

HOW TO TRANSFORM DIGITAL CUSTOMER EXPERIENCES FOR THE CONNECTED CUSTOMER



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Thought leadership study by Altimeter Group on behalf of Genesys

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THE FUTURE OF BUSINESS:

A CUSTOMER EXPERIENCE IMPERATIVE

Executive Summary

We live in an era of business overflowing with incredible opportunity. The future is not yet written; there are no instructions or cheat sheets to give you all the answers. What happens next is actually yours to define.

That makes this time both challenging and exciting. But it's not for the faint of heart. It's not for those who are happy with good enough or who are already burnt out at work. Shaping the future of business will require energy and drive. You're reading this, so I can assume you're ready to take on the challenge.

Steve Jobs once said, "You have to trust in something—your gut, destiny, life, karma, whatever." When it comes to the future of business and our role in it, trust is everything.

But what can we trust? What will give us the confidence we need to move forward in new directions without the comfort of familiarity or experience?

Place your trust in the very people who define or will define your business: your customers. They and the experience you give them will make or break your business.

How you invest in your customer experience (CX) is the difference between a compelling competitive advantage and mediocrity and irrelevance.

It's a bold leap forward to trust something as fickle as a customer relationship. But what if it wasn't so fickle? What if the customer relationship were inherently trustworthy because of the effort you invested in its promise?

That's the importance of CX. Customer relationships are a byproduct of the experience you design, support and reinforce.

Everything starts with a vision for what the customer experience could be compared to what it is today. Naturally, you'll find a gap. Closing this gap immediately is your CX imperative. Investing in the CX to bring your vision to life is your competitive advantage.

CX matters.

Every touch matters.

And a team working with a common vision takes this to an entirely different level.

Customer experience is the sum of all engagements a customer has with you during the customer lifecycle. This relationship is an ongoing evolution and series of changes, comprising several moments of truth, beginning with awareness and discovery; shaped by information and interaction; defined by purchase and use; and reinforced by cultivation, loyalty, and advocacy.

Collectively these engagements contribute to the experience someone has and shares and ultimately to the state of brand in aggregate.

It's a pretty big deal to say the least. There are so many ways we can get this wrong or right.

At a basic level, customer engagement is organized into five stages:

1. Awareness
2. Consideration
3. Transaction
4. Use/Consumption
5. Inactivity

Your colleagues' and your work is dedicated to ensuring customer interest and satisfaction in each stage. Individually they are important; together, they are decisive to your business's success. This is why your CX is an imperative.

Engagement happens with or without us at every stage of the customer lifecycle. And each moment does one of three things:

- Adds to the customer experience
- Does nothing for it
- Takes away from it

Over time, the adding and subtracting from these moments equate to a score that much more powerful and meaningful than a Net Promoter Score (NPS).

If CX is the aggregate of engagement in every moment of truth, then each moment is only worth one part of an overall experience. For example, if you excel at marketing and sales but fail in product experience, customer support, or customer loyalty programs, you would have, at best, only thrived in two-fifths of each key moment. Your customers don't see departments; they see one company, one brand. If one fails to deliver, then the entirety of the experience is dramatically affected. Each moment's value is measured and added to an overall score. You can't win in just one, two, or even three moments. You have to sweep every moment.

Let's look at customer service. While some may think it plays only a small part in shaping customer relationships, in reality it affects every engagement throughout the lifecycle. They all add up.

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THE STATE OF CUSTOMER EXPERIENCE

CX is personal for your customers, but it's also a social object whose value goes beyond one person. The impression you leave on someone, regardless of the engagement stage, can evolve into a customer expression that is shared online and in the real world with those who will listen. Those shared experiences are social objects because they invite interaction. And ultimately those expressions influence others, who may or may not have ever had direct contact with you.

You get the idea.

In every moment of truth, then, positive experiences aren't just necessary, they're the new standard.

CUSTOMERS WILL PAY FOR BETTER CUSTOMER SERVICE

In 2014, Genesys, the market leader in omnichannel customer experience and contact center solutions, conducted a survey of 2,000 US and UK consumers. Among the findings, the company learned that 93% of respondents were likely to recommend a product or service after a positive customer service experience.

Of course they would. Great experiences become social objects.

In addition, Genesys learned that the return on investment (ROI) of delivering a great CX is priceless. For example, over 32% of the highly coveted 18–24 year olds in the US are very likely to pay a premium for an above-average CX. And it turns out that every demographic is willing to pay a premium if people are assured of a great CX.

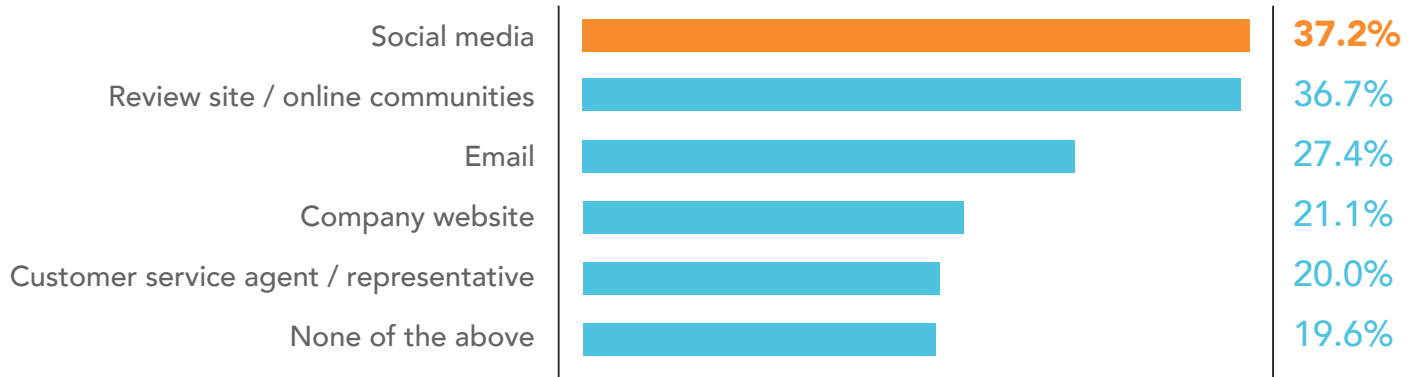
Imagine that.

On the other hand, a staggering 99% cited that poor customer experiences, such as having to repeat themselves, and lengthy waiting a long times, etc., would switch companies or brands as a result.

Genesys's study also indicates that 84% of consumers would share a negative customer service or sales experience. When asked the communication methods for sharing that experience, good or bad, 37.2% reported social media and 36.7% reported other online communities

Figure 1

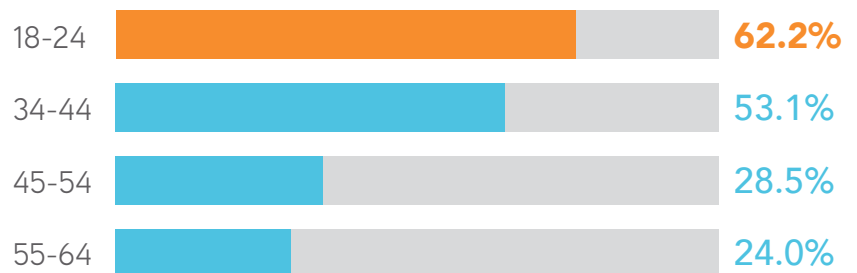
Which communication methods would you use to share your good or bad customer experiences?



