social-identity experiences that result from relating to a reference group or culture (RELATE). Therefore, when deciding about the CEM, one should also consider different interactions between a company, its products and /or services and the customer, and different experiences that can be delivered. For example, the more customers perceive the service quality or product usage, the more likely they will have a positive experience.

From the company's viewpoint, concerning the design and management of the customer experience, the challenge is and will be in integrating internal processes and external stakeholders, especially within the complex environment filled with a vast number of channels and touchpoints. As company's ability to control the customer experience

decreased, as a result of the proliferation of multiple touchpoints, Lemon and Verhoef (2016, p.69) suggest integration of business functions across the company, such as information technology, service operations, logistics, marketing, human resources, and external partners, to deliver an enhanced experience.

In their research, Rawson, Duncan and Jones (2013) discovered that a reduction of customer satisfaction arrives from the cumulative experiences across multiple touchpoints and in multiple channels over time. For that reason, instead of focusing on improving one point of the journey, companies must consider the customer journey as a whole and revamp their operations to add value to their customers and subsequently create a seamless and desirable customer experience. Therefore, there is a need for extensive data collection about customers and their behaviors at different touchpoints. To generate insights into customer experience, companies use different visualization techniques (i.e., customer journey mapping, service blueprinting, and customer experience mapping), prototyping, and implementing tools that measure and analyze customer interactions with a company (De Keyser, Lemon, Klaus & Keiningham, 2015). Efficient management of the entire experience positively affects the organization's external and internal customers: builds up customer satisfaction, reduces churn, and increases the revenue; internally – it affects employee satisfaction and internal cross-functional collaborations (Rawson, Duncan & Jones, 2013).

Employees' roles and experience have an essential role in delivering excellent customer experience. Employees are, especially in the service sectors, the first ones that interact with the customer. Therefore, companies that aim to implement customer-driven business strategies should think first about empowering their employees and enforcing them to make decisions and provide value that reflects the organizational values. Customer-centered companies included their employees at every level of the organization and empowered them to make the right choices when transferring customer and brand promise in their interactions (McKinsey, 2017, p.10). In order to implement the organizational changes and engage employees to share the customer-centric value consistently, companies often rely on the customer journey framework.

## **2 THE CUSTOMER DECISION JOURNEY**

### **2.1 From conversion funnel to decision journey**

In the era of increased technological developments and digitalization, the consumer journey significantly changed as consumers have access to numerous possibilities to research their options for purchase and interact with brands through various online and offline channels. Moreover, companies gained a profound understanding of their customers to whom digital is the familiar environment they operate. However, many fail to deliver a seamless omnichannel experience by connecting all the touchpoints with their customers. Furthermore, as consumers become more empowered with the information about products

and services, companies have less control over them and have to adapt to the new changes imposed by customers.

The proliferation of channels and touchpoints made it necessary for marketers to shift their understanding from the traditional framework of analyzing a customer purchase journey through observing single touchpoints to a revamped one that captures multiple intersections between businesses and consumers. Marketing strategies were previously used to analyze the consumers at specific touchpoints where they are most likely to convert and purchase the company's products and services. For years touchpoints were observed through a framework called a 'marketing funnel' where consumers go through a process of reduction from numerous possibilities at the wide end to a single brand choice (Court, Elzinga, Mulder & Vetvik, 2009).

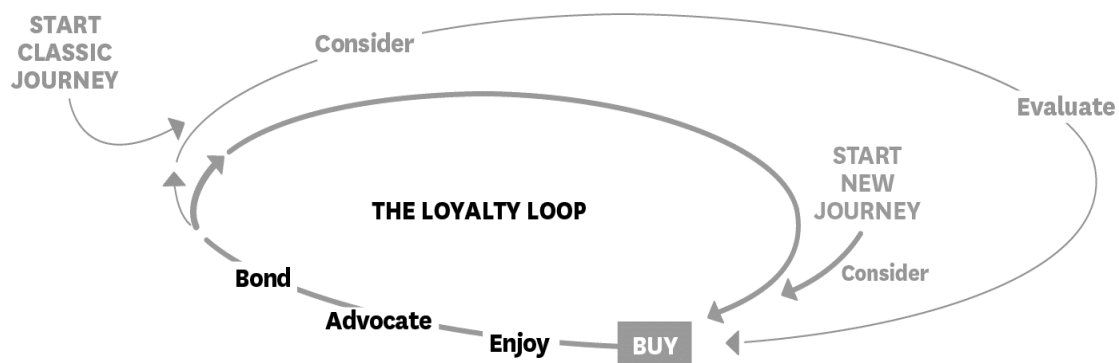
Traditional marketers observed consumer purchase behavior through a funnel analogy. In the consideration phase, consumers start with many brands before starting to eliminate one by one to arrive at the final choice of purchase, and their relationship with the brand results from their post-purchase satisfaction with the use of service or a product (Edelman, 2010). Authors often highlight that such a linear model is no longer enough to capture the complexity of all the interaction points where brands can influence customers.

Previously marketers would use push marketing strategies at distinct points within the funnel to build awareness, drive consideration and stimulate purchase to reach their consumers (Edelman, 2010). As the number of brands expands and consumer is more informed, the aforementioned linear model became insufficient to capture the complexity of customer journey. That is why McKinsey's authors (Court, Elzinga, Mulder & Vetvik, 2009) suggested the new approach for observing customers called consumer decision journey. Authors researched almost 20,000 consumers and their decision journeys in five industries (automobiles, skin care, insurance, consumer electronics, and mobile telecom) on three continents and came up with a new model called a 'consumer decision journey' that is more circular as consumer behavior is repetitive across their journey (Court, Elzinga, Mulder & Vetvik, 2009).

Within the revised journey, the assumption that consumers start their journey with multiple brand options in mind is confronted with researchers' findings that rather than reducing the pool of possible options, consumers nowadays begin their consideration stage with several brands in mind. Figure 2 presents the new customer decision journey that encompasses four stages of consumer purchasing behavior: consider, evaluate, buy, and enjoy, advocate and bond.

Furthermore, as they seek additional information, they are more prone to expand their pool of brands within the initial consideration phase (Edelman, 2010). Therefore, since brands can enter the consideration set, companies should not overlook this phase but continue building brand awareness and potentially generating new leads.

Figure 2: Comparison of the classic and revised customer decision journey



Source: Edelman & Singer (2015).

In the evaluation phase, like Court, Elzinga, Mulder, and Vetvik (2009) found, the company's advertising no longer pushes consumers, but they actively engage in obtaining the needed information through consumer-driven marketing activities (i.e., reviews, word-of-mouth, recommendations, past experiences), where only a third of them is impacted by the company-driven marketing activities (i.e., traditional advertising, direct marketing, sponsorship, in-store product experience, and salesperson contact). As consumers proactively search for additional information, companies can leverage their position by effective use of the Internet and owned media to facilitate the information collection of their customers about the company's offering. In addition to that, brands today tend to use the influencers, or brand ambassadors, together with paid media, to share their experiences after using a product or service to reach their target audience and eventually arrive at their initial consideration set. With the consumer's decision to buy a product or service, the post-purchase moment is crucial to lock the customers within the journey, make them loyal and become the brand ambassadors. Brands also recognize the importance of creating positive purchase and post-purchase experiences as they influence customer's next journey and impact other consumers through earned media.

Different types of touchpoints constitute the customer journey, and marketing literature distinguishes three channels: earned, owned, and paid media. Kotler and Keller (2016, p.32) define paid media as channels that marketers utilize for publishing their ads for a fee (such as TV, magazine and display ads, paid search and sponsorships). In contrast, owned media are types of communication channels owned by the company (i.e., website, company or brand brochure, blog, social media pages), and earned media represent the streams in which consumers, the press, or other outsiders communicate about the brand (i.e., word-of-mouth, buzz, viral marketing) (Kotler & Keller, 2016).

While some authors approached this classification to identify the creator of the touchpoint, whether it is firm- or customer-initiated, Lemon and Verhoef (2016, p.77) created a broader typology of touchpoint categories that represent customer interactions during the customer experience. Brand-owned touchpoints are designed and managed by the firm (advertising,



websites, loyalty programs) and include any element of the marketing mix under the company's control (e.g., product attributes, packaging, service price, convenience, sales force). Partner-owned touchpoints add one or more partners (e.g., marketing agencies, distribution partners, multivendor loyalty programs, and communication channel partners) in designing, managing, and controlling those interactions (Lemon & Verhoef, 2016). Customer-owned touchpoints are customer actions that usually happen in the post-purchase stage when the customer usage and consumption occur, and the firm or its partners do not influence them (e.g., choosing the payment method, placing a review). Lastly, social/external touchpoints (e.g., peers, independent information sources, and social environments) may influence the process more significantly than the advertising effects (Lemon & Verhoef, 2016).

Consumers interact with a company at each point of their journey and in multiple channels, thereby creating many experiences related to the product or service, or a specific aspect of the offering, such as brand or a technology (Verhoef et al., 2009). Brands have recognized the importance of aligning the customer experience with the customer journey. As a result, many of them focused on providing a great omnichannel customer experience that exceeds customer expectations and drives future purchases while creating loyal customers.

More than ten years ago, retailers such as Starbucks and Victoria's Secret realized that providing a great customer experience across various channels can bring more value to both sides (Verhoef et al., 2009). The value proposition offered by Starbucks was based on the experiential branding strategy comprised of three elements: providing the highest-quality coffee, creating customer intimacy to inspire customers as they enter the store and relaxed store environment that provokes customers to stay longer and enjoy their coffee (Alsitrawi, 2016). Even though target's preferences changed over time, they managed to maintain a satisfactory experience by putting a customer in the focus of their strategy and meeting their expectations regarding the quality, convenience, waiting time, and personal experience with a product, which inevitably helped the company to differentiate from their competitors (Alsitrawi, 2016).

Undertaking a customer journey analysis has to encompass all stages of customer interactions together with all touchpoints - from consideration, evaluation, to purchase and post-purchase phase – to describe and understand a journey and choices of touchpoints that customers undertake at different stages of their journey (Lemon & Verhoef, 2016). Understanding customers first is the premise of every successful implementation of customer experience strategy, where all brands should satisfy their basic expectations, with each touchpoint carefully tailored to each customer. The journey's design has become so advanced in creating a customized experience that it attracts customers, keeps them overwhelmed throughout the whole journey, and permanently engaged due to the benefits they continuously derive from those interactions (Edelman & Singer, 2015).

Moreover, providing a compelling customer experience differentiates market players and helps them achieve a competitive advantage. According to Gartner's Customer Experience

Management Survey (Gartner.com, 2019), organizations that utilize the customer journey maps are twice as likely to outperform competitors since maps provide an opportunity to pinpoint needed improvements of the customer experience and accelerate consensus across the company about customer needs.

Customer experience transformation comes with implementing a customer-centric strategy and internal organizational changes that encompass multiple departments and cross-functional teams. As Rawson, Duncan, and Jones (2013) explained, the change should happen through employee empowerment and cross-functional teams that drive change. Since customer experience management requires the collaboration of many departments, there is a need to integrate across the company. Coherence of various departments that work together on product or service development is essential to deliver outstanding yet homogenous value across different touchpoints. Developing an agile marketing organization is a long process, where companies should establish a scrum team that will gather people from different departments of an organization – from marketing, e-commerce, IT, channel management, finance, and legal – to work together, continuously test the campaigns and infer about the best practices (Bommel, Edelman & Ungerman, 2014). Nevertheless, in practice, many CX initiatives operate within a single department (Gartner.com, 2019).

Understanding customers go along with employing a bottom-up approach and a blueprinting based on in-depth research of customers' experiences and journeys and identifying ones that contribute the most to consumer satisfaction and business outcomes (Rawson, Duncan & Jones, 2013). To implement the customer decision journey strategy, Edelman (2010) suggests three steps that follow: understanding the customer journey, prioritizing the touchpoints, leveraging them, and allocating the resources where they are needed. However, not all companies are equipped for the shift in strategy and organizational redesign. In practice, authors identified key capabilities to create effective decision journeys and leverage the customer experience:

- **automation** that requires the digitization and streamlining steps in the journey that were formerly done manually to simplify and speed up the executions of complex steps within the journey (i.e., scanning the QR code to pay for the service);
- **proactive personalization** based on the automation capabilities of collected past and current data of customer interactions, where an algorithm immediately customizes the consumer experience (i.e., recommendations based on customer preferences) and optimizes next steps in a journey based on its behavior (i.e., customized messages or functionalities);
- **contextual interaction** is a company's capability to use the knowledge about the current physical or virtual position within the journey and to pull forward into the desired interaction with the company (i.e., communicating the status of the recent order as one visits a landing page);

- **journey innovation** happens due to constant testing of the journey and analyzing customer needs, technologies, and services to identify new sources of value that will benefit the company and consumer (i.e., adding the feature within an app) (Edelman & Singer, 2015).

The indicated approach goes along with the organizational ability to analyze vast amounts of data that helps the organization focus on the most critical points that impact customer experience and satisfaction. As Adobe's Digital Trends Report (Adobe.com, 2019) underlined, to achieve a competitive advantage, the focal point of the company's commercial strategy should be based on outstanding personalized customer experience driven by technology and marketing activities powered by data. That said, companies that understand the value of customer data and its integration gain the advantage of improved customer experience and eventually develop a strong point of differentiation from their competitors.

## **2.2 Mapping of the decision journey**

Numerous available channel and device choices enable customers with many possibilities for interaction with a company and give them the power to outline their journey according to their needs and consumption goals. To better understand the consumer journey, companies utilize well-developed techniques and tools to connect the touchpoints and gain a clear picture of when, where, how, and why consumers choose to interact with a company's product or service and what kind of experience they have. Such insights can serve as guidelines for creating or redesigning a customer-centric strategy, evaluating investments in crucial journeys, improving customer experience, and increasing their value.

Some companies recognized the benefits of collecting consumers' data and analyzing mosaic behaviors of their consumers, and those gain extra value. The ones that can develop analytical capabilities for understanding customer data benefit not only from the increase in satisfaction of their employees and customer loyalty but also attain revenue gains of 5 to 10 percent, as well reduce costs by 15 to 25 percent within two or three years (McKinsey, 2016).

