Creating a High-Impact
Digital Customer Experience

An A.T. Kearney White Paper

Introduction

In the past few years, we have witnessed an explosion in the online world—an explosion that is also a harbinger of how businesses will operate in the future. Supply chains are being re-thought, products and services reconfigured, and business models revamped. Yet while e-business and the Internet are turning everything upside down, one basic component of business remains unchanged: The relationship between supplier and customer remains (and always will be) the basic building block for every business transaction. In the online world, the *way* that relationship manifests itself may be vastly different from the traditional relationship-building process, but the need to create a compelling customer experience remains critical.

Consider this: For all the hoopla about e-commerce, 42 percent of customers shopping on the Internet abandon the online experience in favor of a traditional bricks-and-mortar channel. In part, this may be due to unfamiliarity with the new channel; or, a bigger factor may be the quality of the customer experience that many e-businesses deliver today. Indeed, a 1999 A.T. Kearney study revealed that less than 17 percent of the websites evaluated delivered a highly positive customer experience. Yet there is significant middle ground—companies with websites that perform well in some respects (quality products) do not perform as well in others (customer fulfillment).

Given the tremendous clutter in today's e-commerce marketplace, the most successful sites are those that build customer loyalty and enthusiasm. And we believe that the time-honored methodologies hold fast: There is no better way to create customer loyalty and enthusiasm than through a positive customer experience.

The importance of establishing a positive customer experience is further substantiated by looking at the current cost of acquiring an online customer. According to Shop.org, an association of online retailers, purely online retailers spend an average of US$42 to acquire each new customer, while retailers that combine traditional stores with online shopping spend only half as much. This acquisition cost is an investment that only earns a return if customers return—placing critical importance on developing the digital customer experience.

A positive customer experience is also independent of a company's inherent business model. It does not matter whether the company sells to other businesses or directly to end users. And it applies to physical content providers (online businesses that sell tangible products) as well as those that provide services over the Internet. Research shows that 53 percent of website-related revenues come from repeat customers—despite the fact that new visitors typically outnumber repeat visitors as the Internet builds traffic. Clearly, the experience can be the difference that keeps customers coming back and telling friends and associates about the site. Conversely, a poor customer experience can be devastating. A Forrester Research study found that, on average, a disgruntled web shopper tells 10 people about a poor experience.

THE DIGITAL CUSTOMER EXPERIENCE FRAMEWORK

Simply defined, the digital customer experience encompasses all the interactions an actual or potential customer has with a business — everything from the advertising that precedes direct interaction, through post-sale follow-up and repeat purchases.

It takes four basic steps to develop a high-impact digital customer experience:

1. Develop a compelling customer value proposition
2. Create the digital customer experience framework to address all areas of the process — from awareness building to post-sales support and repurchase
3. Employ proven tools — the "7Cs" — to support the framework
4. Marry the online and offline customer experience

We believe that this process, applied dynamically, will separate the winners from the losers — those businesses that deliver a high-quality, engaging customer experience on the Web from those that do not. Businesses that are serious about creating the ultimate customer experience will be rewarded with tremendous growth in both brand and customer equity. This paper describes the four steps in detail and describes innovative companies that are already creating customer partners on the Web.

DEVELOP A COMPELLING CUSTOMER VALUE PROPOSITION

Businesses that succeed in e-business begin with a clearly defined value proposition — a strong offer that a potential customer would find compelling and interesting. This requires companies to develop a solid understanding of *who* their customers are, what they *value* and how the products or services should be optimized or configured to *deliver* this value *(see figure 1).* They must then constantly re-eval-

Figure 1: Define the value proposition
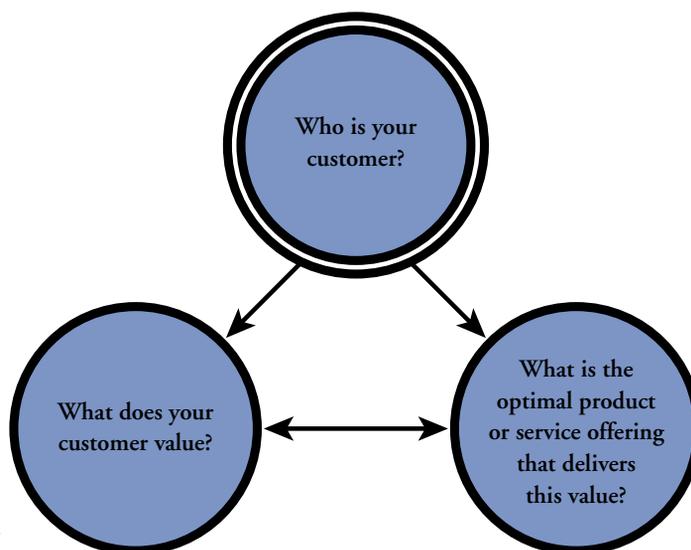
Source: A.T. Kearney

uate their value prop-osition to respond to a dynamic marketplace.