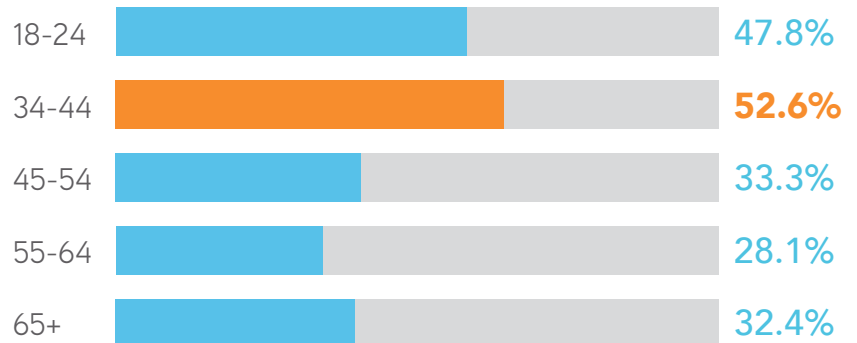
Source: Genesys, 2014

For 18–24 year olds, social media and online communities trend even higher, at 62% and 47.8%, respectively.

Age affected how many people picked **Social media.**

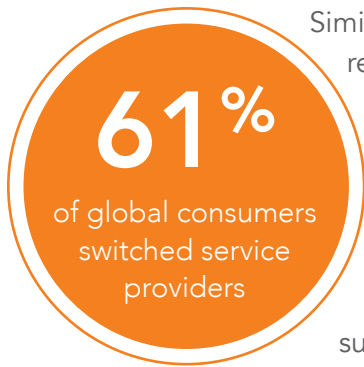


Age affected how many people picked **Review site / online communities**



Source: Genesys, 2014

CUSTOMER SERVICE IMPACTS CONSUMER PERCEPTIONS



Similarly, in a 2014 global report, Accenture found that 61% of global consumers switched service providers in at least one of 10 industries, which represents a 4% increase over the previous year. Not surprisingly of course, 82% agreed their previous provider could have done something different to prevent them from switching.¹ Imagine that.

What sent the customer packing? The usual suspects of course, ranging from resolving their issue on the first contact to lacking proactive communication to learn about ways to improve their customer experience.

But here's the thing that businesses have yet to really understand or appreciate: Customer retention is far more cost effective than customer acquisition. There's really no excuse not to invest in the customer experience because it impacts the bottom line. After any negative experience in marketing and sales, for instance, 60% of global customers stopped doing business immediately and 66% started to look for other options they hadn't previously considered. An overwhelming majority of global consumers (85%) switched providers because companies simply "don't make it easy to do business with them."

Interestingly enough, the report also found that consumers are becoming acutely aware of the data and buying preference these companies are gathering and are now coming to expect more value-added offerings. Only 21% of customers felt¹ like their providers offered them a customized experience. Things could be better. Business could also be more personal.

SEPARATING GOOD CUSTOMER SERVICE FROM THE BAD

Both the Genesys and Accenture surveys show that negative engagement takes away from the CX. Other common issues continue to crop up, like the dreaded "hold of death," negatively impacting customer perceptions and experience, including:

- Giving the same information or repeating themselves multiple times
- Getting transferred (and maybe even dropped) multiple times
- Dealing with agents who don't have a full grasp of callers' native language
- Not being able to get through the system to talk to a real person
- Being unable to get the information needed to resolve the issue
- Having to use private information to verify personal identify

The great irony is that customers are contacting customer service. It hardly seems like companies are adequately serving their customers to truly win their loyalty. We are missing opportunities to provide support in ways people value. That notion of loyalty is becoming elusive in its meaning and its ability to earn it among customers. As of 2013, only 23% of consumers said they feel loyal towards their providers. That's pathetic. And at least one-third of consumers said they always consider shopping around for better deals. Significant portions of customers are now part of what Accenture has dubbed the Switching Economy, which is estimated at \$1.3 trillion in the US alone.

Contacting customer support almost seems like a last resort. In fact, 82% of consumers agree that they only contact customer service when they can't find an answer online. Among Millennials, this is especially true: 87% percent of this group agree with this statement, and that number is only going to increase.

Figure 2

Age-profiled channels | 2013/14 Report sample question

Which channels are most popular with your age-profiled customers?

Percentage of contact centres | n=574

Age profile	Phone	Electronic messaging (e.g. email, SMS)	Social media	Smartphone application	Paper mail	Don't know
Silent generation (born before 1944)	55.6	6.6	0.7	0.3	17.2	38.0
Baby boomers (born between 1945 - 1960)	59.6	22.5	3.5	3.0	13.4	33.8
Generation X (born between 1961 - 1989)	46.3	44.1	20.7	17.2	9.6	33.4
Generation Y (Millennials) (born after 1990)	29.4	42.3	36.4	31.9	5.9	33.1

Source: 'Global Contact Centre Benchmarking Report 2013/14, © Dimension Data 2009–2013'
http://www.dimensiondata.com/Global/Downloadable%20Documents/2013_14_benchmarking%20summary%20report.pdf

Why? Because according to a study done by Merchants (a Dimension Data company), many Millennials and Generation Z behind them don't use a phone the way the rest of us do.² Actually calling someone or leaving voicemail is almost a foreign concept. They're far more proficient online than we can imagine or appreciate.

Did you know that among Millennials, or Generation Y in the graphic above, the phone is their fourth choice for customer engagement, behind electronic messaging, social media, smartphone apps, and "I don't know." It only ranks above paper mail.

What's more is that Generation X is not far behind.

OneReach, a company that integrates voice and SMS platforms for businesses, found that 44% customers would rather text customer service than stay on hold. This is something that we hear consistently. Additionally, 88% of younger customers (18+)³ would choose to do business with a company that offers text as an option for engagement rather than those that do not.

This trend signals the future shape of CX. The results highlight just how little organizations know about customers through digital channel interaction and how infrequently strategists ask them about their experience.

How can you improve CX if you don't know what the experience is or what's desired?

It's no wonder that Merchants found that customer satisfactions levels were down for a fourth year running. After all, frontline contact center staff reported that they couldn't keep pace with the complexity of transactions. They also admitted that they aren't being equipped with the new tools or skills needed to keep up with increasing and diversifying customer expectations. This complexity isn't going to simplify. It will only become more complex.

Over time, as all generations become more digital in their own respective ways, we can expect channel preferences to change over time.

DON'T STOP AT IMPROVING CUSTOMER SERVICE

Is improving the customer experience an opportunity or just an exercise in futility? After all, we're just talking about one small part of the CX here: customer service.