Analysis of the customer journey advocates the need to identify the most significant journeys from both the company's and consumer's perspectives and understand the broader context. Market leaders understand which of the journeys have the most considerable influence on customer satisfaction and business outcomes. They utilize regression models and test their initiatives to see which one has the most significant impact (Rawson, Duncan & Jones, 2013). Therefore, the customer journey analysis should be an integral component of a firm's strategic and organizational activities. In practice, that means that the company should implement a few steps: the first one is the identification of the essential journeys and understanding current performance in each of them; followed by building the internal cross-functional capabilities to revamp and support journeys, and finally establishing an organizational culture that will support widespread efforts (Rawson, Duncan & Jones, 2013). When it comes to the company, organizational value alignment is a prerequisite of successful

strategy implementation and the choice of technology. On the customers' side, profound research is needed to recognize which experiences are the most significant and can impact the customer experience and the business outcomes.

Consumer journey methods are applied to the user personas, representative clusters of users with similar behavioral patterns (built on demographic, psychographic, and motivators criteria), to understand the entire customer experience, evaluate options, or deciding on the strategic direction of the product or service development (Stokes, 2018). After identifying several personas, the next step is identifying all the touchpoints of interaction between the company and user, where different visualization methods settle in, such as customer journey, customer experience mapping, or service blueprinting. The role of these mappings is a visual preview of the process and structure of customer interactions with a firm (De Keyser, Lemon, Klaus & Keiningham, 2015).

One of the most popular strategic management tools for the understanding of the customer experience is **customer journey mapping** that assists marketers in visualizing the sequence of events through which consumers interact with an organization within a purchase process (Rosenbaum, Otolora & Ramirez, 2017) and serves as a valuable method from a firm's perspective for improving the customer experience (Hamilton & Price, 2019). Richardson (2010) defined the customer journey map as a diagram that illustrates the steps of customer path while it engages with a company's product, online or retail experience, service, or any combination to achieve a goal (i.e., consumption of product or service). It helps organizations analyze each phase of the customer journey and identify customer experience issues during the interactions. To better understand the consumers over time, organizations should frequently ask themselves some of the crucial questions, such as how to improve customer service delivery and provide value that will increase customer loyalty or improve customer engagement (Kalbach, 2016). Therefore, the ultimate goal of the mapping is to understand all the possible options that customers take while maneuvering through their journey and trying to deliver the best possible experience at each touchpoint of the customer journey.

Another way of mapping that arrives as a next step after defining the personas and the touchpoints is called **customer experience mapping**. Even though it seems similar to journey mapping that focuses on a specific product or service, a customer experience map focuses on experiences and behaviors that follow all the interactions customers have with a company. Therefore, customer experience map is a visual representation of the customer interactions with a company and brand and encompasses all the positive or negative experiences customer might have at each touchpoint and helps to identify the stage at which customer interacts with a company, channels used, and customer's feeling, as well as challenges that can be resolved to provide a better experience (Stokes, 2018).

Such insights can help managers identify the gaps and leverage the experiences by improving the journey's elements, such as channel choice or communication messages. For example,

suppose customers tend to research products online by using the company's website. In that case, the information and functionalities must be well developed and delivered to place the company within the consideration phase and its competitors. When it comes to the purchase decision, if customer research shows that the target group prefers to buy online and uses offline channels only for the product research, a company should consider investing in developing a webshop, not only as of the extension of the physical offer but as the way to capture the customers and keep them within the loyalty loop.

In addition to that, acquiring customer insights and improving the company's offering is also possible through **service blueprinting**, a visual representation of the company's processes or service. As a customer-focused method for service innovation and improvement, service blueprinting is used as a process-oriented technique to understand the service process, frontstage and backstage touchpoints of interaction with customers, and evidence of the services, connecting the underlying organizational support processes that spur the customer-focused service execution (Bitner, Ostrom & Morgan, 2008). Service blueprint maps encompass all the service delivery steps, from internal processes, support processes to customer interactions. However, sometimes the method is criticized as too internally oriented, lacking the customer focus (Lemon & Verhoef, 2016). Despite that, the blueprinting method provides an excellent base to understand internal organizational processes and capabilities, identify pain points that may influence the customer experience, and assist in outlining the process design and being a good starting point for mapping the customer decision journey. In addition to the service blueprinting method, **customer experience modeling** is a widely used method that many companies utilize for capturing the critical and intertwined elements of customer experience, especially utile in the early stages of service design, by using research methods like interviews, observation, and contextual inquiry (Teixeira et al., 2012).

To develop a thorough profile of their customers and all interactions, instead of just capturing sequences of events, researchers identified the need of developing an organizational data warehouse that encompasses customer touchpoints through the data collected from the transactions, browsing history, and customer service interactions, that helps companies to engage with their customers at various points of the journey (Bommel, Edelman & Ungerman, 2014). Nonetheless, many companies are struggling in managing the data as the sources of data constantly expand which makes it more challenging to derive consumer insights, as it was confirmed by research on more than 1,000 marketing, digital and e-commerce professional, out of which 43 percent marked their ability as poor when it comes to the ability to act on insights from customer data (Econsultancy.com, 2016). As the report pointed out, when mapping a customer journey, it is inevitable and essential for companies to have the ability to gain insights into contextual data and derive the value of it, especially when it comes to first-party data (e.g., website data, CRM data, explicit preferences) that on average accounts for 75 percent of all company's data (Econsultancy.com, 2016).

With such knowledge about each step of their journey, there is an opportunity to individualize the journeys by publishing the right messages and using the channels where they have the most significant impact, in the moments where customers are most likely to convert. Thus, data integration enables constant optimization of the consumer journey. Also, as McKinsey (2016) indicated, with the use of analytic applications for data analysis, firms have the opportunity to optimize costs of marketing investments, identify the most influential journeys, reduce the customer churn, and spot the new market segments. It is highly relevant in the digital context where marketers can collect customer data through website analytics, such as demographics, interests, geolocation, the technology used to access the website (or app), or even where customers finish their journey. Mainly, first-party data provides an opportunity for personalization and optimization of the customer journey. Online interactions are beneficial and serve as a continuous source of new data for companies, especially online analytics, email data, and CRM, the most commonly used data sources to understand customer journeys (Econsultancy.com, 2016).

Various industries and companies have specific rules, processes, and ways to engage with customers who exhibit different behaviors by using different channels. That is why customer journey mapping, fueled with data analytics, has a vital role in connecting these paths and related behavioral changes and helping companies identify shortcomings in the current position while developing a clear picture of future actions.

### **2.3 From touchpoints to the end-to-end experience: developing an omnichannel strategy**

One perspective underlines that the digital disruption is led by consumers, not technology, where companies have to adapt to customer needs and design their strategic goals accordingly in order to compete with other digitally savvy competitors by using the appropriate technology and customer-centric business objectives to leverage the customer experience (Adeni, 2019). Furthermore, all the interactions between the company and the customers must be aligned with customer expectations, where a seamless and frictionless experience is the new customer standard.

The shift from multichannel to omnichannel marketing happened due to technological changes and corresponding behavioral changes of consumers. With constant development of new channels and the possibility for customers to access them anywhere and anytime, the concept of omnichannel marketing developed at an even faster pace. As Berman and Thelen (2018) explained, the switch to omnichannel happened when customers extensively started to use mobile devices, social media, and software (such as mobile apps, payments, or coupons), together with technological developments in terms of e-valets, location-based services, virtual mirror-fitting rooms, and QR codes.

Companies that will transform their businesses to catch the customers and provide such customer experience will undoubtedly enjoy the leading position in the market or industry.

However, the transition from multichannel to omnichannel marketing requires solving complex issues (operational issues, data collection, integration, channel integration) that are still a significant challenge for many companies as no guideline is available.

The multichannel concept relates to the practice where a company communicates with buyers and offers its goods and services through two or more mutually synchronized channels. The ultimate objective is to efficiently manage customer relationships according to customers' channel preferences (Cummins, Peltier & Dixon, 2016). In order to move towards omnichannel marketing, the crucial factors are the integration of channels and customer data, the core of successful customer experience. While multichannel strategy includes operating across multiple sales and media channels (i.e., website, mobile app, store), the omnichannel commerce strategy delivers a seamless customer experience through all available shopping channels based on proper back-end channel integration of customer data, inventory management, stock movement, supply chain, fulfillment information and customer relationship management (Stokes, 2018).

In an omnichannel approach, all the customer touchpoints are integrated to create a unified brand experience regardless of channel, platform, or stage in the selling process (Cummins, Peltier & Dixon, 2016). The omnichannel concept enables customers to use different devices and channels simultaneously during their customer journey. For instance, customers can see the desired product on a billboard, search for more information using their personal computer, buy it through the mobile app, and lastly, pick it up in-store. Therefore, like Shen, Li, Sun and Wang (2018) concluded, omnichannel provides a consistent and integrated cross-channel experience to customers due to channel and information integration, service processes, and technologies across channels.

The differentiation between omnichannel and multichannel marketing may be observed from the strategic and behavioral perspectives, indicating that the omnichannel concept is truly multidimensional. In this context, the strategic approach encompasses all the organizational decisions, such as selecting channels and messages delivery across channels and devices, the distinction between online and offline channels, usage of touchpoints, the organization format, and customer and data integration across channels.

In contrast, behavioral points of differentiation include the customer journey design, the location of purchase, and the effort consumer conducts when choosing the channels or devices (Berman & Thelen, 2018). Thus, the company that aims to implement omnichannel procedures has to think of many steps, both from the internal and external perspectives of the organization. Berman and Thelen (2018) made a significant contribution which provided an overview of stages when developing an omnichannel marketing strategy, as presented in Table 2.

Table 2: The transition from multichannel to an omnichannel marketing strategy

| <b>Level one:</b>   | <b>Level Two:</b>   | <b>Level Three:</b>  | <b>Level Four:</b>   |
|---|---|--|--|
| <b>A Multichannel Retailing Program</b>                                       | <b>Standardized Corporate Logos, Colors, Fonts and Product Descriptions Across Channels and Devices</b> | <b>Standardized Ordering and Return Policy and Customer Information Access Across Channels</b>   | <b>A True Omnichannel Marketing Experience</b>                                       |
| resembles a conventional multichannel program                                 | stresses the need for a uniform image across all channels   | focuses on developing an integrated order fulfillment and return process across channels   | aims for the highest level of channel integration                                    |
| contains multiple channels that are independently planned and implemented     | limited in the degree of integration among channels   | enables standardized ordering and return policy across channels (goods purchased on one channel can be picked up and/or returned at another channel) | requires common promotions, prices, and one customer loyalty program across channels |
| each channel competes against the others for sales and customer loyalty       | aspects of the marketing strategy may vary across channels  | requires uniform inventory look-up system to confirm the date of purchase, price, and credit card information  | shares customer purchase history across channels                                     |
| product assortment, pricing, brands and promotional appeals differ by channel |   |  | seeks a seamless shopping experience across the purchase journey map                 |
|   |   |  | seeks cross-channels synergies   |
|   |   |  | requires cross channel incentives to all levels of the organization                  |

Source: Berman & Thelen (2018).

The first level is siloed multichannel marketing program where the company independently plans and coordinates multiple channels through which they sell their products and services;



however, there is a lack of coordination regarding the planning or sharing of inventory and customer information across channels or devices (Berman & Thelen, 2018). With a channel-focused approach and absence of cross-channel integration, customers encounter different product offerings, pricing, or promotions across various channels, causing channels to compete against each other. Although the company can leverage the specific individual channel, such an approach may create a different image across different channels and decrease customer loyalty as customers may have different experiences in various channels.

The second level of transition towards the omnichannel marketing program lacks channel integration as well. In this phase, the most common feature is the standardization of the company's visual identity (i.e., corporate logos, colors, fonts, and product description) and messaging across online and offline channels (Berman & Thelen, 2018). Hence, the main focus is on creating visual uniformity and a stronger brand connection with customers on different touchpoints. Even though it may positively contribute to the cross-channel appeal, it still does not exhibit customer data integration. Each channel is managed independently; therefore, the customer may find differences in diverse channels.

In order to advance further on the scale and achieve seamlessness, companies have to move towards the integration of customer data. Stage three is represented by the companies that manage to integrate customer fulfillment, customer information access, and pricing data, and where customers have multiple options for purchase and delivery and/or return of the products (buy online and ship to store; buy online and pickup in-store; buy online and return to the store or buy online and ship to home) and ability to browse in-store inventory, which benefits both the retailer and the consumer (Berman & Thelen, 2018).

Finally, the total channel integration leads to the implementation of an omnichannel strategy and seamless customer experience. This stage includes cross-channel customer data integration: the company uses historical data of purchases from different devices and can provide personalized recommendations, offer (joint-channel) promotions, and a single customer loyalty program across channels and devices (Berman & Thelen, 2018). Well-implemented data integration enables companies to utilize advanced marketing tactics and deliver a high personalization and frictionless experience across various channels. Determinants such as immediacy, simplicity, personalization, and convenience are the basic expectations that customers have from all market players (McKinsey, 2017), and the omnichannel approach significantly contributes to meet them. To deliver desired customer experience, companies have to provide the same level of convenience through all the channels. Technology plays a crucial role in supporting such efforts, where inventory levels are visible and available at each touchpoint.

With more than 23.4 million active customers in 2020 (Asosplc.com, 2020), the UK's online fashion retailer ASOS is one of the leaders in implementing an omnichannel strategy that focuses on investments in technology platforms as the focal point of their customer experience. What strengthens their market position is a profound understanding of their

customers and ability to collect and utilize the customer data, adapt messages across various platforms, and provide a seamless experience on all of their channels (e-commerce website, social media channels, mobile apps, newsletter, magazine). As stated in their annual report (Asosplc.com, 2019), investments in technology are the core of their growth strategy that enables them to deliver a unique and outstanding customer experience and allows customers to purchase in an intuitive, frictionless, and increasingly personalized way.