In the offline world, Sam Walton demonstrated his understanding of this when he founded the Wal-Mart chain. Its value proposition? Offer a wide selection of goods to people who live in small communities, and do so in a friendly environment at prices lower than those offered by the competition. Wal-Mart has continued to be successful by basing its business decisions (and customer experience) on this value proposition (which has evolved over the years in response to changing competitive forces).

In the online world, Amazon.com started out with the goal to "use the Internet to transform book buying into the fastest, easiest and most enjoyable shopping experience possible." It targeted consumers who wanted easy, quick access to a wide range of books, did not want to go to a physical store to shop, and wanted to order as quickly and easily as possible. Amazon's efforts over the past four years have centered on this concept and it is now the leading online book provider. Amazon's product line has broadened over the years, now boasting "Earth's Biggest Selection™ of products," however it has maintained this customer focus. Its value proposition calls for providing "a place to find and discover anything you want to buy online." Interestingly, in the business-to-consumer segment, Amazon views the customer's search and purchase process as more critical than *what* is being sold. As a result, Amazon is clearly regarded as a leader in the realm of customer experience.

In developing or refining the value proposition, it is important to understand how customers think about or become aware of a need, and how an online experience can satisfy that need. One of the more innovative research techniques available to discover this understanding is the Zaltman Metaphor Elicitation Technique (ZMET), a state-of-the-art, patented qualitative and quantitative research technique that offers especially revealing insights into customers. The ZMET technique helps customers to understand their own thinking more fully, enabling them to share it with researchers.

Prior to a ZMET interview, participants bring in pictures that represent their thoughts and feelings about a value proposition from sources such as family albums, catalogs, magazines, newspapers or photographs taken specifically for the interview. It is essential that customers seek or collect their *own* pictures rather than selecting from researcher-provided images. Most participants report spending some six to seven hours over several days thinking about the assignment and locating pictures, with many commenting on their high level of involvement. This pre-interview image-gathering process ensures that participants are in an advanced stage of thinking when they begin the interview.

The one-on-one, face-to-face interview takes approximately two to three hours. Typically, 10 to 12 participants are recruited for each segment under investigation. The interview process follows seven carefully designed steps that engage different aspects of a participant's thought process and allow seemingly buried ideas to emerge.

In short, by using techniques such as ZMET interviews to help define a relevant value proposition, market researchers can access unusually deep customer thoughts and opinions on a given experience, need or issue. A.T. Kearney has used this method as a cornerstone of several e-business project engagements, helping clients to launch or improve their e-business model. Most recently this tech-

nique was instrumental in the successful launch of three distinct, highly focused websites for a large appliance manufacturer.

While useful for developing a highly refined value proposition, the ZMET technique is also instrumental in defining many other critical elements of the digital customer experience. For example, clients have used it to help develop the long-term vision for their websites and to define the type of partnerships and alliances needed to support their customer value proposition.

CREATE THE FRAMEWORK

Before a company can implement its value proposition, executives must understand how a customer "experiences" the website. A.T. Kearney developed a framework to help e-businesses do this. It is universal and is applicable to all businesses, although it can be employed most effectively by e-tailers who work with it from the inception of their value proposition *(see figure 2)*.

The concept of a customer experience is identical in both the offline and online worlds, but methods of optimizing the experience will vary. Traditional concepts — including merchandising strategies and store layout — have online equivalents: merchandising strategies are akin to the suggestion of complementary or "kitted" products, and store layout is mirrored by the organization of a website into departments. The framework includes the following elements:

Attract

Competition for customer attention has never been keener. With more than 5 million domain names registered on the Web, (up from 380,000 in 1996), it's clear that the first step of the customer experience process must be to attract "eyeballs."