Yet without proactively investing in anything less than a complete overhaul in CX, we can only contend with part of the problem. What's the value in that?

Sooner or later, all things come to an end. And while every customer relationship ends at different stages for different reasons, a relationship should never terminate prematurely because you neglected to invest in the experience a customer has and shares in every moment of truth. You have to define a standard for CX. Then you need to develop a strategy and roadmap to bring it to life. Finally, you have to hold all work to that standard. If you don't, those relationships will end too soon, and you miss the opportunity to create and cultivate the CX.

So what, you say. Negative customer experiences happen every day. Some things are out of our control. There are customers that cannot be saved.

But most of us would agree that customer acquisition is more expensive in terms of money, time, and resources than that of customer retention. If that's true, then why is CX limited in priority, scope, and scale today?

The answer lies in how companies value the CX role within its culture and vision. You're customer-centric or you aren't.

Part of the challenge is that business strategists largely miss the gravity and transformative nature of CX because they think CX is solely about customer service and support. It is after all, a delicate state in the customer lifecycle: A customer has a problem. They need help and direction. These are high-risk moments in the customer relationship. More than that, though, these are opportunities to deepen customer relationships.

Customer experience isn't just a reactive role. It's also proactive and it spans the entire customer journey and lifecycle. That means the customer service and support play a part in a much grander production that synchronized marketing, sales, product marketing, and really anyone who is directly involved with the customer.

I've yet to have an executive tell me that customers aren't a priority. Yet, in a 2014 study conducted by CX consultancy Temkin Group, only 12% of large B2B organizations were shown to have reached the highest two levels of CX maturity (out of six levels), what Temkin Group refers to as a "customer-centric organization."⁴ Those companies that do have higher levels of CX maturity focus more on employees and culture and less on cutting costs, the study found.

The future of CX starts with creating a culture of customer centricity within the company and that works its way out.

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SHARED EXPERIENCES COMMUNICATE THE STATE OF THE CUSTOMER EXPERIENCE

You've heard it before: a happy customer tells a few people; an unhappy customer tells everyone. Numbers have been difficult to quantify in the past, but it's clear that people who share negative experiences tend to drown out those who share positive experiences. That's just human nature.

It's also a significant problem.

Why? Because shared experiences are now public, searchable, and permanent. They don't vanish. Search engines find and organize them. People—your customers—also find them. And it all happens before someone consults your website or representative.

This underscores the place in which to begin our work: the experience customers have and the ideal CX we think they have are different. The gap between the two is different for every business, but it's there nonetheless. And in an increasingly digital world, the ability to measure and account for the many touch points a customer comes in contact with your business is eroding, as is our grasp of the factors that contribute to the CX gap.

You may think you own of CX, but you don't, at least not in the way we think of CX at present. What customers say about you when you're not around is the articulation of your CX. It doesn't happen just once. Nor is CX truly measured or represented by an NPS. Just because someone is likely to refer or recommend a product doesn't mean that they do. And even if their experience is positive one moment, it can change in the next.

Welcome to a new era of marketing and service, in which your brand is defined by those who experience it.

Your customers owe you nothing. Your job is to deliver an exceptional experience. You need to make them feel part of the brand. Do that, and they'll feel like they can take part ownership of it.

THE GENERATION DIVIDE: A NEW ERA OF CUSTOMER- CENTRIC SERVICE

It sounds like a strange title for this section, I know. Wasn't customer service always customer centric? Clearly, it wasn't. But that doesn't mean it's too late to get to know the people that keep us in business.

Research shows that the customer that we know—our traditional customer—and the connected customer are notably different. And like the CX gap, the gap between the traditional customer and the digital customer is widening. Just as they have different behaviors, they have different values and expectations.

With those values and expectations already fragmenting, so are the tools. According to Dimension Data's key 2014 themes and emerging trends report (see Figure 2):

Generation Y—those born after 1990—choose the telephone as their primary desired service channel dead last, only 29% of the time. They prefer email/SMS 42% of the time, social media 36% of the time, a whopping 32% of the time for mobile apps, by far dominating the need for app support.

Generation X—individuals born between 1961 and 1989—also prioritize email (44%) and social media channels (21%) for customer service.

Baby Boomers—typically those born between 1945 and 1960—mostly still prefer the telephone as a primary communication channel (60%), but a full 23% rely on email and SMS for good service.⁵

There are, of course, serious implications to meeting the needs of all of these different customers and their channel preferences. But the first thing to accept is that there is no one customer or one single view of the customer. Different needs require different approaches to services and support. That requires a shift in perspective in how we value investments we make in scaling our vision and intentions and how that matches up against customer behaviors and expectations. The skills and competencies necessary to service customers through this omnichannel experience are incredibly different than customer service in the past.

In the 2000s, phone conversations still made up 65% of service interactions. In the 2010s, that plummeted to 33%. Change. Yeah, it happens. And this rate of change and customer expectation gap means legacy technology and legacy thinking simply won't deliver.

Common among all the groups, too, is the ability to share these frustrations online in real time.

This means that your brand is now co-created with your customers. It's not what you say about you that counts; it's what they say that counts.

What your customers have to say about you is no longer relegated to call centers or in web forms and emails. Nor is it limited to sites designed to host customer reviews. In the era of social media, sharing experiences is just a part of everyday behavior. Experiences, good and bad, come to life in pictures, videos, animated GIFs, vines, and whatever's next.

Nor do these experiences disappear. They accumulate, becoming part of your marketing infrastructure. They become part of the social web.

No longer is a company measured solely by its actions and words; it's now also measured by its inaction and silence.

No longer is a company measured solely by its actions and words; it's now also measured by its inaction and silence. You can't ignore what your customers are saying about you. Continuing as we have been, focusing only on the traditional customer, simply increases the CX gap.

No matter how much you invest in customer service or new engagement technology, it's not enough. Responding isn't enough. Solving problems isn't enough. Scaling new technology isn't enough.

The time is now to set a new agenda and vision for your CX imperative. Your work must invest in positive experiences as well as counter those that suck. And it starts with understanding who you're trying to reach, what's important to them, how they connect and why, and how all of this is different than your current initiatives.

PRIORITIZE BEHAVIORS BEFORE TOOLS, BUT TECHNOLOGY IS THE KEY ENABLER

If it doesn't matter how much you invest in technology, then how do you change your CX to focus on the digital consumer?

What may sound like a riddle is actually the foundation upon which we will build. Leading companies do it every day. If they don't, their competitors will. As former Intel CEO Andy Grove said, "Only the paranoid survive."

Smart leaders are proactively evaluating new products, models, systems, and services to stay ahead of the game.

How do they do it?

Believe it or not, the best technology infrastructures are partnered with the best working models (people, process, and decision making).

Everyone else tends to deliver customer experiences through siloed approaches. One of the great ironies in customer relationship management (CRM) is that generally speaking, there's no real relationship in view. It's been entirely based on using technology to manage relationships and customer information: managing customer workflows, routing cases properly, achieving first contact resolution. Efficient? Yes. Do these systems truly manage the customer experience and the lifetime relationship? They could.