In order to ensure their offer remains compelling, they are heavily investing in logistics, fulfillment, delivery, brand, and customer experience. In addition, they use technology and data to optimize and maximize existing customers' loyalty and lifetime value (Asosplc.com, 2019). As previously presented in Chapter 1, critical differentiators for companies are no longer products or services but experiences. In addition to that, Adeni (2019) draws a conclusion that customers expect to have interactions with a brand that are fast, easy, digital, social, and minimal across the entire customer lifecycle. To meet the expectations, it is crucial to incorporate the marketing elements - such as the strategy, channel management, and messages - into the organization and within the consumer journey to achieve the effectiveness of content and resources (Court, Elzinga, Mulder & Vetvik, 2009).

However, the request to provide a seamless customer experience represents a significant challenge to many companies that struggle to translate the idea to reality. As Adobe's Digital Trends Report (Adobe.com, 2019) showed, out of 12,500 surveyed marketers, more than half of companies (52 percent) see themselves as not very advanced or immature in respect of customer experience, while only 10 percent of them rated themselves as very advanced in terms of aligning the strategy and technology around customer experience. Therefore, the implementation of the omnichannel strategy is something that only advanced companies embraced, while others are only thinking about it as something important that should be considered in the future.

The switch to an omnichannel strategy is not easy for many companies as they face barriers before arriving at the organization's omnichannel level and desired customer experience. Companies with siloed organizational structures and strict hierarchy have problems implementing consistent messaging across the organization and integrating processes due to ownership and acknowledgment conflict between different groups of stakeholders responsible for managing online and offline channels (Econsultancy.com, 2016). To implement changes within a company, leaders should foster a culture that will support their efforts in transitioning from channel- to customer-centric view. They have to help executives overcome the channel perspective and understand the entire customer journey consisting of many touchpoints that contribute to the overall success of customer experience. Otherwise, channel competition may prevent the successful implementation of an omnichannel strategy and impose costs as the customer experience is affected by delays, repetitive communications, and coherence deficiency (Econsultancy.com, 2016).

However, with as many touchpoints available within the customer journey, organizations are having a hard time when it comes to managing complexity and the integration of the channels into the omnichannel framework. The obstacle of data integration is present in 72 percent of organizations that rate themselves as beginners in their ability to understand the customer journey. In comparison, 61 percent of companies that rate themselves as advanced or intermediate in understanding the customer experience have more problems with managing touchpoints and the complexity of their number (Econsultancy.com, 2016).

To provide the omnichannel, end-to-end customer experience, marketers must understand the complex environment that constitutes of multiple channels. Instead of looking at each of them separately, they have to look the journey at the whole and provide customers a satisfying experience. Since customer journeys are interconnected between traditional and digital channels, according to Amar, Raabe and Roggenhofer (2019), the effective strategy to deliver an omnichannel experience should also consider diverse customer segments that engage with companies in various ways and have different needs. The customer journey overview has to encompass all the touchpoints and identify the pain points that must be improved to create an experience that matches customers' expectations.

### **3 THE ROLE OF CHANNELS IN AUGMENTING THE CUSTOMER EXPERIENCE**

#### **3.1 Online and offline channels**

Until the early 1990s, the retail industry operated either as brick-and-mortar stores or catalog sales by placing orders by mail or phone. With the arrival of the Internet the market changed radically, and online retailing emerged as a new business model. Internet-based retailers, such as Amazon.com, provided a completely new and different shopping experience through online channels (Rigby, 2011). However, it was not that long until other, more traditional companies started to understand the benefits of online business models.

To understand which channels have the most significant impact on overall customer experience, one has to distinguish online and offline channel determinants, identify factors that influence the consumer's channel choice and implications on the company's decisions on managing channels. The omnichannel marketing requires a profound understanding of the consumer decision journey and corresponding consumer data that is collected at different touchpoints.

Neslin et al (2006, p.96) defined a channel as a customer contact point or a medium through which the firm and the customer interact. These interactions are called touchpoints, as was previously described within Chapter 1. Online and offline channels have various determinants. Differentiation of offline and online transactions was captured by Trenz (2015) who structured the differences within three major groups: information transparency, interactions, and cost structures, as presented in Table 3.

Table 3: Difference between online and offline channels

|                          |                      | Offline  | Online  |
|--------------------------|----------------------|--|---|
| Information transparency | Price information    | High effort to compare prices                      | Lower prices<br>Lower price dispersion<br>Competitors prices are visible                                  |
|                          | Product information  | Easy evaluation of non-sensory attributes          | Larger choice set<br>Easy evaluation of sensory attributes  |
|                          | Vendor information   | Rely on personal inspection or acquaintances       | Detailed feedback is available via specialized platforms  |
|                          | Consumer information | Anonymous transactions possible                    | Personal data has to be provided<br>Consumers are easily identifiable                                     |
| Interactions             | Relationship         | Personal: personal relationship can be established | Anonymous: higher need and difficulty to mitigate transaction-specific and system-dependent uncertainties |
|                          | Communication        | 1:1, 1:n   | 1:1, n:m  |
|                          | Intermediaries       | Direct interactions                                | Increased need for intermediaries (trust, logistics)  |
|                          | Location             | Limited market and competition                     | Larger market with nation-wide or transactional competitors   |
| Cost structures          | Operational costs    | Higher personnel and infrastructure cost           | Lower entry barriers  |
|                          | Shipping costs       | -  | Have to be incorporated and can be used strategically   |
|                          | Menu costs           | Price changes are costly and slow                  | Price changes cheap, fast and individualized  |

Source: Trenz (2015)

With online channels, the cost of information search was reduced significantly due to the introduction of information systems. Moreover, the search was sequential and parallel or a

combination of those two (Trenz, 2015). Quick search for the information became beneficial for consumers and companies. By using online search platforms, consumers can access the information with only a few clicks and compare the prices of products or services. On the other side, it is beneficial for online seller who could access information about the consumers and get into price discrimination based on their search or purchase queries or other personal data available to them (Trenz, 2015). On the contrary, offline channel includes much higher effort to compare the prices, as it would require travelling from one store to another. However, it allows consumers product trial and evaluation, along with in-store assistance during the purchase process. While online purchases enable companies to collect data about unique users, offline transactions may leave the customer more anonymous, in case where there is no loyalty program introduced.

When it comes to interactions, offline channel enables more personal relationships between seller and buyer, due to better ability to establish trust with a consumer, opposed to online where users develop uncertainty issues as they have more difficulties understanding the quality of product and lack the instant gratification after purchasing a product (Trenz, 2015). Thus, offline marketing can be more effective for target groups unwilling to trust certain websites and are afraid to purchase using digital channels for numerous reasons. To overcome trust issues, online users often consult other information sources (intermediaries). At the same time, in offline channels, they can quickly establish trust due to physical contact with a product or salesperson.

With the arrival of online channels, the communication model shifted from one-to-many (communication to a large number of consumers) to many-to-many communication where consumers can generate and share information between themselves by using various digital platforms (Trenz, 2015). However, one-to-one communication is even more enhanced as companies can use various tools to reach the consumers individually through sophisticated (re)targeting options based on different criteria (website visit, historical purchases, demographical characteristics, etc.). In the end, with online channels, the product's availability in the local store becomes less relevant as products may be available in other online locations, and with fast delivery service, consumers can receive the desired product quickly after online purchase. However, online channel introduces more competition and lower prices (Kim & Chun, 2018). Moreover, brick-and-mortar retail has higher operating costs, is rigid in responsiveness to changes, and is more workforce-dependent. In contrast, online has low entrance barriers, and it is easy to expand to new markets, dependent on delivery options and digital marketing capabilities, and customer-convenience driven (Domadenik, Koman & Redek, 2018, p. 190). Businesses should clearly understand all the advantages and disadvantages of the channels and touchpoints that are part of the consumer journey and decide on the channel strategy that is the optimal choice for the type of business they are in, market conditions, and industry.

An online environment introduced new opportunities both for companies and consumers, yet it also brought certain disadvantages. Companies that initially operated only within

online channels started to introduce offline channels, and vice-versa, to reach wider customer groups and enjoy the benefits of a single channel integration, which caused the blurring effect between channels (Kim & Chun, 2018). A faster and more flexible shopping experience was allowed by the Internet and the development of e-commerce. It resulted in higher involvement of the customers in products and services through product information and payments within minutes.

When a retailer or a producer tries to reach customers by utilizing one of those channels, it is called a single-channel strategy (Coelho, Easingwood & Coelho, 2003). With channel proliferation, companies started to introduce multiple channel strategies to enable more interactions and create value for both the consumer and the company. The omnichannel strategy emerged as the optimal product placement and distribution strategy by combining those two marketing approaches. However, the critical obstacle in implementing an omnichannel strategy within the company is data integration. Companies struggle to integrate data due to channel ownership, lack of capabilities, organizational resistance, or other reasons.

Channel conflicts in multichannel systems can occur in reaching customers with new alternative platforms or bypassing existing channels (Kollmann, Kuckertz & Kayser, 2012), potentially leading to the cannibalization of sales from one channel to another. Limited cooperation across channels, competition and conflict, uncoordinated channels, and possibly confused customers can cause harmful effects (Steinfield, Bouwman & Adelaar, 2002). In omnichannel systems consisting of online and offline channels, synergy can be achieved in sharing a common infrastructure, operations, marketing, and consumers. Likewise, complementary product placements and offers can enable a smooth transition from offline to online channels (Steinfield, Bouwman & Adelaar, 2002).

In order to achieve synergy, it is essential to analyze the target customers to evaluate their purchasing preferences, products, and accessibility to offline or online channels. Therefore, running analytics on customer's journeys is used to determine the stage of their purchase and technologies they use, or what are their channel preferences and behaviors. Direct contact with customers by surveying them can be a straightforward way to understand their preferences and is still one of the predominant measurement systems among companies (McKinsey, 2021). Finding out what platforms customers frequently use and what devices they use to browse them can be essential for an effective omnichannel strategy. Choosing the proper channels for omnichannel strategy means that companies need to choose channels aligned with their organizational goals and the customer's journey.

### **3.2 A brief overview of consumer channel choice**

Channels differ in benefits and costs, making one channel more useful for a specific purchase funnel stage than others. These differences are, however, shrinking due to technological developments and the diffusion of new channels (Lemon & Verhoef, 2016). Customers

differ in their preferences and usage of channels across different purchase phases, and specific multichannel segments are identified that differ in terms of consumer characteristics (Lemon & Verhoef, 2016, p. 80). Different consumer segments exhibit different needs and preferences while using various channels and leveraging their advantages (Truong, 2020). Therefore, it is of uttermost importance for companies to identify the key journeys and track the changes in customer behavior to provide the experience consumers expect at the right touchpoint and time.

The rapid increase of multiple purchasing channels has transformed the companies' strategies and caused changes in consumer behavior. Modern technology has contributed to the expansion of consumer mobility due to more and more people becoming owners of mobile devices, therefore having immediate access to search engines, applications, and websites. With more than 5.22 billion unique mobile phone users globally in January 2021, mobile devices became the primary device for accessing the internet, with 92.6 percent of internet users (Datareportal.com, 2021a). As a result, companies have to (re)think about their ability to deliver the experience on various channels, focusing on mobile devices as the primary channel for most users. How consumers use channels is vital to understand when analyzing the consumer journey and creating a seamless strategy that focuses on providing convenience, speed, and consistency.

An additional factor that streamlined the use of digital channels is the Covid-19 global pandemic. Changes in consumer purchase behavior in every customer segment were only enhanced in 2020, when brands lost predictability, among other challenges. 2021 Digital The changes in customer behavior, as trends report uncovered, affected every sector in terms of growth of digital customers: 63 percent in B2C, 57 percent in B2B, 72 percent in consumer goods, and 56 percent in manufacturing (Adobe.com, 2021). Therefore, the accelerated growth of digital is a trend worth considering for the future channel and customer experience strategy.

With many opportunities to engage with brands and purchase online and offline, consumers have imposed a new challenge for many companies relying on the single-channel strategy. Omnichannel shoppers are using multiple channels (i.e., physical stores, websites, social platforms and mobile apps) for their purchases, and with more channels they use, they become more profitable for the company (Parise, Guinan & Kafka, 2016). HBR study (Sopadjieva, Dholakia & Benjamin, 2017) also found that customers who use more channels are considered more valuable and spend an average of 4 percent in brick-and-mortar stores and 10 percent more online than single-channel customers. Therefore, it is not enough to think of independent channel strategies and optimization based on the sales results of each channel, but ways to provide personalized and engaging experiences across digital and physical channels.

Modern consumers are exhibiting behaviors known as “showrooming” when they visit physical stores to explore the products and make a purchase online, as well as “research

shopping” when they examine the product in one channel and purchase in another (Trenz, 2015). Oppositely, “webrooming” explains a behavior when consumers search online and buy within a store (Lemon & Verhoef, 2016). With information available at each corner, consumers started to take advantage of cross-channel usage. “Free-riders” are those consumers that benefit from free access to product information from one retailer and then deciding to place an order with another one (Heitz-Spahn, Yildiz & Belaud, 2018). These phenomena show the changes in customer behavior where consumers quickly jump from online to offline, and vice versa, within their customer decision journey, simultaneously using different channels and interacting with various touchpoints.

As online and offline channels have different features, such behaviors impose a challenge for companies as they have to employ the channel strategy that is most efficient and effective for their business but also resonates with customer’s expectations. Successful implementation of the omnichannel strategy will therefore aim to add value to the existing channels. Larke, Kilgour and O’Connor (2018) inferred that the future of many retailers lies with the seamless integration of channels and touchpoints into an omnichannel retailing model. In that way, the company will enable the customer to have an active role in creating their purchase journeys and add value to the process, which will positively impact customer satisfaction, brand loyalty, purchase frequency as well as cost efficiencies and synergistic effects (Larke, Kilgour & O’Connor, 2018, p. 466).

Many researchers widely investigated channel choice and factors that influence consumers' decision to choose from online and offline channels. Trenz (2015, p.17) identified four factors influencing the channel purchase decision: channel determinants, purchase specifics, external influences, and individual differences. Table 4. summarizes variables identified in multiple studies under each of the factors.