Figure 2: The digital customer experience framework
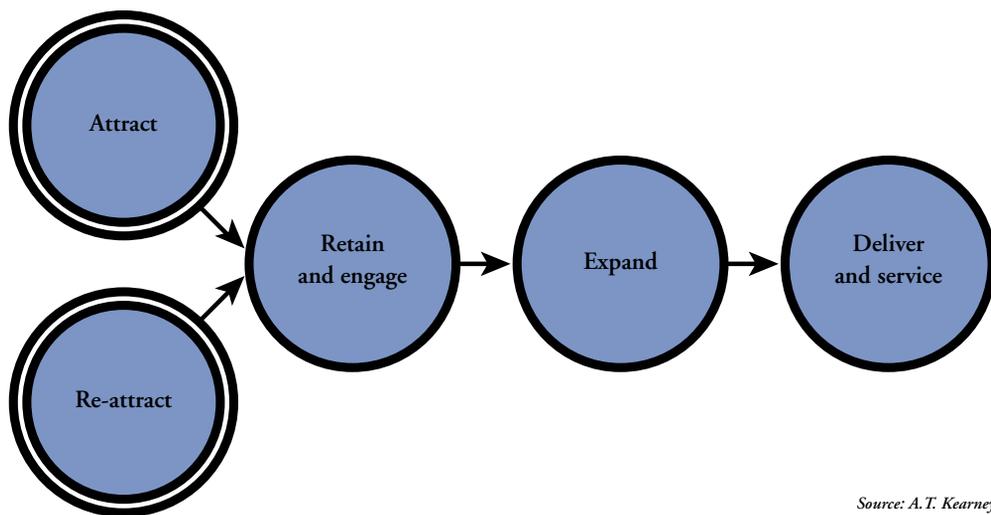
Source: A.T. Kearney

Companies have two specific ways to do this. First, they must build awareness for their site. Second, and more important, they must communicate their value proposition to consumers. This is more difficult online than it is offline, because they have no "retail presence" to occupy. A bricks-and-mortar retail store may win traffic simply by renting space in a shopping mall, but e-tailer visibility relies on direct communication with potential customers and making them "click-ready"—that is, making them ready to "click" to the brand when they see it.

The mechanisms to communicate value to consumers and build awareness range from traditional offline media to leading-edge online tools. The latter include affiliate programs with other websites, links from directory searches, email notifications and banner advertisements. Interestingly, banner advertisements also illustrate the furious pace of change within the e-commerce space. Just 12 to 18 months ago, they were considered a great source of revenue, but are now seen as having minimal value for all but the biggest, most populated sites, such as Yahoo! It is now clear that banner ads make more economic sense in situations where the ads are very specific to the visitors (MSNBC targeting its banners to those searching for news-related pages, for example). As a result of this change, the share of total advertising spend that online tools now control is expected to decline. Instead, companies are increasingly taking advantage of traditional offline media, and are advertising in broadcast and print media, in-store kiosks, public relations and direct mail.

As always, creativity is critical to building awareness, and a number of recent creative online programs have left many surfers satisfied. For example, 800.com ran an overwhelmingly successful promotion by giving away free movies and compact discs to shoppers on the site. PlanetRx gave away free over-the-counter products for those who visited its site. One of the biggest "awareness builders" was sponsored by the recruiting site Monster.com. It spent more than 12 percent of its US$34 million budget on ads during the 1999 Super Bowl. The gamble paid off. Monster.com is now the seventh most recognized Internet brand, behind names such as Amazon and eBay.

Re-attract

Successful businesses create sustainable value by attracting loyal customers. As in the offline world, e-tailers should avoid focusing solely on acquiring new customers and creating a good first experience. Enticing customers to *revisit* requires not only a successful initial experience, but enhanced customer interaction and innovative follow-up programs with the goal of creating a loyal customer base. Again, the number of choices available in the online marketplace makes this even more critical than in the offline world.

Getting and using customer information is the most basic driver to building a loyal customer base. During a customer's first site visit (as well as through more traditional offline research methods) companies endeavor to capture as much customer data as possible—information about preferences, interests, etc. The online world provides exceptional opportunities to leverage such information, which may ultimately pave the way to creating a great customer experience for two primary reasons.

First, customer information allows companies to deliver compelling content. On the Web, where they have almost infinite display space and inventory capability, retailers can broaden their product selections and adjust merchandise much faster than they can change displays in the offline world. Nordstrom.com, for example, prides itself on providing the widest selection of shoes anywhere — close to two million pairs — clearly an impossible prop-osition in offline marketing.

Second, e-tailers can leverage consumer information to provide a customized experience — through personalized sites (such as MyYahoo!) as well as through loyalty programs that provide targeted benefits to customers. Note that loyalty programs are not necessarily tied to individual sites. ClickRewards.com, for example, is accessible through a number of sites, and airline rewards programs are among those that move offline programs into cyberspace.

An April 1999 study by Nielsen NetRatings found that registered users (specifically, visitors to customized sites) of MyNetscape and MyYahoo! "spent over three times longer at their home portals than other users and . . . a considerable portion of their total Net time" on these pages. In addition, "registered users at one site spend far less time at competing portals." Consequently, most portals — from Yahoo! to Netscape to Excite to AltaVista — allow users to create personalized pages that contain the information and links they want.