The problem is ownership. Someone owns CRM. But who owns the customer relationship? CRM as a function and system is typically owned by a department responsible for the technology and serves as the internal business users of the system. We all know the story about silos, though. They keep data and workflows in one place, whether by design or by default. While well intended, CRM doesn't track to how customers engage with companies; it's simply a system of record. Relationships span multiple groups as a function of the traditional business funnel, and as such, any information

that's siloed also silos or fragments the customer experience. This means that where technology stops, an other technology begins and ends, and the same is true for the customer experience. It's not seamless. The customer experience is a journey that should be designed with supporting technology that allows for active and consistent customer engagement across the journey.

Now that connected customers are becoming, well, more connected, siloed models don't match up to a new generation of expectations and demands. Until businesses are comfortable with restructuring the entire organization around customer experiences and end goals - in this case, the customer relationship - customers will continue to get the short end of the stick in times of need.

Look, customers see one brand, not departments. They want one great experience, not fragmented exchanges and transactions. They're human, not a block on a call-center routing diagram.

Tomorrow's customer requires sophisticated and scalable technology to drive human engagement. Or to use tech terms, customers want companies to offer contextually aware, personalized customer engagement. There is no substitute for knowing who your customers are and what they want, in the right moment, on the right screen. Regardless of where a customer engages with a company, some net of information is created, and it's not only your duty as an organization to use that information, but soon it will be your lifeline. It's customer relationship, not customer management.

Genesys, with its CX Platform, is among those companies serving a new generation of connected customers aiming to deliver cross-functional engagement throughout the customer journey. It's helping increase the importance of a single integrated platform across all channels with a solid underpinning of analytics that feeds insights to everyone involved in the customer experience. A single platform helps agents and customers and starts to put a real relationship within reach.

Technology is helping companies do the right thing. Now the challenge is to change businesses from the inside out.

New processes and rewards mechanisms have to be put into place to deliver and scale an experience based on all of this new information and capabilities.

Change has to start somewhere and it has to start with someone.

Change has to start somewhere and it has to start with someone. No matter what promise of technology you buy or build, the real work starts with you and the people responsible for change. Yes, it's part technology but in the end ...

... it's also human.

CHANGE STARTS WITH CUSTOMER EMPATHY FIRST, THEN VISION

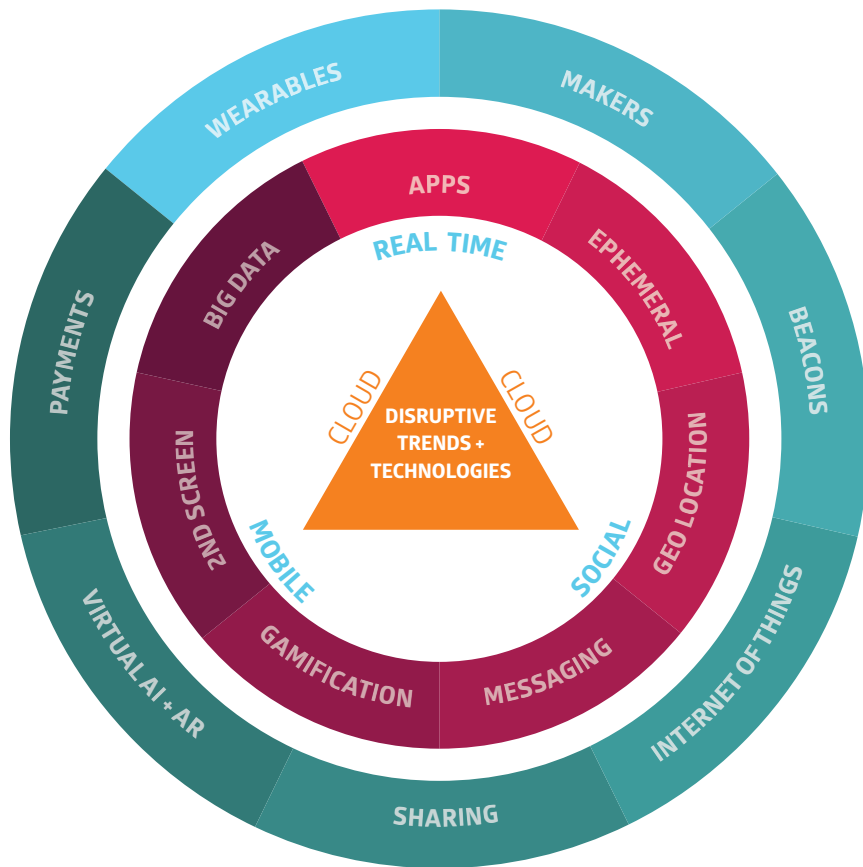
Empathy is a gift. It allows us to see people and appreciate their needs, expectations, and aspirations outside of the personal biases we carry into every decision. It reminds us we're human. It reminds us we're alive.

As important as it is, though, empathy is often the last thing driving the future of CX, if it's included at all. We make decisions based on our experience, not those of people who are different than us. Not different in just preferences and interests, nor just in demographics. No, what I'm talking about is differences in behavior, in how people live life digitally and in the real world.

The future of CX lies in the ability to balance the art of empathy and the science of ones and zeros, which translates big data equally into a-ha moments and actionable insights.

We must invest strongly in learning what we don't know, validating what we think we know, and prioritizing opportunities that result from that work.

THE WHEEL OF DISRUPTION



Within the Wheel of Disruption, the “Golden Triangle” is encircled by other emergent technologies and sectors affected by mobile, social, and real time, such as big data, geolocation, cloud and more.

Source: Altimeter Group 2014

Yet, even today, this is still not the case. Why?

Some people say, “Give the customers what they want.” Our job is to figure out what they’re going to want before they do. I think Henry Ford once said, “If I’d asked customers what they wanted, they would have told me, ‘A faster horse!’” People don’t know what they want until you show it to them. That’s why I never rely on market research.”

–Steve Jobs by Walter Isaacson (Simon & Schuster, 2011)

Customers don’t know what they want, and it’s your job to get them to need what they never thought they needed. Sounds straightforward enough, and I guess it is if you’re Steve Jobs. For everyone else, an approach like this might seem out of touch, ignorant, arrogant, or a combination thereof.

I can’t tell you how many times I hear those words from Steve Jobs or Henry Ford in planning meetings with business strategists and executives. It’s almost a

learned response to quell change or protect comfort zones. “I don’t have to do it if they didn’t do it” is the rationale.

It’s all a bit absurd when you think about it. You’re not Steve Jobs. Market research, specific to the evolution of customer behavior, is not only critical, it’s mandatory.

Oh, and about that Henry Ford quote. It turns out that researchers cannot find evidence that Ford actually uttered those words. However, Ford was quoted in Dale Carnegie’s best-selling 1937 book, *How to Win Friends and Influence People*, as saying, “If there is any one secret of success, it lies in the ability to get the other person’s point of view and see things from that person’s angle as well as from your own.”