*Table 4: Determinants of customer's purchase channel choice*

| <b>Factors</b>  | <b>Variables</b>                          |
|---|---|
| Channel determinants<br><br>(variables based on characteristics or the configuration of the channels) | Price                                     |
|   | Service quality                           |
|   | Ease of use, purchase effort, convenience |
|   | Product diagnosticity                     |
|   | Assortment                                |
|   | Enjoyment                                 |

(table continues)

*Adapted from Trenz (2015, p.20)*



*Table 4: Determinants of customer's purchase channel choice (continued)*

| Factors   | Variables                        |
|---|----------------------------------|
| Channel determinants<br>(variables based on characteristics or the configuration of the channels) | Risk/privacy/security            |
|   | Payment options                  |
|   | Speed of transaction             |
|   | Negotiation                      |
|   | Social Experience                |
|   | Post-purchase services           |
| Purchase specifics<br>(differences between purchase situations)                                   | Product categories               |
|   | Purchase size                    |
| External influences   | Social influence/subjective norm |
|   | Marketing communication          |
| Individual differences  | Demographics                     |
|   | Geographics                      |
|   | IT and Internet use/skills       |
|   | Previous experience              |

*Adapted from Trenz (2015, p.20)*

In order to address the different channel preferences, the integration of channels became a solution for various purchase behaviors. Nevertheless, researchers struggle to identify segments that would make a clear differentiation between different shoppers. As many factors influence the channel choice, there is no simple classification of multichannel shoppers (Trenz, 2015). Yet, Heitz-Spahn, Yildiz & Belaud (2018) identified eight types of profiles or behavior patterns resulting from cross-channel behavior:

1. **Mortar and click customers** - consumers visit a retailer's store during pre-purchase and then purchase on the same retailer's website.
2. **Showroomers** - consumers visiting a retailer's store during pre-purchase and then purchasing on a competitor's website; switching channels and retailers during the decision-making process.

3. **Click and mortar customers** - consumers visiting a retailer's website during pre-purchase and then purchasing at the same retailer's store.
4. **Webroomers** - consumers visiting a retailer's website during pre-purchase and then purchasing at a competitor's store; switching channels and retailers during the decision-making process.
5. **Website customers** - consumers staying on a retailer's website during pre-purchase and purchase; completing the entire process on one channel with one retailer.
6. **Website switchers** - consumers doing pre-purchase and purchase on the Internet and switching retailers during these stages.
7. **Store customers** - consumers staying on a retailer's store during pre-purchase and purchase; completing the entire process on one channel with one retailer.
8. **Store switchers** - consumers doing pre-purchase and purchase at a store and switching retailers during these stages.

The research showed that only the main effects of personal characteristics and product categories explain some consumer profiles. However, more importantly, product categories have proven to be more valuable and explanatory to specific consumer profiles than personal characteristics, meaning that companies still have to use personal and product categories data to predict consumers' channel and retailer choice (Heitz-Spahn, Yildiz & Belaud, 2018).

Studies indicate that multichannel customer brings more profits to the company, as they spend more money on average than single-channel shoppers. Moreover, implementing a multichannel strategy positively impacts customer retention and growth, as multiple services and channels are available to shoppers (Venkatesan, Kumar & Ravishanker, 2007). Therefore, companies must consider channel preferences and cross-channel behaviors to retain customers when adding the channels within their channel mix. Cross-channel synergies will happen when channels complement each other so that search in one influences purchase in another (Trenz, 2015). In order to avoid channel conflicts, companies have to create unique service offers and establish cooperation between online and offline channels by sharing the infrastructure, operations, and marketing (Kollman, Kuckertz & Kayser, 2012). Even though online and offline channels exhibit advantages and disadvantages for different customers, each channel can contribute to customer satisfaction and generation of comparative advantage in the multichannel environment (Kollman, Kuckertz & Kayser, 2012).

Consumers have clear expectations from brands, products or services, and show more loyalty to companies that provide consistency and frictionless experience. As previously stated in Chapter 1, the most critical factors – such as speed, convenience, helpful employees, and

friendly service – should be complemented with the right technology that will advance or develop them to meet their customers' expectations (Clarke & Kinghorn, 2018).

### **3.3 The impact of technology on customer experience**

Development in technology has provided enterprises with new possibilities to improve the customer experience. As a result, companies are challenged to create engaging and seamless experiences across channels (Lemon & Verhoef, 2016). As innovative companies leverage breakthroughs with various technologies to bring more personalized and effective omnichannel solutions, customers created clear expectations about the experience they desire. According to a Salesforce report “State of the Connected Customer” (Salesforce, 2019), 61 percent of consumers agree that technology redefined their behavior as a customer, and 58 percent of consumers agree that technology has significantly changed their expectations of how companies should interact with them. Therefore, consumers are aware of their role within the purchase process and desire more personalized experiences, while companies are more focused on continuous innovation and even more customer-centric strategies.

Without being affected by the global pandemic, the customer experience remained one of the key competitive differentiators, and around 80 percent of consumers (83 percent of millennials and 85 percent of business buyers) say that the experience a company provides is as important as its product or services (Salesforce, 2021). Furthermore, the latest report (Salesforce, 2021) uncovered that due to Covid-19, customers' needs and expectations are to a great extent digitally driven, where 88 percent of customers expect companies to drive more digital innovations. It is also worth mentioning that almost all respondents underlined the high importance of improving the trustworthiness of companies, among other factors.

Technology has a critical role in meeting customer expectations and providing an experience that drives consumers' buying decision. It enables speed, convenient and UX-friendly interactions with the right information at the right time (Clarke & Kinghorn, 2018). Furthermore, new technology aims to make the experiences more human and empower the employees to create better CX (Clarke & Kinghorn, 2018). However, with many channels available, consumers exhibit behaviors such as showrooming or webrooming (explained in chapter 3.2.) that impose a challenge for companies willing to integrate their channels and provide a seamless experience.

As a result, there is an increase of companies that use augmented reality (AR) for creating omnichannel experiences: by embedding the digital content (product information, images, and animations) into a physical environment, interactively and in real-time (Hilken et al., 2018). For example, IKEA's AR mobile application IKEA Place (aforementioned in Chapter 1.3.), enables customers to try products in their home through a 3D representation of furniture or other objects. That way, the company has managed to close the channel gap and help consumers experience the digital offering in their physical space. In addition, the AR

offers a set of “smart” technologies to seamlessly merge online customer experience through intuitive and socially connected interfaces (Hilken et al., 2018). However, despite technology and AR development, customers remain underwhelmed by the AR experience because they believe companies are not utilizing its benefits. A survey has revealed that 51 percent of customers think that firms are not taking full advantage of the technology; however, they are more prone to purchase if the company provides AR applications (Hilken et al, 2018).

The computer technology used to design an environment that simulates the reality is called virtual reality (VR). Many retail companies started introducing this technology in response to increasing consumer demand to enhance the CX (Lee & Leonas, 2018). The authors highlighted the ability to place consumers within the experience and enable them to dive into a three-dimensional virtual environment as the unique advantage of VR compared to a traditional interface. Immersion within the virtual space closes the gap of product trial and entertainment; however, the expectations about the VR performance may be notably inflated and can fail if not used correctly (Lee & Leonas, 2018). Thus, successful implementation would require understanding customer adoption and preferences in using VR to avoid a mismatch between expectations and the actual offering.

As consumers use mobile phones as the first device, AR technology represents an opportunity for additional touchpoints within the customer journey and delivery of a seamless CX. Therefore, AR and VR technology can enhance the customer experience by creating the opportunity to compare and visualize products and increase touchpoints with a company (Lee & Leonas, 2018). In addition to generating engagement with AR/VR technologies, virtual fitting rooms (VFR) and virtual fashion shows (VFS) provide an opportunity for product trials. VFR is a technology that provides a new experience through virtual product trials by using the augmented technology to make advanced fitting rooms and present fashion items through a video or avatar reflecting consumers’ bodies (Lee & Leonas, 2018).

Technologies that streamline the processes and revamp the business models are crucial for creating an omnichannel customer experience. The integration of different business departments (from marketing, sales, operations, and logistics) calls for the technology that will make the most of the collected data for help organizations in making more intelligent decisions. As Gartner predicted, the ability to use AI to drive better decision-making, reinvent business models and ecosystems, and remake the customer experience will drive the payoff for digital initiatives through 2025 (Panetta, 2017).

In addition to the technologies mentioned above, Gartner recently identified top technology trends that span from the Internet of Behaviors (collection of data to change behaviors), Total experience, Privacy-enhancing computation, Anywhere operations model, Cybersecurity mesh, to AI engineering and Hyperautomation (Panetta, 2020). They all provide an opportunity to leverage (and digitize) the business operations and interactions; however, all

of them provide new opportunities for organizations and can be used complementary. For the matter of this research, it is worth underlining the trend of “total experience” that emerged and represents the combination of multiexperience, customer and user experience that aims to transform business outcomes and improve overall experience at the intersection of technology, employees, customers, and users (Panetta, 2020). The “total experience” provides an opportunity to integrate various touchpoints and create a seamless experience, as Panetta (2020) described, by taking advantage of changes that resulted from the Covid-19 pandemic, such as remote work, mobile, virtual, and distributed customers.

In omnichannel strategy, the role of technology is to integrate the data from various channels and provide insights that would help companies derive more thoughtful decisions about delivering an experience that matters to their customer. From the perspective of digital transformation, the role of the right kind of technology is central as it represents a power source fueled by data for driving the CX and marketing activities (Adobe.com, 2019). However, problems appear when there is no central data warehouse for different types of customer-related data (CRM, digital analytics, e-commerce, or in-store), but independent data centers or tools that are not integrated and do not allow a single view of the customer (Adobe.com, 2019). Companies are still struggling to integrate data across various touchpoints and acquire real-time information. The data remains part of the siloed IT systems or databases, making it difficult to achieve a single view of customers (Cui et al., 2019). As a result, advanced companies are steadily investing in new technologies to enable personalization and automation where it is needed.

In the future, companies must overcome the challenge of technology, reassess their internal capabilities to integrate data, and potentially seek external support in revamping data collection and analysis. As the black swan events, such as the global pandemic, might occur again, companies' preparedness for further changes in consumer behavior and unpredictable events is essential, and technology will have a crucial role in supporting their response to these changes. Companies that are already advanced in creating the consistent and enhanced customer experience, called digital experience leaders, are already harnessing the benefits of their investments over the last years. More than 70 percent of companies outperformed their sectors in terms of digital experience, and had better performance in 2020, at least three times more (Adobe.com, 2021). The Adobe.com (2021) research inferred that 71 percent of companies with strong analytics functions (with significant insights into new journeys and marketing attribution) confirmed their customers are positive about their digital experience, compared to 31 percent of companies with lower levels of insight.

### **3.4 Measurement of customer experience: scales, data, and attribution challenges**

The explosion of channels and touchpoints streamlined the amount of data available to firms. However, to derive insights, companies often rely on channel data that does not provide a single 360-view at the customer level but on aggregate one. Furthermore, aggregate, or siloed data is not usually matched with different touchpoints across the journey, thus not

allowing the personalization and connecting the experience – both at the core of omnichannel strategy (Cui et al., 2019). Therefore, data collection and measurement of customer experience go hand in hand as data insights are crucial for successful omnichannel execution. Table 5 indicates the urge for substantial transformation from aggregate data to consumer-level data collection (Cui et al., 2019).

*Table 5: Omnichannel definitional features and implications for data tracking*

| <b>OMNICHANNEL FEATURE BY DEFINITION</b>  | <b>IMPLICATIONS FOR DATA TRACKING</b>   |
|---|---|
| Integration of customer experience across channels  | Since customers have different paths across channels, firms have to track each individual customer’s experience across different channels.  |
| Shift from optimization of customer experience from within single-channel to across channel | Firms now cannot use aggregate data to measure and optimize the performance of each individual channel. Instead, optimization has to take place at the individual customer level. |

*Adapted from Cui et al. (2019, p. 3)*

Measuring the customer experience is in its early stages of the research, as there is still a challenge to understand the differences in multiple channels and industries. There is no handbook or unique measurement scale that would cover the needs of different industries or companies. Nevertheless, researchers and practitioners developed several measurement scales to comprehend the overall CX, such as “brand experience scale”, “customer experience quality”, “service quality” or the “voice of the customer” (Lemon & Verhoef, 2016). As Lemon and Verhoef (2016) further explained, the most considerable progress on the measurement of customer experience has been made regarding the customer perception of a specific stage of the journey or the overall CX. In practice, that means that companies usually measure various aspects of the CX or customer perception as a whole.

The Brand Experience scale measures the overall customer brand experience by observing four factors (sensory, affective, intellectual, and behavioral) to identify the correlation between brand personality, satisfaction, and loyalty (Lemon & Verhoef, 2016). The Customer Experience Quality (EXQ) concept by Maklan and Klaus (2011) includes critical attributes that are not part of the service quality or customer satisfaction metrics. They identified four aspects of customer experience: product experiences (customer perception of having choices and ability to compare offers), outcome focus (reducing customer’s transaction costs as seeking our and qualifying new providers), moments-of-truth (the importance of service recovery and flexibility when faced with unforeseen complications) and peace-of-mind (emotional aspects of service based upon the perceived expertise of the service process and the guidance throughout the process (Maklan & Klaus, 2011, p. 781).

Before mentioned concepts encompass the overall customer experience, but they do not provide an overview of CX at each touchpoint or journey stage. Nevertheless, the theory suggests following already established and long-tested measurement systems and feedback metrics easily understandable by the managements that may serve as the outset for future research (Lemon & Verhoef, 2016). Some of them include service quality (SERVQUAL), customer satisfaction (CSAT), net promoter score (NPS), and customer effort score (CES).

Service quality was initially described as the gap between consumer's expectations and their assessment of the encounter (particular service), and its widely used measure SERVQUAL is constructed of a 22-item scale with five dimensions: reliability, assurance, tangibility, empathy, and responsiveness (Maklan & Klaus, 2011). Thus, research about service quality includes customers who evaluate five dimensions concerning their earlier expectations.