Online communities also offer a compelling way to entice customers back to their site. Communities emphasize and enable the shared experiences of members in a real-time manner. Online communities also enhance the speed and value of information sharing, allowing customers to deepen their experience with a site and build a more personal connection that is based on underlying content. Successful examples run from America Online (which had more than 53 million visitors in July 1999 alone) to the Motley Fool (Fool.com), a financial information site, to iVillage.com, which hosts a range of communities that target specific female segments. The result of such communities is the greater potential for customer retention. Advertisers can target the customer base more accurately, as visitors congregate around a topic of common interest. Thus, at the Motley Fool website, advertisements for Internet banks and low-interest-rate loans allow for better targeting of customers and, therefore, a higher potential hit rate.

Another way to bring customers back to a site is by making connectivity easy. Similar to placing offline retail stores in high traffic areas, online attraction is enhanced by linking to other popular sites that target the customer segment. PC-parts retailers often link to equipment manufacturers to promote their post-sales service, for example.

Finally, the value proposition can be reinforced by increasing contact with targeted customers through email and other forms of communication. At many sites, consumers can sign up for emails that offer customized content. Given the tremendous number of such messages, it becomes even more critical for marketers to ensure continued loyalty by focusing on providing customers with high quality, well-targeted content.

Retain and engage

Enticing customers is only the first (albeit crucial) step on the road to building customer equity and profitability. The more critical measure of success for any e-business is how well it retains and engages customers on an ongoing basis — that is, how well it manages the issue of "stickiness," or the ability to keep customers at the site. At its most basic, content is *the* key driver of site stickiness. Boring content drives away consumers almost as fast as no content at all. Thus, whether a site focuses on physical content (REI.com) or informational content (CNN.com), a wide selection of up-to-date content is critical to success.

Convenience runs a close second to content. A site that is difficult to use will prove frustrating, and customers will not return. There is a simple reason that Yahoo! had 32.3 million visitors during one month in 1999 and is considered far and away the leader in Internet search engines — it is straightforward, well-organized and easy to use.

Expand

Expanding the digital customer experience moves beyond attracting and retaining customers to providing additional value that is based upon who customers are, how and why they shop online, and what products or services they are interested in. Companies can expand the digital customer experience by culling multidimensional data from ongoing interactions and using it to deliver a personalized experience to specific customer groups. Expansion can occur at the product, customer group or individual level.

Product-based expansion means creating additional value for customers based on the product or service they are currently seeking. It is the tool most commonly used today to customize the digital customer experience because it is easy to apply and it generally holds true across numerous customer segments. It is also very similar to the implicit recommendations one encounters in a bricks-and-mortar store (such as product placement and complementary items). For example, when a consumer shopping on a site for sporting equipment wants to purchase a soccer jersey, the site could offer complementary products such as shorts, socks, shoes and shin guards.

Expanding the customer experience at *the group level* means making assumptions about what an individual values online based on inter-actions with similar customers. This is more complex than product-based expansion because it requires an understanding of trends and differences across customer segments. Amazon.com, for example, operates "purchase circles" where users can see what other consumers, who may belong to similar groups or organizations, are purchasing.

Finally, expansion at the *individual* level is personalization: the most complex and powerful tool for expanding the digital customer experience. This method is based on a particular individual's shopping patterns and requires a comprehensive view of the "market of one" concept. Personalization should be based on both what a consumer has bought in the past, and what he or she is currently buying. Personalization should also include customer data from all points of customer contact, including offline channels. Just as Citibank.com provides customers with a complete

view of their bank account, regardless of where or how those transactions took place (ATM, local branch, or electronic check), Internet retailers should also integrate customer data across channels so that they can recognize a repeat customer regardless of where that individual initiates contact. This compilation of customer data across multiple channels paints a more complete picture of customers and facilitates a more meaningful experience.

Effective websites employ all three of the above dimensions during each customer transaction. These personalized experiences create a customer base that, with each visit, spends more time and money at the site. An online business can make this happen through proper management of tightly integrated product and customer information databases.

Delivery and service

Although creating a positive online experience from beginning to end is important, it is the final act of purchasing and receiving the ordered goods and services that ultimately influences a customer's decision to repeat the experience. Although recent data suggest that customers are generally satisfied with their online purchasing experiences, these customers have rarely become *loyal* customers. There is too much competition for a consumer to pledge loyalty to any given brand without a compelling reason to do so. A clear opportunity thus exists for companies that can push beyond merely providing a satisfactory purchase to establishing a meaningful, trusting relationship with customers.

This concept of customer care — of managing all the customer "touch points" — represents the greatest opportunity for web sellers to exceed the offline customer experience. Much has been said in the media about the logistical chaos that will occur as e-purchasing becomes commonplace and companies struggle to bridge this last leg of the customer experience. The Web only magnifies the need to spend in this area, and consequently, companies are working to provide superb levels of customer care.