Perspective is at the heart of CX. That sounds more like it.

THE DIGITAL CX USHERS IN DIGITAL TRANSFORMATION

After hearing Jobs and Ford quoted so often, I decided to research companies that were not so complacent in their resolve to compete for the future. Companies such as Starbucks, Univision, LEGO, and Sephora, among others, told my Altimeter Group colleagues and me how changes in digital customer behavior led to their formal efforts in digital transformation. The result of this year-long research

resulted in the free report, *Digital Transformation: Why and How Companies Are Investing in New Business Models to Lead Digital Customer Experiences*.

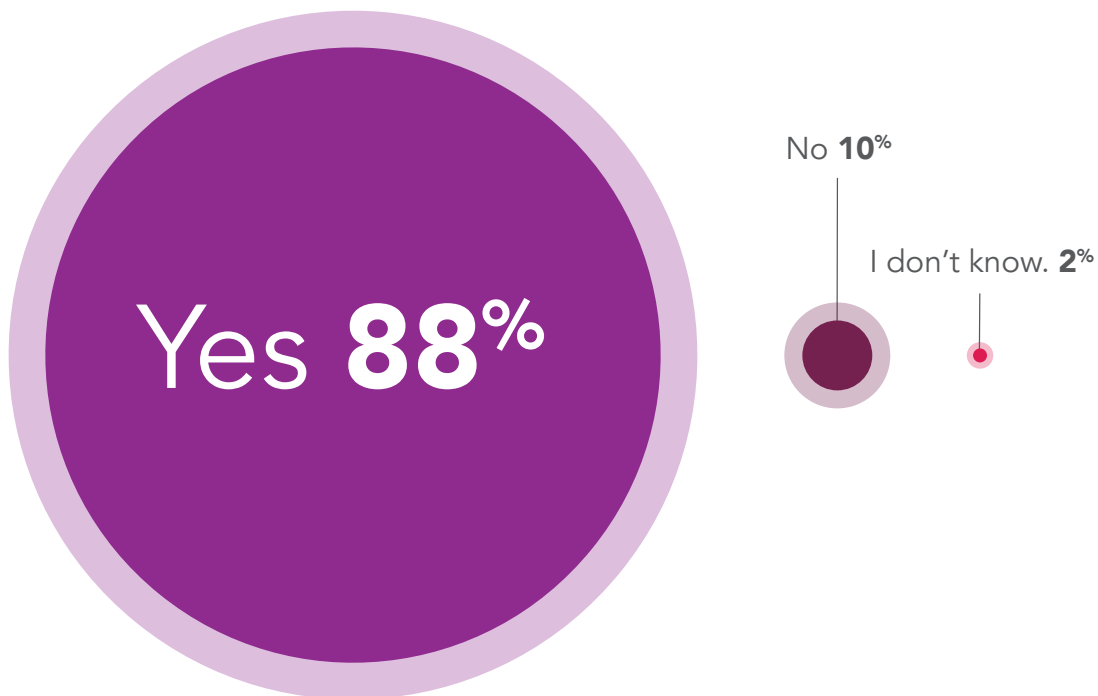
What is digital transformation?

Digital transformation is a formal business investment in new technology, models, and supporting systems and processes to change the way companies sell, market, operate, and scale in an increasingly digital economy.

Figure 4

ORGANIZATIONS UNDERGOING DIGITAL TRANSFORMATION EFFORTS

Is your organization undergoing a formal digital transformation effort in 2014? Altimeter defines digital transformation as the re-alignment of, or new investment in, technology and business models to more effectively engage digital consumers at every touchpoint in the customer experience lifecycle.



Source: Altimeter Group 2014

Digital transformation goes beyond technology, though. Technology affects everything, from how we connect to how we collaborate to how we share. It affects how we work, learn, and buy. As a result, digital transformation must be as much human as it is technology.

In conversations with companies excelling in digital transformation, I learned that they look at both sides of the change, technological and human, both inside and outside the organization. They are studying why customers and employees do what they do or why they expect things differently. As a result, digital transformation is enterprise-wide. At the same time, the effort can be localized to expedite experimentation, with successes rapidly globalized.

With so many technology trends affecting business and our daily lives (mobile, social, wearable, maker, sharing, et al), innovation was clearly a constant moving forward.

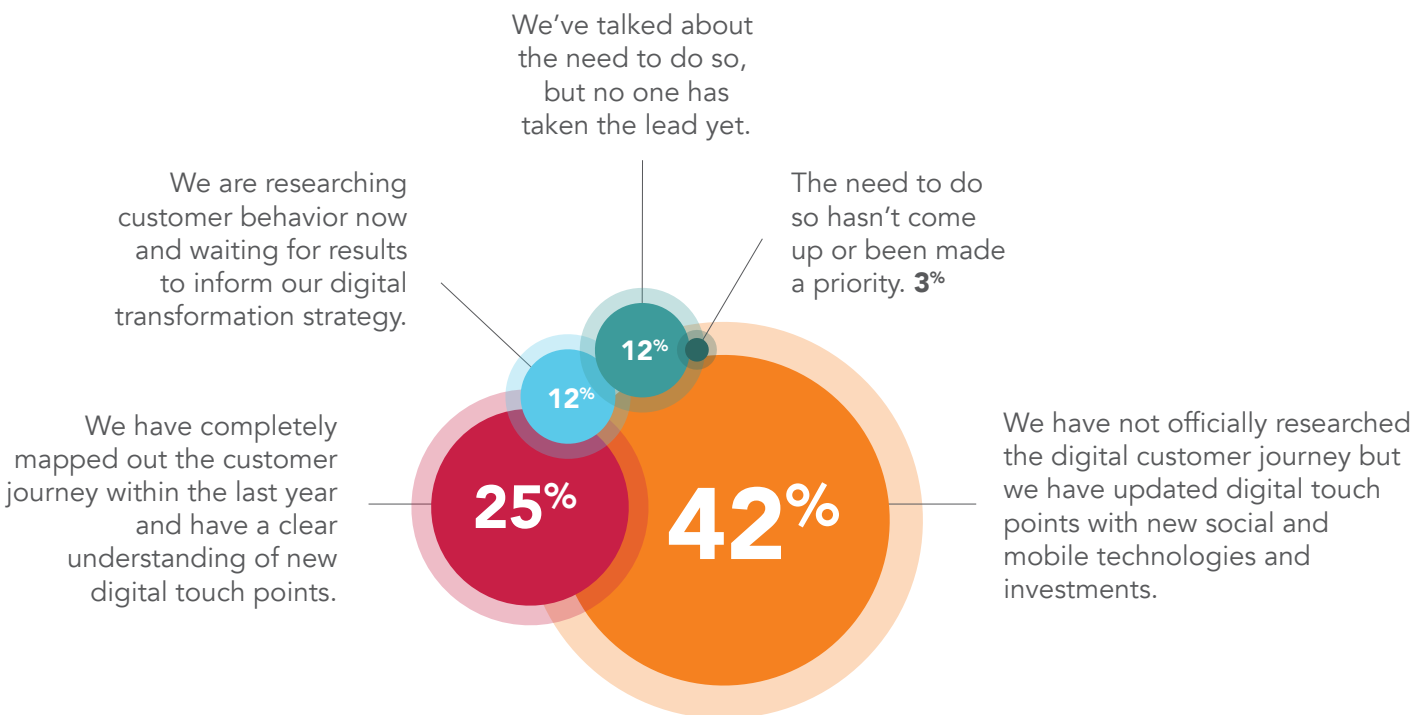
Digital transformation is a significant movement among progressive businesses, modernizing and innovating every aspect of the business ecosystem, inside and outside the organization.