The Customer Satisfaction Score is considered as an attitude, assessment, and emotional response shown by the consumer after the purchase, and within the recent theory, it is considered as an essential antecedent of customer loyalty (Leninkumar, 2017). It provides an immediate answer to a simple question imposed on a customer immediately after the interaction with a business. Despite being based on past experiences, customer satisfaction has a more present focus (Haan, Verhoef & Wiesel, 2015). Therefore, it may be used to evaluate customer satisfaction with a company's products or services or interact with its channels. While it provides understanding about specific customer experience points, it is criticized as a backward-looking metric, opposed to NPS, which is more forward-looking (Lemon & Verhoef, 2016).

Net Promoter Score is a measure used to evaluate customer experience and business growth, and it informs a brand if its customers are satisfied and if they are brand advocates (Netpromoter.com, 2021). It shows the customer's inclination to recommend a brand to family and friends. This metric is usually evaluated with a question like "Would you recommend our brand based on your experience with the products and services and how likely on a scale from 1 to 10?". Respondents are therefore grouped within one of three categories: Promoters (loyal enthusiasts who will keep buying and refer others, fueling growth), Passives (satisfied but unenthusiastic customers who are vulnerable to competitive offerings), or Detractors (unhappy customers who can damage your brand and impede growth through negative word-of-mouth) (Netpromoter.com, 2021).

Finally, the Customer Effort Score (CES) is one of the backward-looking customer feedback metrics as it measures perceived service performance from a specific past experience (de Haan, Verhoef & Wiesel, 2015). The results are collected based on the answers to the question "How much effort did you personally have to put forth to handle your request?". Compared to the NPS or customer satisfaction, authors infer that CES better predicts the repurchase (intention) and increase spending (de Haan, Verhoef & Wiesel, 2015). Authors agree that it would be more beneficial to combine different measurement metrics in a specific context (Lemon & Verhoef, 2016).

Digitization and technological advancements increased the number of touchpoints and created an enormous new stream of customer data. The challenge for CX leaders is they rely on customer opinion and feedback and do not link it with their behaviors (Forbes.com, 2021). Data collection would allow companies to assess customer experience at various touchpoints and channels, in addition to the measurement scales and survey results. Whether they add online or offline channels, they are confronted with tracking that would allow them to connect customers' online and offline behavior (Cui et al., 2019).

The switch from a channel view to a customer journey view is essential in omnichannel marketing. Therefore, attribution or path-to-purchase models are needed to identify the effects of multiple touchpoints in a specific journey and determine the contribution of each touchpoint to the final purchase (Lemon & Verhoef, 2016). Traditional attribution does not provide an individual approach to customers as it is constructed based on the performance drivers and relies on aggregate metrics (overall ad budget, percentage consideration, website visits, net social media sentiment). In contrast, multi-touch attribution has problems understanding traditional communication channels (TV, radio, print, billboards) (Cui et al., 2019). That being said, companies should think of ways to track their customers, including online and offline touchpoints, and develop an array of capabilities to implement an omnichannel strategy successfully.

### **3.5 Omnichannel strategy and the future of CX**

Customer experience and omnichannel marketing used to be a buzzword for almost a decade, but now customer experience strategy is inevitable for every organization. Still, not all companies have succeeded in delivering fast, convenient, and frictionless experiences over the online and offline channels. Consumers are becoming more demanding, and they switch from one channel to another at immense speed, making their journeys extremely complex. To overcome such complexities, organizations have to use technology and data insights to identify single journeys and provide an experience that will be personalized to each customer. It is of great importance that the transition between those channels is continued seamlessly. Customer experience in omnichannel strategies should feel holistic across marketing, sales, and support and should be organized and adjusted cooperatively (LeFlore, 2021).

The real omnichannel customer experience provides a consistent experience at every touchpoint or channel, and no channel should be observed individually (LeFlore, 2021). Companies that wish to keep pace with industry leaders must embark on an omnichannel transformation to provide a seamless customer journey. A customer journey has become a handoff between traditional and digital channels and, as such, an effective brand strategy requires an in-depth analysis of customers' wants and needs (Amar, Raabe & Roggenhofer, 2019). Though it is considered a digital leader, Amazon designed an omnichannel customer-care strategy that includes live agents and company-initiated contact to support their clients



with complex issues and show empathy, in addition to the channels they users prefer (Amar, Raabe & Roggenhofer, 2019).

To design an omnichannel experience, authors recommend composing the omnichannel strategy that consists of the following steps:

1. Setting the design principles based on an overarching omnichannel strategy.
2. Designing service journeys, ensuring that the end-to-end digital and live-contact journeys address identified customer needs and preferences and have clearly defined digital migration points.
3. Identifying foundational enablers to support the journeys, featuring multiskilled agents and best-practice contact-center operations to engage with customers live.
4. Defining the IT architecture with next-generation enabling technology to support a seamless omnichannel experience (Amar, Raabe & Roggenhofer, 2019).

The arguments for the implementation of the omnichannel strategy are directed towards better customer experience and reducing costs. Of course, benefits such as increased loyalty or engagement are desirable, but the bottom line ultimately matters the most to top-line managers. However, the biggest challenge that remains for organizations is data collection and integration, requiring investment in technology and resources.

Companies that want to anticipate CX issues and opportunities in real-time have started to invest heavily in data generation and analysis to develop analytical capabilities and exploit data about customer behaviors (Diebner, Malfara, Neher, Thompson & Vancauwenberghe, 2021). Authors predict that the future CX programs will be holistic, predictive, precise, and tied to the business performance, but to enjoy the benefits, they have to establish an organizational structure that would drive the change, along with capabilities and talent (Diebner, Malfara, Neher, Thompson & Vancauwenberghe, 2021). As McKinsey's research showed, the opportunity to reap the full benefits of omnichannel CX considers four steps: start from organizational changes and changing mindsets, break down the silos and build cross-functional teams, start analyzing basic customer-level data (customer journey data set) and build to improve accuracy, and finally, focus on the use cases that can drive quick value (Diebner, Malfara, Neher, Thompson & Vancauwenberghe, 2021). Companies that succeed in building the strong CX are more likely to accomplish long-term growth than their competitors, and be more prepared for unpredictable events, changes in customer behavior, and external conditions (Adobe.com, 2021).

The next chapter will provide results and analyses of the qualitative research of companies in Croatia and their experiences and practices in managing the CX and implementing the omnichannel strategy.

## **4 RESEARCH FRAMEWORK AND METHODOLOGY ON OMNICHANNEL MARKETING STRATEGY**

### **4.1 Research design and purpose**

This research aims to provide an overview of companies' strategic and practical experience in Croatia regarding customer experience management and omnichannel marketing strategy. Despite being a subject of interest of many researchers worldwide, the topic was not examined from the company perspective by Croatia researchers. However, this research contributes to understanding organizational challenges and implications for successfully implementing an omnichannel strategy and delivering a seamless customer experience. There are two perspectives on practices in companies in Croatia. The research encompassed two segments representing a company and agency view on the research topic: company representatives with hands-on experience on channel strategy and CX management; consultants and agency representatives with extensive knowledge and experience supporting the companies in implementing an omnichannel strategy. With that objective in mind, the research identified three goals that follow:

- to identify which channels could be used in order to create and deliver a positive customer experience;
- to determine how companies can manage customer experience across multiple channels;
- to recognize some of the main challenges the companies are facing in delivering the omnichannel customer experience.

Grounded on the goals mentioned above, the following research questions were identified to investigate the topic, understand experiences, perceptions and gain an overview of the relevant subjects:

- What is the optimal channel mix for the customer experience? When should a channel be added or removed to enhance the customer experience?
- Can the channel integration leverage seamless customer experience across channels?
- What is the impact of an omnichannel strategy on customer experience?
- What are the experiences of companies in Croatia when managing the omnichannel customer experience?
- What is the role of technology developments in augmenting the customer experience?

## 4.2 Methodology

This work consists of two parts that contribute to understanding the goals defined by the research. The first theoretical part was based on the secondary data collected through a literature overview, relevant papers and reports, articles of scholars and consulting organizations. The concepts, relevance, and problems of the underlying concepts of omnichannel customer experience were identified through secondary data research, while the second part of the thesis uses primary data collected through empirical analysis of qualitative data.

Data collection method used in the research were in-depth semi-structured interviews. The aim was to collect thorough and specific views of the practices in regard to the topic of interest. The research interview method was used as it aims to obtain information relevant to the research undertaken by the interviewer on the topic specified by research objectives (Wildemuth, 2016). As the research was based on semi-structured interviews, it is important to acknowledge the factors, such as flexibility and more detailed information about the topic and the participants, that are allowed with this research method. Semi-structured interviews are composed of predetermined questions, but their order and wording may change if the interviewer finds it more appropriate for a particular interviewee, thus allowing the option to modify the interview along the way (Wildemuth, 2016).

The in-depth interviews were conducted with 10 participants, all from Croatia: five experts from consulting and marketing agencies; and five companies' representatives that work within marketing and digital departments. The advantage of the in-depth method was to gain insights, experiences, and perceptions of experts/consultants and employees who have been part of the omnichannel transition or have a close view of the organizational processes and challenges in developing or implementing an omnichannel strategy.

Convenience sampling was the main method for choosing the respondents. Literature defines convenience or accidental sampling as the "type of nonprobability or nonrandom sampling where members of the target population that meet certain practical criteria, such as easy accessibility, geographical proximity, availability at a given time, or the willingness to participate are included for the purpose of the study" (Etikan, Musa & Alkassim, 2016, p. 2). However, as the respondents had to meet specific criteria in terms of knowledge and access to the observed topic, convenience sampling was combined with purposive sampling, where members of a sample are chosen based on the specific criteria, experiences, behaviors, or roles that are relevant for the topic of the research (Mergel, Edelman & Haug, 2019). Following the request of expertise imposed by the research question, this research sample considered the availability and proximity of respondents, but as well their knowledge and experience of the omnichannel CX. In addition, the research included participants from various industries to explore possible differences or similarities and gain different perspectives on the topic.

The interviews were executed in August 2021, and due to the global pandemic, were held via the Zoom platform. The average length of the interviews was 45 minutes. All of them were recorded and conducted in Croatian, then transcribed and translated to English.

As the data analysis method, this research used thematic analysis for the data interpretation. Thematic analysis is "a method for systematically identifying, organizing, and offering insight into patterns of meaning (themes) across a dataset. Through focusing on meaning across a dataset, thematic analysis allows the researcher to see and make sense of collective or shared meanings and experiences" (Braun & Clarke, 2012, p.2). Analysis of transcription included coding and identifying topics that emerged from the qualitative data. The research used a deductive approach, meaning that secondary data and knowledge were used to create themes and to provide guidance for the analysis (Caulfield, 2019).

### 4.3 Profile of Interviewees

To conduct the in-depth interviews, the research included ten interviewees from companies operating in Croatia, out of which four women and six men, as presented from the Table 6. Five respondents are currently working within a marketing or consulting agency, either as employees or managing partners, with an expertise in strategic consulting, digital marketing or omnichannel experience. The other five are executives or managers from five different industries: FMCG, Retail, Beauty, Media, and Telecommunications. While choosing the respondents, convenience and purposive sampling were applied to identify ones that understand the concept of omnichannel customer experience and are knowledgeable about the challenges and practical implications within their industry.

*Table 6. Overview of the respondents*

|                  | Industry/<br>The focus of<br>the<br>company | Position/<br>Department                          | Experience in the<br>following industries               | Gender | Age group |
|------------------|---|--|---|--------|-----------|
| Interviewee<br>1 | Digital<br>marketing<br>agency              | Senior<br>Performance<br>marketing<br>specialist | Hospitality,<br>eCommerce,<br>Insurance, Education      | Male   | 30-40     |
| Interviewee<br>2 | Digital<br>marketing<br>agency              | Senior<br>Performance<br>marketing<br>specialist | eCommerce,<br>Telecommunications,<br>Beauty, Automotive | Male   | 40-45     |

(table continues)

*Source: Own work. N=10.*

Table 7. Overview of the respondents (continued)

|                   | Industry/<br>The focus<br>of the<br>company         | Position/<br>Department                            | Experience in the<br>following industries   | Gender | Age<br>group |
|-------------------|---|--|---|--------|--------------|
| Interviewee<br>3  | Strategic<br>consulting<br>and digital<br>marketing | CEO /<br>managing<br>partner                       | Telecommunications,<br>Banking, Insurance,<br>Hospitality                               | Male   | 30-40        |
| Interviewee<br>4  | Consulting in<br>the field of<br>CX                 | CEO /<br>managing<br>partner                       | Telecommunications,<br>Finance, Insurance,<br>Hospitality                               | Female | 30-40        |
| Interviewee<br>5  | Consulting;<br>IT                                   | Product<br>manager                                 | Education and<br>publishing,<br>Hospitality,<br>Insurance,<br>Telecommunications,<br>IT | Female | 30-40        |
| Interviewee<br>6  | FMCG/Food<br>and<br>Beverages                       | Marketing  | FMCG,<br>Telecommunications   | Female | 30-40        |
| Interviewee<br>7  | Retail  | Digital<br>Marketing and<br>eCommerce<br>executive | Banking and<br>eCommerce  | Male   | 40-45        |
| Interviewee<br>8  | Beauty  | Digital<br>Marketing and<br>eCommerce<br>executive | eCommerce,<br>Distribution, and<br>logistics  | Female | 30-40        |
| Interviewee<br>9  | Media   | Executive in<br>Digital<br>department              | Telecommunications,<br>Media, Education,<br>Finance, Insurance                          | Male   | 30-40        |
| Interviewee<br>10 | Telecommuni<br>cations                              | Digital<br>Performance<br>executive                | Technology,<br>Insurance, Finance,<br>Telecommunications                                | Male   | 30-40        |

Source: Own work. N=10.

## 4.4 Results and findings

This chapter reveals the results of data collected through in-depth semi-structured interviews with ten interviewees. Interviews with two groups of respondents were conducted to gather different perspectives on the topic: the marketing/consulting agency and the company's perspective. Although two segments of respondents were included in the research, the interview findings were overlapping as most interviewees share a common perception of practices and challenges on the topic of interest. Therefore, the comparison of groups was not used in the analysis if there were no differences between the two segments. Instead, the differentiation of segments is underlined where it is identified.