Marketers must ensure that sufficient support channels are available to their customers — from traditional tools (1-800 numbers, fax) to online tools (website information, email, chat). Dell Computers does a great job of this; it provides multiple online and offline support tools that are accessible to customers 24 hours a day.

Customers are accustomed to — and want — the personal interaction that comes from traditional channels (as well as online efforts such as live chat with customer-care representatives); they want to be reassured about their online purchases. Thirty-five percent of respondents to an NFO Interactive survey reported they would buy more online if they could have direct contact with a salesperson in real time. Furniture.com provides a great example of online customer care with a personal touch. When purchasing a big-ticket, high-touch item such as furniture, online customers at Furniture.com can access representatives known as "design consultants" who provide live assistance via online chat, email and phone. As follow-up to these online discussions, design consultants send handwritten notes and swatches of furniture fabric to their customers.

Plans for follow-up communications and tools for learning about customer needs must be embedded in the website and supporting communications processes. Fatbrain.com, an online book-

store, delivers value by following up orders with an email message that provides links to package-tracking information to help the buyer check shipment status.
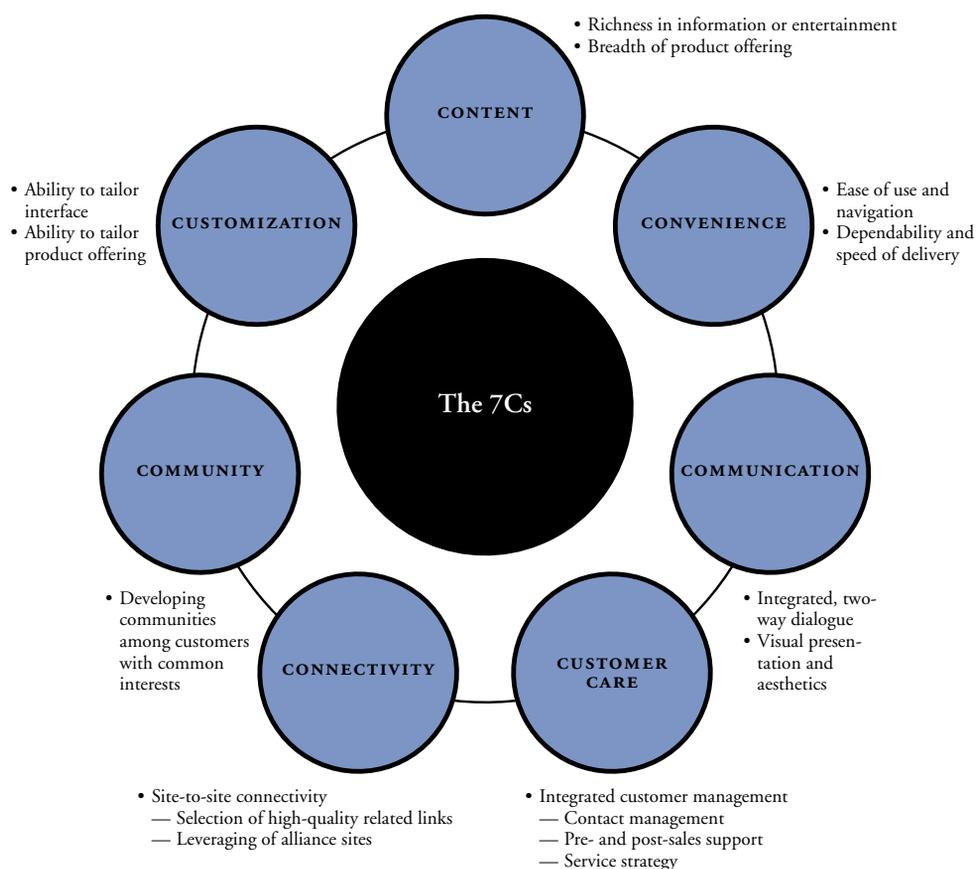
Many Internet users still harbor security concerns about sharing credit-card information online. In response, many marketers are obtaining third-party recommendations such as the TRUSTe seal of approval to make consumers feel secure in making online purchases.

Placing the customer at the center of an organization has emerged as a mantra over the past decade. In the digital world, heeding this mantra is critical — customer needs must drive customer care. Companies must move from the traditional call-center service and delivery mentality to an e-business customer-centric mentality.

EMPLOY PROVEN TOOLS

If the process described in the previous section represents an overarching framework to define the digital customer experience, then the 7Cs are the tools A.T. Kearney uses to implement this experience *(see figure 3)*.