Businesses have no choice but to invest in a culture of change to get ahead of technology rather than react to it. It would be a mistake, though, to invest in any one channel alone or invest in each channel in isolation. For digital transformation to succeed, people, processes, systems, and technology must work together as a cohesive whole.

Figure 5

COMPANIES MUST FOCUS ON JOURNEY MAPPING TO IMPROVE CUSTOMER EXPERIENCE

Which of the below best describes your company's efforts around the customer journey/experience?



Source: Altimeter Group 2014

THE STATE OF DIGITAL TRANSFORMATION

Following the initial research project where we interviewed those digital strategists and executives leading digital transformation, we then set out to survey executives and digital strategists to capture the true state of digital transformation to serve as a benchmark as this movement develops over time.

Digital transformation is massive, so we decided to focus our research series on CX. Specifically, we were interested in learning how businesses were changing or investing in change as a result of the digital CX (DCX). To focus our work, we defined digital transformation as:

The realignment of, or new investment in, technology and business models to more effectively engage digital customers at every touch point in the customer experience lifecycle.









The hypothesis was that decision making, touch points, influences, and so on, were notably different for digital customers than for traditional customers. Digital customers' evolving behavior would then force a shift in marketing, sales, product, and technology investments and resources to compete in new ways and places. As a result, our work looked specifically at digital transformation through a customer-centric lens.

What we learned is both humbling and promising.

Figure 6

THE TOP CHALLENGES FACING DIGITAL TRANSFORMATION

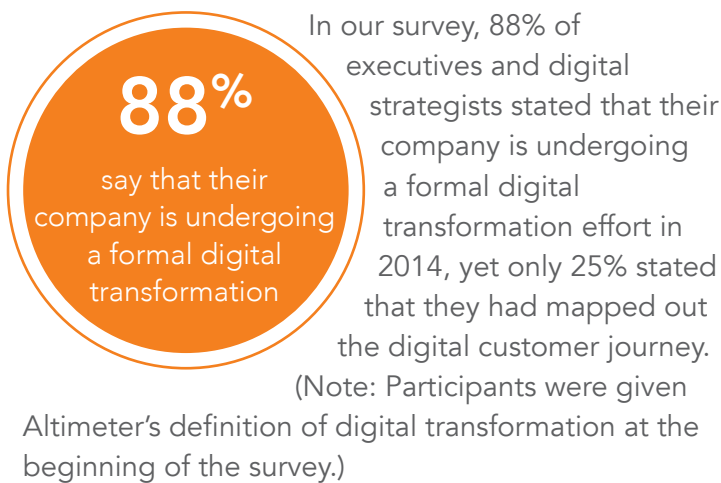
Each of the following describes different types of digital transformation initiatives. Please indicate how important each type of initiative is to your digital transformation efforts.

		Very important	Somewhat important
	Changing company culture.	63%	34%
	Thinking beyond a campaign mentality in digital strategy efforts	59%	32%
	Cooperation between departments and team silos	56%	39%
	Resources (people, technologies, expertise) and budget allocation	56%	39%
	Understanding behavior or impact of new connected customer	53%	42%
	Securing executive support of leadership	42%	39%
	Lack of data to justify value of digital transformation	34%	51%
	Risk management, compliance, and/or legal implications	31%	37%

Source: Altimeter Group Digital Transformation Survey, 2014. N=59

Digital transformation is a result of businesses seeking to adapt to this onslaught of disruptive technologies affecting customer and employee behavior. As technology becomes a permanent fixture in everyday life, organizations are faced with an increasing need to update legacy technology strategies and supporting methodologies to better reflect how the real world is evolving. The need to do so is becoming increasingly obligatory.

From the onset, we learned that many businesses are indeed undergoing digital transformation but most don't know why. And that's the root of the challenges that any CX initiative faces moving forward.



88%
say that their company is undergoing a formal digital transformation

In our survey, 88% of executives and digital strategists stated that their company is undergoing a formal digital transformation effort in 2014, yet only 25% stated that they had mapped out the digital customer journey.

(Note: Participants were given Altimeter's definition of digital transformation at the beginning of the survey.)

And even though 25% mapped out the journey, a significant percentage of those efforts were based on abstract work that did not take digital customer behavior into account. In other words, teams did not proactively study the differences and opportunities around defining the digital CX. Even more troubling, 42% had not officially researched the customer journey and 12% talked about the need to do so but no one had yet taken the lead.

The good news though is that another 12% were in the process of researching customer behavior and were waiting for results to inform their digital transformation strategy.

Clearly, there's more work to be done. It begins with a leadership organization willing to lead beyond comfort zones. It also takes resolve to move forward when so many choose to lean on the words of industry luminaries like Steve Jobs and Henry Ford. The challenge moving forward is right there in the numbers.

Digital transformation doesn't just mean increasing digital investments, either. It means thinking and acting "digital first." Important questions that any CX research is meant to answer include:

What would my digital customer do?

How is that different than what my traditional customers do?

How fast is this changing, and where do we emphasize investment moving forward?

Again, change comes down to people. If you're like the businesses we studied, the top challenge in digital transformation is changing company culture (63%) to pursue new opportunities.

Every story of change starts with those who have the vision and courage to see what others cannot and do what others will not. Digital transformation is really no different than what businesses have always done. Investing in technology enables them to integrate and improve, even to design for DCX and the people, processes, and politics to support them. It represents the future of business—and relationships.

Digital transformation does indeed represent the next stage of business development and the future of CX. It will improve how companies work, inside and out. But for companies that don't know how their customers or employees are evolving, digital transformation is just new technology operating under the guise of change.

CUSTOMER JOURNEY MAPPING YIELDS A NEW UNDERSTANDING THAT CONSUMER HABITS AND EXPECTATIONS ARE OUTPACING CURRENT ORGANIZATIONAL FRACTURES

Digital transformation isn't an end goal; it's a continuous journey. It's the result of learning more about the relationship between technology and customer behavior to earn relevance among customers. The companies we interviewed are continually undergoing journey-mapping exercises to stay up to date on that relationship and maintain their relevance.

Studying the digital customer journey begins with a simple set of questions, including:

- What uniquely defines the persona of our customers?
- What is different about their customer journey?
- What are the touch points they frequent, how do they use them, and with what devices?
- What are their expectations, what do they value, and how do they define success?
- How are they influenced, and by whom?
- How and whom do they in turn influence?