Primary qualitative data collected through the research is analyzed, and several topics and challenges emerged while coding and interpreting data. The topics are outlined below and illustrated by providing the respondents' quotations. Identification of themes was based on the knowledge acquired through the analysis of primary data.

### 4.4.1 Understanding of the omnichannel marketing

It was found that most of the respondents, both from the agency and company side, have a similar theoretical understanding of the concept of omnichannel customer experience. They all stated that the omnichannel strategy includes all channels and touchpoints available to the company, requires data integration, and aims to deliver a seamless experience across channels. Agency representatives clearly understand the concept and identify critical factors that constitute the omnichannel customer experience: customer-centric strategy, presence in all available channels, data and channel integration, single-view on the customer, and a seamless experience across all channels.

*“In theory, omnichannel covers all available channels, all touchpoints that can be used to access the user and interact with them. It includes all available marketing mix and its application to provide maximum quality of the experience to the customer, whatever it is the ultimate business objective (awareness, purchase or something else).”* (Interviewee 1)

Only one agency representative opposed the shared understanding by stating that omnichannel does not exist due to the inability of companies to integrate channels and achieve a single customer view.

*“Omnichannel as such does not exist. No company managed to implement omnichannel across all channels. Omnichannel is the smarter word for multichannel, a concept that is good enough. As omnichannel would require data integration of all channels, a single customer view is impossible in most companies. Both Omni and Multichannel companies have to implement customer data platform or CRM to control everything.”* (Interviewee 3)

When asked to explain the concept of omnichannel, most of the company's representatives started to identify multiple challenges that arrive with its implementation: the cost of

technology, the inability of data integration, lack of an identifier that would allow identification of consumers at a single point, GDPR and legal restrictions, management buy-in, and knowledge how to do it. The central topic for connecting the channels to most respondents was data integration and the inability to track consumers individually. However, most of the interviewees see the omnichannel as “wishful thinking”, “something they talk about but not doing much”, “too expensive” or “hard to achieve” due to many challenges.

*“I think that in practice, it is very hard to control all the channels, and there are some discrepancies in communication across online and offline channels. In theory, companies understand the concept of omnichannel, but it is hard to achieve it in practice. I do not know any cases of companies that completely managed to integrate data across channels. We are not that technologically advanced for such changes.”* (Interviewee 6)

*“Omnichannel is a customer-centric approach that connects online and offline interactions. The biggest challenges for implementing omnichannel are GDPR and tracking of a single user due to legal restrictions. We do not have an identifier that would allow us to connect the user across the journey. That would require huge investments in technology that would enable the integration of data. However, the cost of technology is immense, and companies are not ready to invest in it as they do not see the benefit (ROI) of such investments. Everyone talks about it, but in reality, it is too expensive.”* (Interviewee 10)

Two agency representatives found it very challenging for companies to implement the omnichannel strategy as they do not entirely understand omnichannel marketing and the importance of channel integration.

*“The problem is that companies are often using the buzzwords of the digital world, but they do not quite understand the point of the integration or implementation of an omnichannel strategy.”* (Interviewee 1)

There is a common understanding of the concept of the omnichannel customer experience; however, both agencies and companies explain it by identifying the challenges for its implementation. All respondents recognized data integration as the crucial barrier to successfully implementing an omnichannel strategy and seamless experience. Therefore, organizations that started to talk about it should further educate the stakeholders in order to drive organizational change.

#### 4.4.2 Channel strategy

The interview responses indicate that most of the companies in Croatia have a multichannel approach in managing their channels, as they cannot connect online and offline data and provide an omnichannel experience. In addition, they consider that increase in touchpoints makes channel integration more difficult. It becomes even more complex as they face organizational obstacles that disable a common view on the importance of that integration.

Especially within larger companies, channels are part of the siloed organizational structure that facilitates channel competition.

*“Most companies in Croatia are doing multi-channel marketing, but most of them still do not have a complete understanding of omnichannel marketing, and their knowledge about attribution and data understanding is pretty low. For some of them, it is pretty normal to offer one deal in an online environment and another in an offline environment. Companies should measure results from all channels together and work on how to increase the overall KPI and not on how to increase the percentage of overall KPI’s coming from digital or offline activities.”* (Interviewee 5)

Whether they are from the company or agency side, all respondents agree that online and offline channels are evaluated separately regarding different KPIs and their importance to management. As some channels are more profitable than others, companies focus their efforts on leveraging the ones “that work.” Even when introducing new channels within a channel mix, there is resistance from different channels as it is impossible to attribute the effects of certain activities.

*“When deciding on the channel strategy, firms in Croatia do not understand what it means. They observe channels independently, and they measure results from this perspective. Siloed organizational structure is one of the biggest challenges as it goes along with channel ownership that does not allow for channel integration.”* (Interviewee 4)

*“Channel strategy depends on the share of channel’s sales in the overall channel mix, on the industry and the type of the product/service being sold. If the company has the biggest margin in offline retail, this channel will drive the decisions.”* (Interviewee 10)

According to the interview findings, companies utilize a similar mix of channels to leverage the customer experience. The following ones were identified in the analysis as the most frequent ones:

- Digital marketing channels (social media, websites, and webshops, mobile applications, newsletter, advertising, programmatic),
- Customer support (through phone or email),
- Retail (in-store promotions and assistance),
- Traditional channels (TV, radio, billboards, flyers).

For two interviewees, introducing a new channel was an opportunity to learn about channel integration, test new possibilities, and innovate to provide a better customer experience. At the same time, one respondent stated it was a challenge as some departments did not see its value of it.



*“The biggest challenge was different cost models for online and offline channels, even though we talk about omnichannel strategy. It is probably a problem for many industry players - to attribute the effects of advertising to a certain channel. There is still a competition between online and offline.”* (Interviewee 8)

*“While we were implementing a webshop, it became clear that some departments do not understand the importance of data and web analytics. It was hard to implement it as they did not see beyond the sales numbers.”* (Interviewee 6)

According to all respondents, channel integration has a significant impact on leveraging the customer experience. They consider it as “a must” as customers expect to have a seamless experience across channels. However, all of them stated that their organizations are quite basic when it comes to integrating channels.

*“Customers want to have the same experience in all available channels. It is necessary to adjust the communication to the proper target group, which might be hard if companies do not have data integration between channels. So, for example, if they cannot identify that the user that contacted customer support through a phone is the same person that wrote a message on Facebook.”* (Interviewee 5)

*“Channel integration impacts a lot customer experience and customers demand it (same assortment online and offline, possibility to use coupon online and offline, various delivery options). We still have room for improvement as consumers expect it.”* (Interviewee 8)

Channel communication within the siloed organizational structure holds organizations from having a single view on customer experience. Thus, most of the companies implemented a multichannel strategy where channels are managed and evaluated separately. However, a promising fact is that they think about the importance of seamless experience as a promise that brands have to deliver to customers.

#### 4.4.3 The challenge of data integration

Data is central to the successful implementation of the omnichannel strategy and channel integration. However, interview findings show that companies are not successful in their attempts to integrate data. For example, interviewee 6 stated: *“I do not know any cases of companies that completely managed to integrate data across channels. We are not that technologically advanced for such changes.”* However, no one of the company representatives confirmed that the company they are working in managed to achieve complete channel integration.

Different touchpoints and channels generate a tremendous amount of data that needs to be analyzed, make inferences, and take actions. Most of the respondents are aware of changes in consumer behavior and recognize the need to develop capabilities to track individual journeys and optimize their investments based on data. Interviewee 3 stated: *“We rarely*

*experience that companies execute journey mapping or service blueprinting to improve the CX. Companies that did it made a good blueprint for their organization. If they decide on mapping, they also decide to implement the strategy that would help them deliver better customer experience. The ones that did it also integrated customer support and back-end data. But the biggest problem is in the CDP and CRM, choosing one that fits their organization and integrating it within the organization to connect data from various touchpoints. Companies are not technologically advanced in that, but at least they try to capture interactions through a CRM.”*

The role of technology in enabling the tracking of customers and integrating different databases was identified by all respondents. However, four respondents expressed a concern that channel integration would not be possible without an identification number as a solution for achieving a single view on a consumer.

*“Consumers more than ever jump from one channel to other and expect from us to know their journey and behavior across various touchpoints. The key here is data integration. However, integration of online and offline channels is really low in Croatia and that goes along with low awareness about the importance of customer experience. The most advanced (in terms of technology) are telecoms that have systems that enable tracking the consumer. However, it happens that the consumer path is not that clear as there is no identification that would allow its tracking across channels.” (Interviewee 4)*

*“The biggest problem with data integration is the identification of consumers at a single point. Banks and insurance companies can track the consumer with its identification number, but there is a problem with this identifier in retail that would allow offline and online tracking. Loyalty programs have a unique number, but it would have to be present within a CRM, CMS and ERP databases.” (Interviewee 7)*

Interestingly, only one interviewee emphasized the implications of GDPR and legal constraints on data collection. All others did not have any GDPR concerns when talking about channel integration.

*“It is impossible to connect data due to legal restrictions and huge investments in technology (tools that would allow data integration). In digital, first-party data is everything and should be a base for digital business. The challenge is to connect this first-party data with a third-party data, having in mind GDPR restrictions. Based on the success of this integration, companies can deploy better omnichannel strategy and achieve better customer experience.” (Interviewee 10)*

Most respondents identified that the biggest obstacle for data integration is the lack of technology and the costs of investing in tools that would enable data integration. Some respondents underlined the need to implement a customer relationship management (CRM) platform to better understand the customer journey and channel attribution. They agree that a central data platform would assist in data integration but would require investments in

technology. In addition, Interviewee 9 saw the opportunity in providing data insights even to clients: *“Creation of a system that would allow data integration would be beneficial to our business clients as well – for more personalized and contextual targeting, as an extension of their data.”*

*“Many companies do not even use a CRM or a platform that can help out with data integration between channels. Often, when companies use a CRM, the experience it is not automated, so there is still a technical difficulty on the market to completely open the world of omnichannel strategies.”* (Interviewee 5)

*“There are available tools to create a customer journey, but what is important is a CRM that has more relevance than other channels analytics. CRM would allow the company to make better decisions and better understand and segment their users. This is a must if a company wants to take serious steps about introducing new channels and attribution. Many companies do not even use a CRM. As it is really complex for integration, these technical obstacles are the biggest challenge for companies.”* (Interviewee 3)

The prerequisite for successful omnichannel channel integration is the organizational capability to integrate data. As found by the research, companies find that difficult and almost impossible. However, many of them underline the importance of data analytics for understanding customer behavior and future decisions. Technology investments and implementation of central data platform would be the next steps for the organizations that aim to achieve seamless experience.

#### 4.4.4 Implementation of an omnichannel strategy

Respondents identified variables such as industry, company size, or business models that influence adopting an omnichannel strategy within a company. For example, from the industry perspective, three of ten respondents underlined that retail-based companies show more resistance in implementing the omnichannel approach than digital-first companies. That argument was explained by channel conflicts, as in some industries, the offline channel has a predominant share of sales.

On the other hand, the research found that telecommunication, hospitality, insurance, and banking are the industries that have done the most but are still lagging considering data integration. The general opinion among interviewees is that large companies have gone farthest in the aspect of omnichannel implementation. However, they are still lacking the technology, resources, and capabilities for integrating data platforms. On the other hand, some respondents agree that small and medium enterprises know and better understand the importance of data integration but do not have resources for investments in technology.

*“In my experience with retail companies, they tend to implement these changes but do not have a technology that would enable channel integration. Telecommunication, banks, and insurance are still lagging for these reasons. SMEs are more open to these changes and to*

*understand the benefits.*” (Interviewee 2)

*“It is always easier for online companies that do not have brick’n’mortar stores (such as webshops, or SaaS.) as it is easier to connect multiple channels in the same environment than to connect totally different channels. It seems that companies that have both often end up having different strategies for each environment.”* (Interviewee 5)

In order to track consumers across channels, respondents identified the importance of customer ID, a number that would be assigned to a single customer for online and offline interactions. Such number would allow companies to understand individual journeys and optimize their targeting activities.

*“Retail is having more difficulties connecting online and offline channels as they lack customer IDs that would allow them to connect offline transactions with online visits or other online metrics. The biggest opportunity is for digital-only companies that are more agile, have the resources and knowledge to adapt this model. Otherwise, it would be manageable for big companies from the hospitality, banking, or telecommunications industries to understand the customer journey and implement the changes. They are making some efforts but are still limited with resources.”* (Interviewee 1)

*“We talk a lot about the omnichannel experience, and we tend to unify experiences across all our platforms (price, returns policy, delivery, rewards, ...). But, here, the biggest problem with data integration is identifying consumers at a single point.”* (Interviewee 7)

An additional factor identified by the interviewees was the organizational barrier. When they talk about the implementation of omnichannel, most of the respondents from the company side point out the problem of ensuring the buy-in from general management. In addition to that, Interviewee 2 identified the importance of educating stakeholders to understand the value of channel integration and understand the benefits of implementing an omnichannel strategy,

*“It is a challenge to ensure buy-in within the company without finding benefits for the company (financial returns). From the aspect of technology, it makes sense to implement such changes, but management needs to see financial returns from it.”* (Interviewee 7)

In addition to the siloed organizational structure mentioned above, some respondents identified the need to establish cooperative communication to foster cross-channel collaboration. This argument was expanded by others stating that the company needs to establish an interdisciplinary, agile team that would be important for implementing an omnichannel strategy and coordinating the activities. A good start for the company, as denoted by Interviewee 6, is to start communicating internally and raise awareness about the relevance of customer experience and omnichannel integration.

*“Integration of channels of online and offline activities is still at its early stages. There is*

*need for dedicated teams who understand the importance of seamless experience.”*  
(Interviewee 2)

*“Internal capabilities to execute omnichannel strategy depend on interdisciplinary teams that would drive the implementation of omnichannel strategy within the organization.”*  
(Interviewee 4)

*“We faced a problem with channel ownership, and it took some time to overcome that problem and standardize processes and communication across channels. We still have challenges, and they will certainly arise with the implementation of new technologies, but we are learning from it.”* (Interviewee 8)

One of the agency representatives identified three reasons why companies decide to implement an omnichannel experience. The first one is “the organizational champion”, a person with a mission to continuously advocate for data integration to convince the management. The second one is hopping on the trends of what others do, and the final one is the argumentation provided by the third party (marketing or consulting agency). Other benefits for adopting an omnichannel strategy considered arguments such as optimizing the costs due to effective allocation of resources and establishing a stronger connection with customers by meeting their expectations and providing a seamless experience.