Figure 3: The 7Cs framework

- Richness in information or entertainment
- Breadth of product offering

CONTENT

- Ability to tailor interface
- Ability to tailor product offering

CUSTOMIZATION

CONVENIENCE

- Ease of use and navigation
- Dependability and speed of delivery

The 7Cs

COMMUNITY

COMMUNICATION

- Integrated, two-way dialogue
- Visual presentation and aesthetics

- Developing communities among customers with common interests

CONNECTIVITY

CUSTOMER CARE

- Site-to-site connectivity
  — Selection of high-quality related links
  — Leveraging of alliance sites

- Integrated customer management
  — Contact management
  — Pre- and post-sales support
  — Service strategy

Source: A.T. Kearney

The 7Cs framework offers a set of tools to deliver a tangible customer experience in the virtual space. We believe that leading web-based marketers who have created differentiated digital customer experiences are successful because they meet the demands inherent in each of these categories. In essence, the 7Cs are a continuation and restatement of marketing's traditional 4Ps (product, price, place, promotion). The 7Cs include community, connectivity, customer care, communication, content, customization and convenience and are fundamental in guiding companies in their quest for customer loyalty:

• *Deliver compelling content.* Site content must be relevant and useful to the target users. L.L. Bean, for example, offers a selection of products that rivals those of many bricks-and-mortar stores.

• *Embed convenience.* The site must be easy to navigate and quick to load. The Gap does a great job of this by incorporating numerous features to facilitate browsing across each of its product lines. For example, although its pictures load quickly, consumers have the option of viewing text-only, making navigation even faster.

• *Establish communication.* Communication must be tailored to specific user interests and allow for communication to and from the customer. At the Neiman-Marcus site customers can chat live with sales people.

• *Integrate customer care.* Sites that excel at customer care anticipate their customers needs and provide assistance and reassurance every step of the way. In addition to email and online chats, this includes toll-free telephone service staffed by knowledgeable company representatives to ensure that customers can receive immediate assistance. Lands' End addresses security concerns by guaranteeing customers that it will incur any fraud related costs; in addition, it promises consumers that it will not sell their personal information to any other company.

• *Make connectivity easy.* Alliances and links must be established where target customers will find them. iVillage.com, for example, offers links to affiliate sites.

• *Build a community.* Customers often find value in establishing relationships with other users. eBay is perhaps the most notable example of this, and is simply a very large community in which people can gather to buy and sell products.

• *Customize the experience.* Information enables a company to customize the online experience for the customer. Smarterkids.com does this by asking first-time customers to complete an educational profile, which it uses to recommend products that are best-suited for individual learning goals.
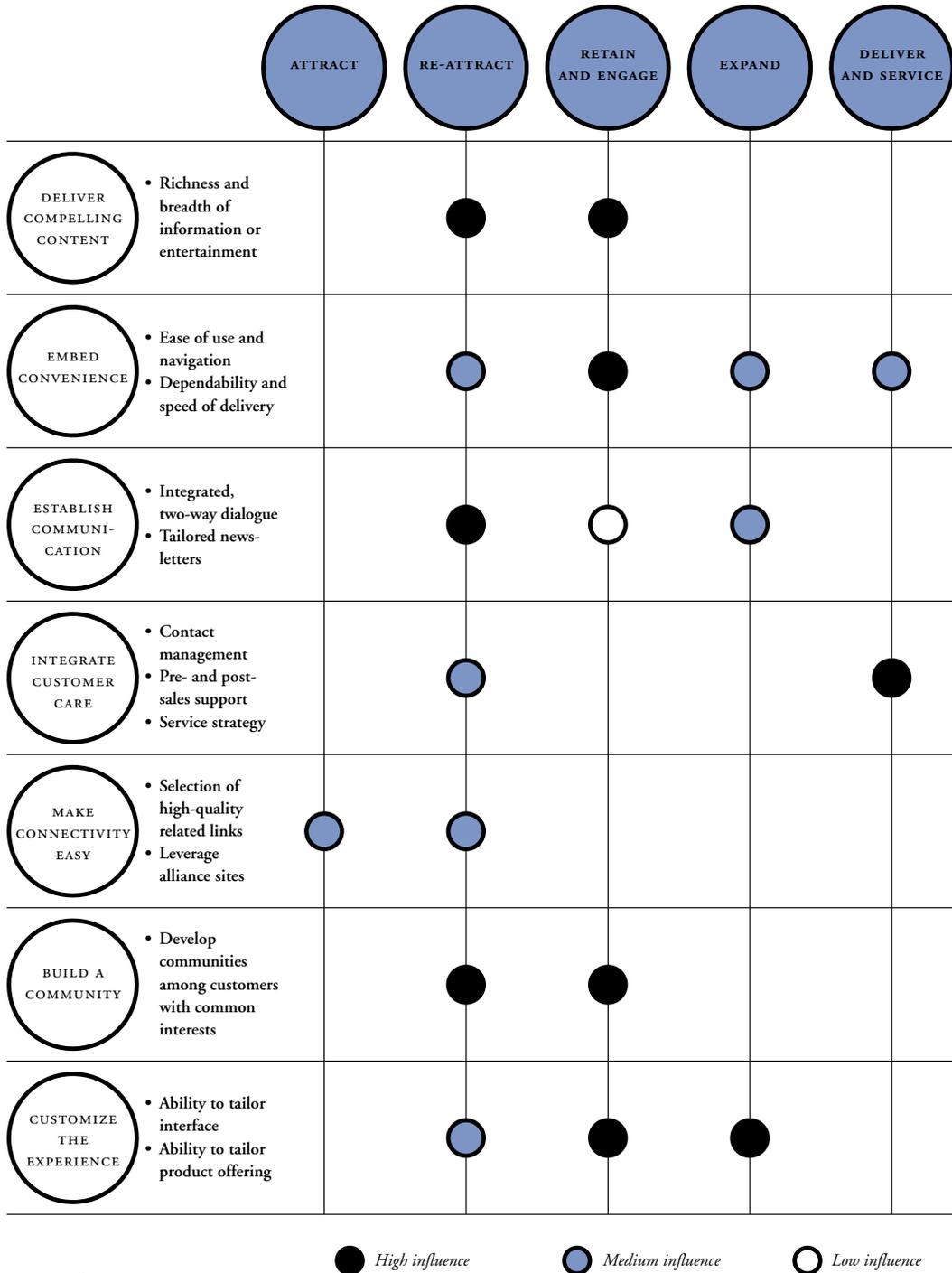
Figure 4 on page 11 illustrates the degree to which each "C" factors into each part of the digital customer experience process.

