

IDC Workbook

Sponsored by:

TELUS International

Author: Mary Wardley

Program Vice President,
Loyalty and Customer Care

April 2019



Preparing for the Digital Customer Experience: Asking the Right Questions to Turbo-Charge Digital Transformation

The Digital Customer Experience Workbook

Today's digital-first world has left many organizations behind in their technical abilities to compete. Rapidly innovating technologies and shifting customer expectations require a business to be agile, innovative, and focused on the customer. Readers of this IDC Workbook, sponsored by TELUS International, will gain an understanding of the imperative to engage in digital transformation to create a differentiated customer experience — and, via the checklist of questions provided, guide strategic digital discussions and evaluations within their organization.

Customer Experience and Digital Transformation Come of Age

"Customer experience" and "digital transformation" are the watch words of this decade. These two concepts speak to the dual requirements that organizations are facing:

- 1) Market pressure to pivot to, and sustain, a customer-centered business philosophy
- 2) The need to respond to, and take advantage of, technological advancements for business betterment

Fortunately, these two concepts are not at odds with one another but are mutually reinforcing — as long as an organization approaches the two initiatives within the same frame of reference.

Digital Transformation

Digital transformation is defined by IDC as "transforming decision making with technology." These three components — transforming, decision making, and technology — speak volumes in their implications. Transforming is using new sources of innovation and creativity to enhance experiences and ultimately improve financial performance. Simply modernizing the technology underpinning existing systems is not transforming.

Decision making is using information to create an evidence-based culture. By using information more effectively, organizations can increase the productivity of their knowledge workers.

Finally, digital transformation is not to be confused with simply deploying "technology" — rather, next-generation technologies are an essential component

Digital transformation is defined by IDC as "transforming decision making with technology."

Transformation requires aligning customer experience goals with digital enablement.

of a larger ecosystem that enables transformation. Cloud, mobility, Big Data, and social are at the technology core in combination with innovation accelerators such as IoT, robotics, artificial intelligence/cognitive/machine learning, and new channels like virtual reality that enable customer-centric digital architectures. Digital transformation is an enterprisewide, board-level, strategic reality for companies that want to ensure they are ongoing, relevant leaders in the digital economy.

Customer Experience

Customer experience (CX) and digital customer experience are examples of outcomes of a digital transformation initiative. For many organizations improving the customer experience is the initiative precipitating their digital transformation. These organizations recognize that their systems can not meet the demands of today's customers, such as real-time response handling, omni-channel support, and mobile access. But technology is not the only requirement to evolve the organization's customer experience. The successful evolution of CX requires the implementation of a customer experience strategy, or customer-oriented go-to-market, driven by the authority and vision of management. While it can be challenging, viewing the customer experience as the driving business mission from which other goals follow is a transition that cannot be executed without leadership.

To maintain positive customer experience and the resulting customer loyalty, customer care is essential. Moving customer care to a more digitally based or technology-enhanced interaction is a change, but it is not necessarily a transformation. Transformation requires aligning customer experience goals with digital enablement. This alignment puts meaning to the effort and guards against wasted efforts.

The Digital Transformation and CX Continuum

Many organizations intuitively follow a process of progression that wanders through several needed stages of the CX continuum, and the path for every organization is different. Further, organizations may take on a discreet piece of a digital transformation or CX journey, finding it easier to focus on one element to change. As an example, this may start with a migration to the cloud. Once cloud-enabled, the next logical step is to embrace an omni-channel strategy for the contact center. Then, it may become clear that the organization needs to better analyze data for greater customer and process insights leading to business process improvement work. All organizations can follow their own path based on greatest need or greatest pain point, but those that are able to develop an overall strategy will achieve the greatest efficiencies.

Adhering to a Vision

Digital customer experience encompasses the breadth of events, from low-touch interactions with limited human involvement, through to high-touch interactions with both humans and technology working side by side to best support the customer. Regardless of degree, at the heart of a digital customer experience is the desired outcome to delight the customer to ensure a lasting relationship. Aligning the strategies, selecting the technology, planning the implementation, retraining

employees, and redesigning processes all drive to that moment of delivering a differentiated customer experience.

The Path to Digital Customer Experience

The first step for organizations is to make a stated commitment to enabling digital customer experience through digital transformation efforts. There are two parts to this:

- 1) The business initiatives related to customer experience
- 2) The technology

In some ways technology decisions can be easier. Which technology is faster? Which technology provider has the largest market share? What is the cost? Business-related initiatives, however, also include the soft issues — and anything involving the customer experience can be nuanced.

Business Initiatives — Drivers and Outcomes

Organizations are often referred to as organic entities, described as living, breathing, caring, and ambitious. Even less positive attributes of cold, ruthless, and mercenary give organizations a personification. This is because an organization is populated by people — employees and leaders. The organization gains its personality from those who govern it and work there. So, it is no surprise that an organization that is changing its focus to one of customer-centricity must start at the top, with leaders.