*“Profitability and sales increase push companies to become closer to their customers. It is important to keep a consumer satisfied and to meet their high expectations about CX. To acquire and retain customers, companies have to invest in technologies that would help them deliver outstanding customer experience. ”* (Interviewee 8)

Interviewees did not have exact answers when asked about the impact of the implementation of the omnichannel strategy on the company’s business and overall experience. However, most of them underlined that a profitability increase would encourage managers for quicker moves on adopting the omnichannel approach. In addition, if the cost and benefit analysis shows that omnichannel can provide better results to the bottom line and customer experience, they would be more prone to incorporate the strategy. Therefore, the success of the implementation will reflect the increase in customer satisfaction and loyalty, as one of the respondents indicated.

*“It uplifts customer satisfaction, raising brand loyalty and leading to an increase in sales. It is all about word of mouth - if customers are happy, they will bring other customers.”*  
(Interviewee 5)

*“The most decisive benefit (for implementation) is in reducing the opportunity cost or costs that are connected to less efficient channels. To address the complexity of the journey, journey mapping is a good way to start. When data is added, you get more ideas for more thoughtful allocation of resources and optimization of channels and CX. Usually, companies cannot see the long-term benefit but short-term cost reductions. ”* (Interviewee 3)

*“Profitability and sales push companies to become closer to their customers. It is important to keep a consumer satisfied and to meet their high expectations. To acquire and retain customers, companies have to invest in customer experience.”* (Interviewee 4)

Technologically advanced industries have already developed capabilities to implement the omnichannel strategy, yet most of them struggle considering the data integration. Some respondents underlined the company size as a mitigating factor for a successful omnichannel implementation, explaining that small and medium enterprises are more open to testing and grasping the benefits. For the larger companies, the organizational buy-in would be secured by profitability indicators and increased customer loyalty. However, for most respondents, the bottom line is a crucial factor for deciding on the implementation within the organization.

#### 4.4.5 Measurement of customer experience

When it comes to measuring the customer experience, the answers among interviewees showed a variety of measurement methods used to understand customer behavior across channels. Due to the fact that companies have different levels of channel integration, it was not surprising to find that they adopt different metrics to evaluate the customer experience. For example, agency representatives underline the importance of understanding customer behavior by starting with journey mapping. However, only one interviewee confirmed that it was executed within the company he is working for. Companies’ representatives did not justify the use of specific metrics but only mentioned the most frequent measurement methods: surveys and focus groups, NPS, and CSAT at specific touchpoints.

*“Regarding the measurements scale, companies usually use NPS. It is cool to have, but it is not that relevant for the customer experience at certain touchpoints as it rarely shows pain points. From the customer's point of view, it would be great to give feedback about bad experiences, and this would be more useful for the company to identify what does not work.”* (Interviewee 1)

*“Technologically advanced companies have more understanding and see the value of analyzing the customer journey and tools for managing the customer experience. Most of the smaller companies do not know the value of customer journey and service design tools. NPS is the most frequent measurement method, along with touchpoint NPS and CSAT.”* (Interviewee 4)

As there is no standard method for customer experience evaluation, it is not surprising that respondents use various measurement tools and techniques to assess their customers. However, the research found that companies are aware of the importance of journey mapping to understand customer behavior better, although only several companies are doing it.

#### 4.4.6 The role of technology for CX

The technology enables the data integration that is at the core of omnichannel marketing. In this sense, companies that recognized the benefits of investing in technology can understand the customers and deliver the value that customers expect. The surge of new technologies is putting pressure on companies in terms of costs, as most of the respondents confirmed within this research.

*“Technology will play a major role in delivering and augmenting the customer experience. There are already some tools that could help out with it, such as customer data platform and marketing automation tools that are a center data-point and automate the digital experience. Although, there are still many opportunities to connect digital with other channels and completely automate the experience. On the other hand, data privacy issues and changes in analytical technologies might be another obstacle that companies in their way for a complete omnichannel strategy.”* (Interviewee 5)

*“Investments in technology would enable personalization and provide benefits, but the cost of technology is still the biggest obstacle for omnichannel implementation.”* (Interviewee 9)

Some of the respondents from the agency side identified few trends in technology developments that would impact the customer experience in the future. Some of them are presented below:

*“Chatbots are a great tool for improving the experience as they address the request of immediacy. Additionally, AI is widely used in the automatization of advertising, but it still requires human oversight. It can and will be crucial in recognizing the most important customer segments, but we are still far from its total usage in Croatia. Additionally, voice search is a great opportunity to improve the customer experience, but it is still not used in Croatia.”* (Interviewee 1)

*“Integration of various data streams in one place is one of the emerging trends. New version of Google Analytics is one of the examples of that. The trend of integration of data from third-party provides with first-party data is gaining relevance, and more companies understand its importance. I believe the next step will be to connect ERP, CRM, and CDP within one system/tool that would allow a single view of consumers, where different organizational departments would have access and a special view.”* (Interviewee 3)

*“AI and machine learning have the biggest impact. Analytics and technology that will help companies to make smarter decisions will be crucial in the future. The focus is on data science and predictive analytics to understand consumer behavior at the individual level. Firms have enormous amounts of first-party data that is not used, and they will have to develop capabilities to analyze it and derive insights, especially if there will not be cookie tracking.”* (Interviewee 4)

On the side of the company's representatives, technology is widely adopted as it plays a vital role in the company's digital transformation. However, most of the respondents agree that one has to understand its benefits and ROI before the implementation. As Interviewee 7 inferred: *"We do not do it only to say that we do it or to follow trends. The implementation of new technology should be in line with the market, and it should be clear what are the benefits and costs of it."*

Three other respondents agree that AI-based technology already has a strong influence on the business and will have in the future. It enables tracking the customers across touchpoints, personalization, and improving the ad relevance to consumers.

*"Industry of AI is growing exponentially, and the use of that technology will be needed in every company. In the future, when third-party providers of tools saturate the market and companies gain know-how, they will most probably start to implement those solutions in-house. It will be more cost-effective for them. Now, companies do not even have resources for third-party providers, as well as internal capabilities."* (Interviewee 10)

All respondents recognized the importance of investments in technology for delivering a seamless customer experience. However, most of them see that as an obstacle as it comes along with high costs. Respondents recognized artificial intelligence, machine learning, voice search, and data analytics as leading technology trends that are already shaping customer experiences and impacting business decisions.

## **5 DISCUSSION OF THE RESULTS**

### **5.1 Summary and implications of main findings**

This chapter will summarize the main findings collected from the in-depth interviews with respondents working in companies in Croatia. Key discoveries will be presented by answering to research questions defined at the beginning of the thesis.

#### **What is the optimal channel mix for the customer experience? When should a channel be added or removed to enhance the customer experience?**

The research findings identified that companies in Croatia have limited channel integration capabilities, thus cannot prove the value of seamless customer experience. In addition, most of them have a multichannel strategy. Their approach to managing channels reflects that practice: channels have a different strategy and compete against each other, prices and product assortment and promotions differ across channels, and they struggle to achieve integrated marketing communication. Due to channel discrepancies, it can be inferred that most of them belong to level 1 of the omnichannel transition, called a multichannel retailing program, which was previously explained in Chapter 2.3.



When asked about the optimal channel mix, agency representatives underlined that companies do not clearly view data behind channels and do not understand the importance of channel attribution. Not many of them conduct journey mapping to identify steps across the purchase journey of their customers. Therefore, they usually assess channel efficiency based on individual channels' profitability and do not consider the effects of one channel to another or the effects of such decisions on the overall customer experience.

Channel mix usually consists of digital marketing channels (social media, website, webshop, mobile application, newsletter, advertising, and programmatic), customer support, retail, and traditional channels (TV, radio, billboards, and flyers). They invest in those that contribute the most to the achievement of KPIs, not taking into account the overall customer experience. In most cases, it is a sales result that contributes the most to their strategic decisions.

For example, one of the companies included in this research mentioned they are not open to huge investments in technology due to high costs and the inability to see the value of data integration. As offline has the most significant share in total sales, they do not have an incentive to connect channels as digital is only a small part of their channel mix. They did not consider the effect of channel spillover as they do not have a central data warehouse or technology that would enable attribution and a better understanding of channel efficiency.

Some companies introduced new channels to the existing channel mix, but they describe these attempts as low and not advanced in channel integration. However, they admit that it was an opportunity to understand the importance of channel integration, test, and provide a better experience using the innovations. They admit that one of the biggest challenges was the organizational barrier to ensure organizational buy-in and achieve a cross-channel communication that would drive the change internally. Channel conflicts reflect the company's decision to leverage individual channels that contribute the most to their bottom line. However, interviewees understand that the first step in establishing a customer-centric strategy is to ensure internal communication and mindset change regarding the customer experience.

Some companies attempted to integrate their online channels; however, most of them struggled due to channel conflicts, lack of technology, high cost of innovations in new technologies, organizational resistance, and legal barriers. While some managed to achieve partial integration of databases or specific (primarily digital) channels, most of them do not have a CRM or database but siloed data that does not allow them to understand their consumers better and make smarter decisions.

All channels contribute to the delivery of the omnichannel experience, and attribution is significant for evaluating the optimal channel mix and efficient allocation of resources. However, one of the interviewees stated that this is valid only at the company level, as each firm or industry has its peculiarities. Thus, the optimal channel mix cannot be universally

identified, yet each company must continuously evaluate its channels to understand their efficiency and contribution to delivering omnichannel customer experience. To arrive closer to the optimal mix, companies must understand the complex environment of numerous channels and touchpoints, changes in customer behavior, and engage in constant testing to optimize their channels. In order to gain an understanding of their channels, analyzing channels and funnels is inevitable for every company or industry. The importance of technology is not in driving these changes but in deriving insights and optimizing the journey to provide a consistent experience.

### **Can the channel integration leverage seamless customer experience across channels?**

Customers nowadays expect to have a seamless experience across channels. This attitude was omnipresent by most of the company and agency representatives within the research. As companies understand the importance of channel integration, they also acknowledge its influence on the customer experience. Many of them believe technology is central for data integration, and if there is no investment in technology, it will be impossible to achieve a seamless experience.

In addition to integrating data, omnichannel requires adjusting pricing, product assortment, promotion, and communication in all available channels. Though it is not easy to control every touchpoint, one of the interviewed consultants concluded that companies that integrated customer support with back-end data derive a considerable value from it. Nevertheless, not many companies execute journey mapping or service blueprinting to understand and improve customer experience.

As customers jump from one channel to another, all the channels have to provide the same experience. Respondents of the research identified that delivery options, product trial, delivery, and return policy are only some of the factors that arrive with implementing an omnichannel strategy and have a significant impact on customer experience. However, they come along with huge investments in logistics, technology, and data, all seen as the challenge, not an opportunity from the company's perspective.

Most companies managed to integrate communication across channels, but only a few follow the objective of improving the customer experience. Some of them revealed they would implement loyalty programs, CRM or ERP, standardize order and return policies, and provide an opportunity to buy coupons online and use them offline (or vice versa).

Most interviewees did not have experience with channel integration; therefore, it is vital to educate stakeholders about the value of channel integration on profitability and customer loyalty. In addition, the technology barrier was mainly underlined by the more prominent companies that would require higher investments than small and medium enterprises. However, an organizational challenge might be partially addressed by establishing an organizational culture that would foster a channel integration effort.

### **What is the impact of an omnichannel strategy on customer experience?**

The omnichannel strategy encompasses multiple steps that should be adopted to provide a seamless customer experience. With the rise of touchpoints and increased complexity, companies are faced with challenges of data integration, costs, and technology. Channel integration in companies in Croatia is shallow, but companies understand the importance of omnichannel strategy, though their focus remains on the activities in individual channels.

The literature provides arguments that show that companies that implement omnichannel strategies benefit from developing analytical capabilities and understanding customer data. The data analysis of customer journeys drives these insights, and companies experience increased customer satisfaction, loyalty, and revenue increase, as presented in the secondary data analysis. However, as companies in Croatia did not achieve complete omnichannel integration, it was hard to derive conclusions about its impact on customer experience. They use the measurements as NPS or CSAT to understand customer satisfaction. However, managers are aware that these measurement scales do not answer the question of customer experience at certain touchpoints as they rarely show pain points.

Nevertheless, as companies in Croatia stated that they do not have enough resources to invest in technology that would integrate the siloed data, they see an opportunity in developing specific capabilities that would enable them to connect their online and offline channels. Some of them include establishing dedicated interdisciplinary teams in charge of customer experience or working on internal communication to keep the goals of different departments or channels closer. In general, respondents recognized it is crucial to raise awareness about customer experience's importance and educate the stakeholders about the benefits of omnichannel integration. Once they are convinced, it would be easier to implement it.

### **What are the experiences of companies in Croatia in managing the omnichannel customer experience?**

Some of them have a customer-centric strategy, but their efforts in managing the customer experience are low. Interviews with the company's representatives showed that companies are challenged mainly by the organizational structure, channel ownership, inability to integrate data, legal constraints, lack of resources and technology. In addition to that, agency representatives identified a lack of understanding of the journey, absence of the central data warehouse, a platform that would extend the insights derived only from sales or channel analytics. For example, two interviewees identified CRM as starting point for building knowledge about customers and deriving strategies.

Firms have internal capabilities but do not know where to start with the omnichannel strategy. Some respondents provided a solution in hiring external partners (agencies or consulting companies) to help establish and test the solution. With time, companies would gain know-how that would allow them to own the processes and run them independently. This idea was also applied to the issue of access to technology.

One consultant with experience in various industries concluded that internal capabilities to execute omnichannel strategy depend on creating interdisciplinary teams that would drive the implementation within the organization. Many industries started to embed the customer experience within their strategies and act proactive, while smaller companies are more reactive yet more open to implementing changes.