MARRY THE ONLINE AND OFFLINE CUSTOMER EXPERIENCE

Given these unique strategies and tactics, all required within the virtual marketplace to please an increasingly demanding customer, we are often asked: Will there be a place in the future for traditional bricks-and-mortar businesses? Can a manufacturer that is accustomed to "real-world" processes and timelines compete with the pace of change inherent in the online world? Indeed, for

Figure 4: The 7Cs and the digital customer experience

	ATTRACT	RE-ATTRACT	RETAIN AND ENGAGE	EXPAND	DELIVER AND SERVICE
DELIVER COMPELLING CONTENT • Richness and breadth of information or entertainment		●	●		
EMBED CONVENIENCE • Ease of use and navigation • Dependability and speed of delivery		◔	●	◔	◔
ESTABLISH COMMUNI-CATION • Integrated, two-way dialogue • Tailored news-letters		●	○	◔	
INTEGRATE CUSTOMER CARE • Contact management • Pre- and post-sales support • Service strategy		◔			●
MAKE CONNECTIVITY EASY • Selection of high-quality related links • Leverage alliance sites	◔	◔			
BUILD A COMMUNITY • Develop communities among customers with common interests		●	●		
CUSTOMIZE THE EXPERIENCE • Ability to tailor interface • Ability to tailor product offering		◔	●	●	

● High influence   ◔ Medium influence   ○ Low influence

Source: A.T. Kearney

incumbents in many existing industries, the rise of "virtual" businesses has made them question whether their traditional model of doing business — the physical, bricks-and-mortar model — will maintain its viability. We believe the answer is both "no" and "yes."

For most industries, the virtual model means streamlined cost structures, more targeted marketing and a significantly wider customer reach. The benefits of the virtual customer experience are many. Companies that cannot match and better these benefits and deliver superior value to customers will not survive for long in the new millennium.

However, consider also one simple, astonishing fact: In 1998, US$51 billion spent offline was influenced by online shopping. This is good news for many of today's successful "traditional" businesses, as their existing distribution systems, customer-service outlets and retail stores represent opportunities to leverage and enhance their power in the online world. The successful businesses of tomorrow will be those that deliver a fundamentally value-based customer experience — and in many instances, traditional businesses have the edge. They have the captive customer who can touch and feel the actual product. They can reinforce their value propositions to the customer through the combined on- and offline media. Companies can enhance the digital customer experience through clear and consistent links with the offline world. Consider the following:

• In response to the burgeoning popularity of online trading, Charles Schwab integrated its on- and offline businesses to offer customers one focused message and value proposition. In doing so, Schwab maintained its position as the leading player in the online trading market. However, this strategy did not come cheap — the integration (which included synchronizing both on- and offline rates) cost the company between US$125 million and US$150 million.

• Many major retailers, including REI, The Gap and Sears, have implemented in-store, computer kiosks to provide information about the various products that they offer across their entire network — not just the store in which the customer is shopping. This allows them to provide a better customer experience by promoting a wider selection of products.