In one of our interviews with the Intuit CX team, we learned that the company studies the relationship between customer technology usage and path to purchase. The Intuit team starts with a simple but integral question: based on technology adoption, what is our customer's path to purchase? The team looks beyond demographics to psychographics (e.g., shared behaviors and interests) in order to create accurate buyer personas and better understand the new customer journey. The result is a more natural and meaningful CX.

When we interviewed Tom Eggemeier, Executive Vice President of Global Sales, Service & Support at Genesys, he told us how excellent customer service can be a driving function in great CX—with the caveat that new technology can serve as both enabler and barrier to change.

"You can achieve great differentiation with customer service. Consumers will pay more for excellent customer service," he said. "That's getting replicated in social, too. Mobile technology makes it much more real time but introduces the added challenge of channel switching."

**Consumers
will pay more
for excellent
customer
service**

He added, "People are expecting higher levels of customer service. My grandparents owned a mom-and-pop grocery store and knew their customers inside and out. We got away from that. Now, with big data enabled through social and mobile technologies, we're getting to a point where you can get better personalized service now than you could in my grandparent's store. It's predictive and real time."

Although technology isn't the only catalyst for digital transformation, companies see new tech adoption as progress toward better customer experiences. As a result, technology investments become expressions of experimentation.

In conversation we had with Nestlé's global head of digital and social, Pete Blackshaw, we learned that another way to understand the digital customer is to focus a dedicated team on innovation. Nestlé formed such a team and opened an innovation outpost in Silicon Valley to "deepen relationships with consumers online and in social media," said Blackshaw. The company is seeking strategic partnerships with innovative companies to better understand consumers' needs and respond to them more quickly.

DIGITAL TRANSFORMATION IS HOLISTIC AND CUSTOMER FOCUSED

Creating or improving the DCX begins with research, not guesswork. Companies must study their customers' personas, behaviors, and expectations throughout every stage of the customer lifecycle. Once armed with information, they can shape the digital transformation by specifically aligning people, processes, and technologies against goals and milestones to map a new and effective journey for digital customers.

In our research, we learned that customer journey mapping is referenced in two ways:

- It is the act of outlining the customer journey through physical and digital touch points. This may or may not be informed by research.
- It is the act of researching and charting the customer journey based on digital customer behavior and trends.

The two aren't always related, but they should be. A best practice is to combine the two: invest time in researching physical and digital journeys and in researching how customer behaviors and expectations play a role at each touch point. Such a comprehensive, research-based approach to journey mapping informs the development of a CX strategy that is accurate and relevant.

We spent some time with the team over at Motorola Solutions to better understand the company's methods for defining the DCX strategy. Motorola Solutions has invested significantly in journey mapping, from awareness through advocacy, to learn how to optimize the customer's digital experience. Motorola Solutions's leader for Systems of Engagement, Grant Ferguson, told us, "We have experience to build on, but we continue journey mapping to help us focus on improving experiences at every customer stage."

But journey mapping isn't as simple as traditional funnel and linear maps. DCX work reveals a complicated, tech-laden path where customers continuously move from one screen to the next. This is a good thing.

We spoke to Bridget Dolan, Vice President of Interactive Media at Sephora, who told us that technology outlines a complicated path, where customers may or may not follow any one route. For this reason, Dolan believes that journey mapping is something necessary for every new project.

"Sephora is such a multifaceted experience that there's not one path or map you could create. We think of it as optimizing, experience by experience. We look at each piece and how it interrelates," she said. "We're constantly surveying and watching what clients are doing to use different technology in-store, online, and on mobile." As Sephora demonstrates, mapping the customer journey is a journey in and of itself. This is key, because it implies that research is ongoing and that business models must be adaptive to new insights.

Along the digital transformation path, companies discover areas for internal collaboration on optimizing the customer journey from the inside out. This, too, is a good thing. While part of journey-mapping work is to uncover what's new and what's irrelevant, another part is optimizing the CX from within.

Thus, digital transformation is most effective when DCX becomes a shared effort across business functions and lines of business and is least effective when work is confined to a silo. Any group that touches the customer during the lifecycle must be part of the effort to align the transformation with DCX. Whether it's social, mobile, print, kiosk, online, in-person, or one of a myriad of other marketing, sales, service, and loyalty channels, many touch points are not necessarily integrated internally. Yet customers only see one brand, and whenever there's friction in the digital transformation process, it's largely found in the seams of how each team works together today.

Digital transformation depends on a seamless, holistic journey between physical, digital, and mobile touch points, both internally and externally. Because digital transformation requires understanding the holistic journey, internal silos must be broken down so teams can collaborate to improve engagement, deliver a holistic experience, and eliminate friction, gaps, and overlap.

In early 2014, my team and I discussed digital transformation and DCX with Starbucks Chief Digital Officer, Adam Brotman. Brotman told us that Starbucks looks at the customer journey from the customer's perspective. "We learned that the customer has one unified relationship with the company, digital and physical, in and out of store," he said.

He also told us how this point of view affected organizational transformation. "We also uncovered nine different areas of our work stream that are, by default, connected because of the customer's journey. We found an important flywheel effect of connectivity that affects all platforms," he said.

Brotman points to the business impact of integrating experiences through internal collaboration. "As one flywheel got stronger, it made another stronger. It was necessary that we connected these findings to a business perspective too, as each work stream is layered upon another," he said. Once Starbucks recognized that multiple touch points were connected in the same customer journey, the company modified interdepartmental workflow and collaboration processes to maintain alignment.

Repeatedly in our interviews, we found that the case for digital transformation was born from the rapid rise of social media and the pervasive adoption of smartphones. As social and mobile media gained momentum over the past decade, early adopters with large enterprises set out to lead the charge for developing initiatives that focused on mobile and social first, rather than adding them on to programs later. By thinking about social and mobile customers from the onset, companies would create strategies that more thoughtful and organic rather than awkward, desperate, or trendy.

In our research, we also found that social- and mobile-first efforts have paved the way for something bigger—what has now become a digital-first or born-digital *modus operandi*. A broader digital perspective was needed to expand a company's focus to all disruptive technologies in order to unite and scale disparate efforts around digital customers as

"We learned that the customer has one unified relationship with the company, digital and physical, in and out of store. We also uncovered nine different areas of our work stream that are, by default, connected because of the customer's journey."

- Adam Brotman, Starbucks CDO

“Five years ago, we were selling to the CIO. Now it’s chief customer service officers, CMOs, sales executives, and even some CEOs”

- Tom Eggemeier, Genesys
Executive VP of Global Sales,
Service & Support

they evolve. Doing so helps prioritize initiatives that bring about holistic change across lines of business and supporting functions.

The best CX initiatives consider technology’s effect on behavior and expectations, not just the technology in and of itself. We learned that companies that invest in a digital-first approach are looking at more than just digital. In most cases, these companies are exploring technologies as a platform and how each network or platform functions on an individual level.

For example, companies look at the context, or the state of mind of consumers—how they use screens in each state and what the associated behaviors across all screens are—to understand what’s happening and how to improve the customer journey.