Some industries had more difficulties in connecting their online and offline channels. For example, representatives from the retail industry or telecommunications underlined the importance of creating a customer identification that would allow companies to track offline transactions with online metrics. In addition to that, interviewees agreed that certain industries, such as hospitality, banking, or telecoms, have more opportunities for data integration. They have done the most in journey mapping and identifying customer segments; however, they need to be more incentivized to understand the value of implementing the omnichannel strategy and leveraging the customer experience. Also, the task of integration is much easier for digital-only companies that do not use offline channels.

### **What is the role of technology developments in augmenting the customer experience?**

Adopting new technologies will have a significant role in delivering and augmenting the customer experience, and technology investments are recognized as one of the significant obstacles to implementing an omnichannel strategy. Companies are aware that technology has a central role in data collection and deriving insights about customers. However, future investments will depend on the benefits and returns that it might bring.

Most of the respondents identified the trends of establishing a data platform and adopting marketing tools to automate experiences. One of the major concerns here is data privacy and its correlation with changes in analytical technologies. Creating a central data warehouse is part of the new trends that aim to centralize first- and third-party data to provide a single view of a consumer.

Trends that were identified with the research go in the direction of personalization and automation of experiences. In that sense, respondents identified several technologies that will impact the future customer experience. AI technology is already used for the automation within advertising and, together with machine learning, would lead the companies' decisions based on data and predictive analytics. Chatbots are a technology that has been widely adopted, and the interviewees recognized it as a tool that improves the customer experience by addressing the request of immediacy. Additionally, voice search is an emerging trend that is gaining relevance in much-developed markets, but the potential in Croatia is still not clear. Lastly, as there are more arguments for the new technologies, companies might adopt ones that will significantly impact their business results.

## **5.2 Managerial implications**

Research findings indicate that there is room for improvement when it comes to the implementation of the omnichannel marketing strategy. In order to ensure the adoption of an omnichannel strategy, companies should focus first on organizational buy-in and integration of internal processes. That encompasses establishing cross-channel communication and educating the stakeholders at all levels. In addition, different departments must participate in developing an omnichannel strategy to blur the lines between channels and become adopters and change-makers across the organization. Employees are the heart of the organization and have a crucial role in delivering positive customer experience. Therefore, empowering employees to become organizational drivers of the change is inevitable when incorporating the customer-centric strategy. Coherent departments and cross-functional teams will be essential in delivering homogeneous value across various touchpoints and establishing a new omnichannel culture.

As the theory suggests, a strategic approach to implementing the omnichannel strategy includes deciding on channels and communication messages, conducting a journey mapping and analysis of touchpoints, journey design, and data integration (Berman & Thelen, 2018). Integration of various touchpoints across channels enables a single view of customers and the deployment of a seamless experience. Companies should use advanced marketing tactics to provide experiences that customers seek for, such as immediacy, simplicity, high personalization, convenience, and frictionless experience across various channels. Instead of focusing on particular channel, companies should undertake the journey analysis as a whole and understand the value of each channel. In that way they can add value to each touchpoint of the customer journey.

Understanding customers based on data analytics remains the biggest challenge for most companies and will be a crucial differentiator on the market. Therefore, investments in technology and data integration are inevitable in augmenting customer experiences. Instead of looking at each channel separately, companies should adopt a customer-centric culture where channels are coherent and resonate with the request for a seamless experience. Continuous testing and optimization come along with high costs and lengthy processes; however, in the long run, they might bring benefits in terms of improved customer satisfaction, loyalty, and overall customer experience.

## **5.3 Limitations of the study and Future Research**

The research results presented in this thesis have limitations that should be considered before interpreting and presenting them in the future. Firstly, this analysis does not provide a representative sample as it uses convenience sampling where respondents were chosen based on their availability and geographical proximity. For example, all of them have a residence in the capital of Croatia, where the companies operate; however, different experiences may be present with companies in different parts of the country. Secondly, the sample size does

not allow generalization. For example, most respondents belong to the same age group (30-40), and interviewees' years of experience were not a criterion for sampling.

The research did not include interviews with representatives of SMEs, who might have different viewpoints on the topic, as several respondents of in-depth interviews emphasized it. Therefore, inferences about different industries may be limited as most respondents work for large companies with more than 50 employees.

As the topic of an omnichannel strategy is still unexplored, especially in Croatia, future research might consider surveying companies of different sizes and industries. That would enable a better overview of the differences and possible correlations around some variables. Additionally, with the changes in consumer behavior influenced by the Covid-19, it would be interesting to see the speed at which the companies would adapt their customer experience strategies. However, this analysis contributes to the theoretical and practical understanding of customer experience, with a special focus on companies in Croatia.

## **CONCLUSION**

To deliver a seamless and unique customer experience, companies had to adopt an array of capabilities to gather insights and take advantage of new interactions with customers. Customers have increased their expectations, became co-creators, and put pressure on companies to deliver a proposition that would sell at the right time with the right message. Therefore, implementing the customer-centric strategy is inevitable for all companies that understand the role of the modern consumer in this relationship. However, in practice, many companies struggle to create an omnichannel journey where the lines between channels are blurred. For that reason, this research aimed to provide an overview of the secondary data together with primary data collected through in-depth interviews.

Consumers nowadays have more opportunities to interact with companies through online and offline channels and create individual journeys. Therefore, companies needed to create experiences that would meet customer expectations. To do so, they had to develop analytical capabilities and learn about the individual customers and their behaviors. As the research identified, companies in Croatia are not there yet to implement an omnichannel strategy. Almost all of them have implemented a multichannel strategy as they did not integrate their channels and provide a consistent experience. Several factors were identified by the respondents that present the biggest challenge for the implementation: siloed organizational structure, the inability of data integration, lack of technology, legal restrictions, and management's resistance, usually due to high costs attributed to the implementation. For that reason, many companies tend to evaluate channels individually, which does not enable them to create a clear view of their customers, as channel synergies or dyssynergies can happen due to changes in customer behavior. As a result, companies stick to the channels that impact profitability but do not consider a customer experience, although they are aware of the benefits of channel integration.

Although company and agency representatives have experience with channel strategies of companies in Croatia, they did not have enough experience developing or implementing an omnichannel strategy. However, their experiences show the increase in interest in omnichannel marketing among companies, yet many lack knowledge on attribution and inadequate technology that would enable organizational changes. As the awareness of the customer experience increases, companies that already managed to develop capabilities to manage those experiences will grow and adapt quickly compared to their competitors. As underlined in the theoretical overview, companies that adopt omnichannel customer strategy are more likely to achieve a competitive advantage in the market as customers expect it.

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## **APPENDICES**



## **Appendix 1: Povzetek (Summary in Slovene language)**

Internet, tehnološki razvoj in stalna digitalizacija so pomembno vplivali na način interakcije strank z blagovnimi znamkami. Premik v trženjski paradigmi se je zgodil, ko so potrošniki postali aktivni soustvarjalci vrednosti in udeleženci pri oblikovanju organizacijskih strategij in ne le pasivni prejemniki (Brodie, Hollebeek & Conduit, 2015, str. 21). S prihodom novih kanalov in tehnologij je postala pot strank še bolj zapletena, podjetja pa je prisilila k uvedbi novih kanalov in novih komunikacijskih strategij. Povečanje števila stičnih točk med potrošniki in podjetji je povzročilo bolj zapletene poti strank in številna podjetja so se čutila dolžna zagotoviti nemoteno uporabniško izkušnjo, zlasti v okolju vedno večje razdrobljenosti medijev in kanalov, kjer je vsekanalno upravljanje postalo nov standard (Lemon in Verhoef, 2016).

Zagotavljanje edinstvene in privlačne izkušnje za stranke je postalo ena izmed prednostnih nalog in ciljev upravljanja ter izziv za številne organizacije. Vsaka odločitev, ki jo podjetja sprejmejo, bo sčasoma vplivala na potrošnike in njihovo izkušnjo z izdelkom ali storitvijo. Zato je nudenje edinstvene in nepozabne izkušnje priložnost za podjetja, da vzpostavijo boljši odnos med blagovno znamko in potrošniki ter sčasoma povečajo rezultate uspešnosti (Accenture.com, 2018; Amoroso, 2019).

Koncept uporabniške izkušnje ne izgublja na pomembnosti. Za zagotovitev edinstvene uporabniške izkušnje so morala podjetja razviti nabor kompetenc za ugotavljanje in razumevanje potrošnikove poti do odločitve v spletnih kanalih in v tistih zunaj spleta. Poslovne organizacije se morajo potrošnikom približati na vsaki stični točki njihove poti in jim zagotoviti brehibno izkušnjo. Ker ustrezna literatura ne vsebuje celovitega prispevka posameznih kanalov in načina, kako jih podjetja uporabljajo pri obvladovanju vse-kanalne uporabniške izkušnje, je bil namen te magistrske naloge obravnavati to vprašanje in razumeti poslovne prakse na Hrvaškem pri upravljanju vsekanalne izkušnje stranke.

Magistrska naloga je sestavljena iz teoretične in empirične analize. Teoretični del je temeljil na sekundarni analizi ustreznih do sedaj objavljenih člankov in raziskav. Namen raziskovalnega dela je bil predstaviti pregled strateških in praktičnih izkušenj podjetij na Hrvaškem v zvezi z upravljanjem izkušenj strank in vsekanalno strategijo trženja. Raziskava je zajemala dva segmenta, ki predstavljata pogled podjetja in agencije na temo raziskave: predstavniki podjetij s praktičnimi izkušnjami s kanalno strategijo in upravljanjem izkušnje strank; svetovalci in predstavniki agencij z bogatim znanjem in izkušnjami, ki podjetjem pomagajo pri implementaciji vsekanalne strategije. Metoda zbiranja podatkov, uporabljena v raziskavi, so bili poglobljeni delno strukturirani intervjuji. Cilj je bil zbrati temeljite in posebne poglede na prakse, vezane na temo, ki nas zanima.

Ugotovitve raziskave kažejo, da je uvajanje vsekanalne uporabniške izkušnje v podjetjih mogoče še izboljšati. Kot je pokazala raziskava, podjetja na Hrvaškem še ne uvajajo vsekanalne strategije. Skoraj vsa podjetja so uvedla večkanalno strategijo, saj niso vključila

svojih kanalov in zagotovila dosledne izkušnje. Anketiranci so opredelili več dejavnikov, ki predstavljajo največji izziv za izvedbo: organizacijska struktura, nezmožnost integracije podatkov, pomanjkanje tehnologije, zakonske omejitve in odpor vodstva, običajno zaradi visokih stroškov, povezanih z izvajanjem. Zato mnoga podjetja ponavadi vrednotijo kanale posamično, kar jim ne omogoča jasnega pogleda na njihove stranke, saj se lahko zaradi sprememb v vedenju strank pojavijo sinergije kanalov ali disinergije. Posledično se podjetja držijo kanalov, ki vplivajo na dobičkonosnost, vendar ne upoštevajo izkušnje strank.

Čeprav imajo predstavniki podjetij in agencij izkušnje s strategijami kanalov na Hrvaškem, niso imeli dovolj izkušenj z razvojem ali implementacijo vsekanalne strategije. Kljub temu pa njihove izkušnje kažejo na povečanje zanimanja za vsekanalno trženje med podjetji, vendar mnogim primanjkuje znanja o dodelitvi in ustrezne tehnologije, ki bi omogočila organizacijske spremembe. Z večanjem zavesti o izkušnjah strank bodo podjetja, ki jim je že uspelo razviti sposobnosti za obvladovanje teh izkušenj, v primerjavi s svojimi konkurenti rasla in se hitro prilagajala. Kot je poudarjeno v teoretičnem pregledu, bodo podjetja, ki izvajajo vsekanalno strategijo strank, bolj verjetno dosegla konkurenčno prednost na trgu, kot jo pričakujejo stranke.

## **Appendix 2: Interview questions**

### Interview questions for companies' representatives

1. What do you consider to be omnichannel marketing? What do you consider to be the key difference between multi and omnichannel strategies?
2. Which channels does your company use the most in order to deliver a positive/consistent customer experience? (RQ2)
3. Can you describe the most important actions/measures that your company has done to deliver a positive/consistent customer experience?
4. What is the channel strategy the company you work for uses to enhance customer experience? (RQ2)
5. Do you have some experience with channel integration? Could you illustrate some cases or projects? (RQ2)
6. How would you describe the level of channel integration within your company? (RQ1)
7. In your opinion, how much does the channel integration impact the customer experience? (RQ1)
8. Which measurements does your company use for an evaluation of customer experience? (RQ3)
9. Based on the customer journey analysis, what channel strategy has proven to be the best in leveraging a customer experience in your company? (RQ3)
10. How would you rank the importance of technology in your company for augmenting the customer experience? (RQ4)
11. What are/were the biggest challenges in implementing an omnichannel strategy within your company? (RQ5)
12. How has your company (internally/externally) been dealing with managing customer experience across channels? (RQ5)
13. How has the industry been dealing with managing customer experience across channels? Could you name some examples? (RQ5)

### Interview questions for Agencies / Consulting firms

1. What do you consider to be omnichannel marketing? What do you consider to be the key difference between multi and omnichannel strategies?

2. What are the most frequent channel strategies Croatian companies use for leveraging the customer experience? Which channels are used the most? (RQ2)
3. How have been the companies you are working with dealing with managing customer experience across channels? (RQ5)
4. How would you describe the level of channel integration in Croatian companies you work with? (RQ1)
5. In your opinion, how much does the channel integration impact the customer experience? (RQ1)
6. Which actions/indicators are needed at the company's side to identify optimal channel mix to leverage customer experience? (RQ2)
7. What are examples of best practices in Croatia in managing the omnichannel customer experience? (RQ5)
8. What are the biggest challenges of Croatian companies when implementing the omnichannel strategy? (RQ5)
9. Do you think that some industries have more success in the implementation of an omnichannel strategy and why? (RQ5)
10. How does the implementation of an omnichannel strategy impact the company's business and overall customer experience? (RQ3)
11. What is the role of technology developments in delivering and augmenting the customer experience? (RQ4)