• To highlight the value of bricks and mortar, Security First Network Bank, which in 1996 became the world's first Internet-only bank, has moved away from its origins. It is now adding physical locations — including kiosks, branches and ATM networks — in the belief that direct customer contact is essential to credibly offering a broad range of services.

Thus, the opportunities that the combined online and offline worlds offer are tremendous. Through an integrated marketing effort, companies can now cater to a wide range of customers — from the information-hungry, service- independent consumer (who can be served over the Internet) to the service-sensitive shopper who needs to be able to ask questions and "touch and feel" the product. Marketers can build awareness for their products through targeted promotions via both online and offline advertising. They can also induce product trials through email newsletters that offer coupons and free products that can be redeemed at a nearby retail outlet. At the very least, businesses can couple the wealth of online information that their websites offer with the quality in-store experience and personal service levels of their traditional retail models.

Although there is no doubt about the value and dominance of the Internet as a medium for change, shrewd marketers can rest assured that the reports of the demise of the offline business model are greatly exaggerated.

CREATE CUSTOMER PARTNERS

The digital customer experience process. The 7Cs. Online-offline synergies. What do these mean to the online marketer? They are the basis for a superior customer experience that begins to lay the groundwork for a loyal and long-lasting customer relationship. While the relationship is not person-to-person, such as one may have with a financial adviser or product salesperson, e-commerce models can indeed foster strong customer relationships.

Just as in the offline world, the relationship between an online company and a customer progresses in steps. Figure 5 shows the typical steps to take in moving toward partner status:

• *Aware.* Has the customer seen the company's advertising, either online or offline? Is the consumer familiar with the company?

• *Click-ready.* Does the consumer recognize the online brand when the URL is seen either as a search result or when linked from another website?

• *Visitor.* Has the customer visited the site once?

• *Acquaintance.* Is the customer an occasional visitor?

• *Participant.* Is the surfer a first-time or occasional purchaser?

• *Partner.* Is this consumer a frequent visitor and purchaser? Is this a loyal customer?

This progression does not necessarily take place sequentially. Customers can move forward and, indeed, backward in their relationship with a company. A good customer relationship will extend the brand; and in many cases the value-add can be greater with an e-commerce relationship than with a traditional person-to-person relationship. The e-commerce model frees customers from the limitations of the offline world, because the customer is not limited by any one salesperson's individual knowledge. The site can deliver the cumulative knowledge of many content and service experts as well as leverage, in real time, its precise knowledge of past customer transactions.

Figure 5: Online customer relationship progression
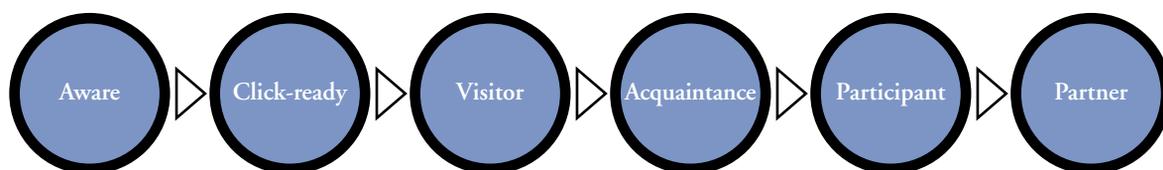
Source: A.T. Kearney

Understanding the stage of an individual's relationship with a site, therefore, is critical and the customer experience (as well as its component tools) must be tailored to maximize the value that the customer derives from the site.

BUILD BRAND AND CONSUMER EQUITY

Without question, a well-executed digital customer experience that creates customer partners will increase customer equity. Schwab.com is a recent success story. Its average account balance is more than twice that of some of its e-brokerage competitors. In the online brokerage world, a higher account balance typically results in higher revenue per customer and thus a higher value for the firm for each customer it serves.

The other result of a well-executed customer experience is higher brand equity. For example, Schwab.com trades at a PE significantly above that of its bricks-and-mortar based counterparts. The reason is clear. While Schwab has a tightly linked and well-coordinated "clicks and mortar" strategy, its competitors are still struggling to figure out how their existing broker channels should interface with their e-brokerage business.

Conclusion

A good half-decade into the e-commerce revolution, it is clear that the Internet, and the e-businesses that it has fostered, represent an entirely new model of doing business. Existing industries are being turned upside down. Formerly comfortable and dominant players are being shaken into unparalleled change. Many will not survive and will disappear. Those that survive will have to compete harder for a share of an ever-more demanding marketplace.

For these companies, the digital customer experience must be the center of their value proposition. They must adopt new tools such as those discussed in this paper. They must constantly re-evaluate their competitive position and strive to deliver superior value to their customers above the clutter of the marketplace. At the core, however, they must remember one fundamental truth — that despite a century of change — the customer is central to their survival.

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Cover illustration: Kevin Peschke