The culture of the organization is communicated, either intentionally or unintentionally, by those leaders. These same leaders are the ones that are in charge of deciding what new business models and activities will be undertaken and how much risk the organization is willing to take on. Without executive support for digital transformation and improved customer experience outcomes, a message of non-commitment will be communicated through the organization. A "we'll see if this sticks" attitude will cause certain failure. Leadership must have the fortitude to see it through.

Once the foundation is set, the more tactical concerns of hiring the right people from a talent perspective, and how productivity changes will impact the organization, can be addressed. Again, over time the organization has grown through responses to its competitive environment and the people who run it. Existing employees were hired based on the previous corporate goals. Can the existing workforce handle these changes? Do we need to hire for a new skillset or to retrain the existing one?

And let's not forget the customers for whom these changes are being made. Who are they? What do they need? Can we meet their expectations? And, how will we know if we have? When undertaking a technology-based initiative, all organizations will rely on ROI metrics, including increases in revenue. With a digital transformation undertaking for improved customer experience, these measures will also entail softer ROIs such as cost to serve, loyalty, CSAT, and NPS.

Without executive support for digital transformation and improved customer experience outcomes, a message of non-commitment will be communicated through the organization.

Technology Initiatives

Digital transformation has fundamental architectural requirements enabling organizations to:

- 1) Incorporate technologies today
- 2) Set a foundation now to future-proof their initiatives

The 3rd Platform is a term and framework developed by IDC describing the evolution of computing platforms. The 3rd Platform's technologies of cloud, Big Data, mobility, and social are fundamental building blocks that enable organizations to utilize innovation accelerators such as IoT, AI, and augmented and virtual reality. These technologies and accelerators also ensure the ongoing ability to be agile and respond to future requirements. Open standards, services-oriented architectures, and integration capabilities are required components for interoperability.

A digital transformation that moves to incorporate the above listed technologies enables organizations to not only reduce capital costs, such as moving off local hardware and software to the cloud, but also to reorient what IT related staff undertake. These same staff members have the potential to begin to contribute to the organization from a broader operational perspective. They are well versed in technology and can bring added value to LOB discussions, contributing the technical "how?" to the business "what?" One telecommunications company experienced improved applied technology outcomes when it moved the analytics team into the marketing team. Not only did marketing benefit from better understanding the results, but also the analytics team was able to better construct reports that answered key business questions.

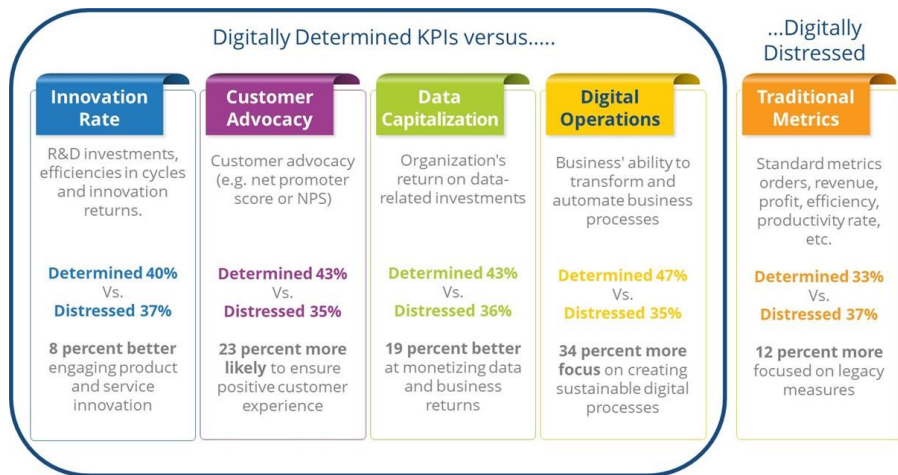
Accepting a Change in Metrics — New Measures of Digital Transformation and CX Success

IDC's Global DX Leaders Survey, conducted in June 2018, surveyed over 1,000 business executives around the globe. IDC analyzed the responses and categorized businesses based on their level of maturity in their digital transformation initiatives. The most mature businesses are referred to as "digitally determined" and the least mature are referred to as "digitally distressed."

IDC sought to understand if organizations were utilizing new digital transformation metrics to evaluate their businesses and asked respondents to indicate which digital transformation-related metrics were being used, as defined by IDC, and how they were performing. Where traditional metrics are based on order volume, revenue, and profit, digital transformation metrics look at innovation rate, customer advocacy, data capitalization, and digital operations.

Figure 1 compares the results for the most extreme ends of the spectrum. The digitally determined, those with a clear path to digital transformation, performed higher on the digital transformation KPIs than the digitally distressed (those without a clear path, goals, or strategy). You get what you measure, so new ways of working require new measures.