Companies such as Sephora see digital first as a quest to consistently improve DCX. This work suggests that over time a best practice could constitute the ongoing pursuit of an ultimate customer journey, that is, understanding and solving for the evolving digital customer journey as customers’ needs, expectations, and demands develop.

Understanding the need for customer journey mapping and actually investing in it are two very different things. The gap in spending between marketing and customer relationship development is vast. But there are some signs of a changing tide. Said Genesys’s Eggemeier, “I’m seeing much higher-level discussions across the board. Five years ago, we were selling to the CIO. Now it’s chief customer service officers, CMOs, sales executives, and even some CEOs in Fortune 10–type companies that are getting really concerned with the customer journey. Genesys’s own growth in that time is a testament to the level of spending [on developing customer relationships].”

By broadening focus beyond technology to customer behavior and improving the digital customer journey, strategists learn how to design a roadmap that’s targeted and meaningful. Continuing this work constantly informs and evolves digital transformation efforts, getting businesses ever closer to an ultimate journey.

Now, let’s get to work

THE DIGITAL TRANSFORMATION CHECKLIST

The road to digital transformation is far from easy, but it carries great rewards for businesses and customers alike. It takes a village to bring about change, but it starts with the spark and perseverance of one person who can spot important trends and create a sense of urgency around new possibilities.

There are many roles needed to help businesses recognize the opportunities to change and lead the efforts in doing so. Companies will need the support of executives, strategists, change agents, and trusted external partners to learn, collaborate, and lead.

Toward this end, we've developed a checklist based on the best practices that surfaced in our research. This list becomes the change agent's agenda to make the case, plan, build momentum, and push digital transformation efforts forward in an informed, scalable, and meaningful way:

1 Establish a Vision for Digital Transformation Leadership

- ✓ **Document** the factors that are disrupting your market. Assemble data and proof points that help you make the case to the C-suite or decision makers.
- ✓ Clearly **articulate** why this is critical to your business, using examples of other companies and the benefits they've realized. Develop a strengths, weaknesses, opportunities, and threats (SWOT) analysis that assesses your actual position for transformation.
- ✓ **Draft a sample vision** statement and supporting narrative for what digital transformation looks like in the end, the topline advantages it carries, and how it enables business goals and improves CX in the process. Document and articulate short-term and long-term purpose.
- ✓ Seek out an executive sponsor to help **rally support** and act as a leading champion of digital transformation efforts.
- ✓ Ensure that executive sponsors **communicate the vision for digital transformation** and the benefits and updates throughout the effort to rally employees across the enterprise.

2 Define the DCX

- ✓ **Identify past research** related to your customer journey, and **map the digital customer journey** as it exists today. Interview stakeholders about digital customers to assess challenges and opportunities.
- ✓ **Document the differences** between the current journey and that of digital customers. Observe persona traits or characteristics that are unique to your digital customer.
- ✓ **Chart a sample journey** around what the right experiences for the right customers could be, based on digital behavior. Organize the journey by channel and screen.
- ✓ **Observe the gaps** in touch points where investments are and are not today.
- ✓ **Assess the processes, policies, and systems** that prevent you from engaging the digital customer. Pinpoint what it would take to overcome the hurdles.
- ✓ **Continue to study** the ultimate customer journey every six months to adapt investments in relevant DCX strategies.

3 Assemble a Digital Transformation Team

- ✓ **Identify candidates** for a cross-functional transformation team.
- ✓ **Develop a responsibility assignment matrix** for the cross-functional group and an ongoing collaboration schedule and reporting process. This enables the team to prioritize and delegate projects.
- ✓ **Build a strategic alliance with IT.** The department must be part of the workgroup.
- ✓ **Form a data collection and insights team** as part of the digital transformation workgroup. Create new roles to collect and analyze data and put it into context for the workgroup and stakeholders.
- ✓ **Measure the impact of transformation** at the enterprise level and at each touch point to identify the gap between existing and required expertise for transformation processes and technologies.
- ✓ **Document progress and benefits.** Establish a reporting process to the workgroup and ultimately to stakeholder groups.

DIGITAL TRANSFORMATION MAKES BUSINESSES MORE HUMAN

While early in its evolution, digital transformation represents the next big thing in CX and, ultimately, in how business is done. Companies that get it and invest more in learning about their digital customers' behaviors, preferences, and expectations will carry a significant competitive advantage over those that figure it out later, if at all.

Need proof? A 2010 MIT study commissioned by IT consultancy Capgemini found that "digitally mature" companies are more profitable—up to 26% more profitable—just in case you're looking for ROI.⁶

The transformation is not a destination, however. It's a journey of continually seeking out how to use technology in ways that improve CX and relationships. It represents an effort to introduce new business models and creates a way of staying in business as customers become increasingly digital.

Figure 7

DIGITAL TRANSFORMATION IS BIG AND OFTEN MISUNDERSTOOD. Understand how people use technology first to inform your strategy and give your work a sense of purpose.



THE KEY TO DIGITAL TRANSFORMATION IS THAT IT'S NOT ALL ABOUT TECHNOLOGY



DIGITAL TRANSFORMATION COMES DOWN TO PEOPLE



NO MATTER HOW DIGITAL TRANSFORMATION IS PURSUED, BUSINESSES ARE CHANGING ALONG THE WAY

Source: Altimeter Group 2014

Whether it's related to customers, employees, values, or expectations, behavior is at least as important as becoming increasingly digital through new investments in strategy and technology. To borrow from informatics professors Erik Stolterman and Anna Croon Fors, digital transformation can also refer to the changes associated with the application of digital technology in all aspects of human society.

Customers aren't the only ones who represent disruption—employees are also at the heart of change. In our research, we met scores of digital strategists who realized that the sense of urgency for digital transformation wouldn't rain down from the C-suite. Instead, they recognized that change agents were needed to create awareness. Grassroots leaders stepping outside of their day-to-day role are the reason most businesses are rising to the occasion of digital transformation.

Businesses undergoing digital transformation are creating new processes, forming new business models and teams, and investing in new technologies and systems to work in ways that are more relevant to the state and evolution of today's markets, each in their own way. In doing so, they're leveraging digital transformation to become more customer centric and more human and to update their culture for a new generation of customers and employees.

ENDNOTES

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About Altimeter Group

Altimeter is a research and consulting firm that helps companies understand and act on technology disruption. We give business leaders the insight and confidence to help their companies thrive in the face of disruption. In addition to publishing research, Altimeter Group analysts speak and provide strategy consulting on trends in leadership, digital transformation, social business, data disruption, and content marketing strategy.

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About Genesys

Genesys is the market leader in multi-channel customer experience (CX) and contact center solutions in the cloud and on-premises. We help brands of all sizes make great CX great business. The Genesys Customer Experience Platform powers optimal customer journeys consistently across all touch points, channels, and interactions to turn customers into brand advocates. Genesys is trusted by over 4,500 customers in 80 countries to orchestrate more than 100 million digital and voice interactions each day.

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