Figure 1
Success in Real Numbers



Source: IDC's Global DX Leaders Survey, worldwide, "digitally determined" sample; n = 838; "digitally distressed" sample, n = 1,149, June 2018

Interestingly, the digitally distressed performed higher on traditional metrics based on orders, revenue, and profit. This is a bit of a nuanced finding. Does this mean that organizations should not move to new KPIs that are in keeping with future competitive measures? The answer is no. The reality is that the traditional measures remain important and it isn't that the organizations pursuing digital transformation performed worse in profits, etc., but they gained additional insight into the business through new KPIs. The measures of profit, revenue, and orders need additional context. How are we doing regarding innovation? How do our customers regard us?

Further, organizations that use these new digital transformation measures use them more regularly than previous measures in day-to-day communications to the organization. The digitally determined were found to be over 50% more likely to use these new digital transformation KPIs in their annual and/or strategic planning guidance, use KPIs over 27% more frequently in managing daily/weekly activities, and 12% more often incited employees than their digitally distraught counterparts (data not charted).

It is not a "set and forget" strategy. To fully experience digital transformation and have it flow through your business and processes requires that it becomes the new norm for operations and engagement with your employees and your customers.

A Customer Experience Digital Transformation Checklist

Companies that are embarking on a customer experience driven digital transformation initiative have a broad range of business, technology, customer, and process implications to consider. Table 1 presents questions to consider in assessing the current state of the organization and its perspectives on these important business dimensions.

Organizations will find that this first step will introduce many more questions and highlight areas for additional study and research.

The digitally determined were found to be over 50% more likely to use these new digital transformation KPIs in their annual and/or strategic planning guidance, use KPIs over 27% more frequently in managing daily/weekly activities, and 12% more often incited employees than their digitally distraught counterparts.

Table 1
Questions Companies Should Ask Themselves to Ensure the Digital Transformation of Customer Experience is on Track

Questions	Notes
1. Is a digital transformation team in place?	
Have we clearly defined what we mean by digital transformation for the organization?	
Is digital transformation a priority in my organization?	
Does leadership support a digital transformation strategy?	
Is there a clear leader for digital transformation in the organization?	
Has the digital transformation strategy been communicated to the organization?	
Are there teams established internally that are working in collaboration?	
What does it mean to me? What is my/my department's role?	
If no team or leadership exists, with whom can I collaborate to gain attention for this initiative?	
Is the impact of digital transformation being measured? How will it be measured?	
2. Is there a customer experience strategy?	
People	
Is customer experience a priority in my organization?	
Does leadership support a customer experience strategy?	
Is there an official customer experience team?	
Do we know who our customer is now?	
Do we know who we want our customer to be?	
Do we know how they wish to be served?	
Do we know what the customer's priorities are?	
Process	
Do we have a stated customer experience goal?	
Are individual projects aligned with a customer-oriented project or is there a comprehensive customer experience plan?	
Are the customer experience and digital transformation teams in conversation or working together?	
If no existing customer experience process is established, with whom can I collaborate to gain attention for this initiative or to leverage existing digital transformation initiatives?	
Is the impact of customer experience being measured? How will it be measured?	
What are the most important CX metrics for our organization and customers?	
Can we define the end-to-end customer journey today?	
What do we want our end-to-end customer journey to look like in the future?	

Technology	
What customer-related technical resources do we have?	
What is our current infrastructure? Is it capable of supporting a unified customer view?	
Do we have the ability to see across systems to gain a single view of the customer?	
Do we have the requisite analytics and insight tools to forecast customer behavior and performance?	
3. Do we have the required resources?	
People	
Do we have the internal IT-related staff/talent that can lead or execute on CX initiatives?	
Do we have the right line-of-business employees capable of delivering on a customer experience go-to-market?	
How will we resource the appropriate talent? Does it require new talent guidelines?	
Process	
Do we have the flexibility or associated time-to-market to execute on strategy and change management internally?	
Technology	
Do we have the budget to fund transformation?	
Have we invested in new technologies such as AI to support our strategy?	
4. What are we looking for in a CX business partner?	
What are our people, process, and technology gaps that we need a partner to provide?	
Do we want to outsource our processes?	
Do we want to work collaboratively with our partner in building our digital transformation processes?	
Do I have current business partners (existing relationships) that could provide needed skills or leadership?	
Does my partner:	
Understand my business and industry?	
Have strong technical skills and experience?	
Consistently deliver high-quality results?	
Is my partner:	
Able to apply innovative technologies?	
Focused on knowledge transfer?	
Able to tailor a solution to my needs?	
Able to bring other partners to the table?	
Reliable?	

Source: IDC, 2019

Copyright and Restrictions:

Any IDC information or reference to IDC that is to be used in advertising, press releases, or promotional materials requires prior written approval from IDC. For permission requests contact the Custom Solutions information line at 508-988-7610 or permissions@idc.com. Translation and/or localization of this document require an additional license from IDC. For more information on IDC visit www.idc.com. For more information on IDC Custom Solutions, visit http://www.idc.com/prodserv/custom_solutions/index.jsp.

Global Headquarters: 5 Speen Street Framingham, MA 01701
USA P.508.872.8200
F.508.935.4015 www.idc.com.

Copyright 2019 IDC.

Reproduction is forbidden unless authorized. All rights reserved.

About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.