A Forrester Consulting
Thought Leadership Paper
Commissioned By
Accenture Interactive

October 2015

# Digital Transformation In The Age Of The Customer

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# Table Of Contents

**Executive Summary** ..... 1

**The Customer Experience Is At The Heart Of Digital Transformation** ..... 2

**Businesses Have A Ways To Go On Their Path To Digital Transformation** ..... 3

**Third-Party Solution Providers Plug The Gaps And Drive Transformation** ..... 5

**Key Recommendations** ..... 7

**Appendix A: Methodology** ..... 8

**Appendix B: Supplemental Material** ..... 9

**Appendix C: Endnotes** ..... 10

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## Executive Summary

The past five years have marked the beginning of the "Age of the Customer," in which technology and economic forces have put customers in control of their interactions with businesses. These businesses, hoping to understand and serve customers in a global and digital economy, are almost universally undergoing digital transformation, which involves realigning and investing in new technology and business models with a specific focus on the customer experience.

In May 2015, Accenture Interactive commissioned Forrester Consulting to evaluate digital transformation among enterprises. To explore this trend, Forrester tested hypotheses that firms are confused about what constitutes digital transformation (and who should drive it), and that many firms don't have the required skills to transform into digitally mature organizations.

**Only 5% of organizations feel that they have mastered digital to a point of differentiation from their competitors.**

In conducting in-depth surveys with 396 business decision-makers, Forrester found that while companies are actively working to transform their organization, processes, and technology in pursuit of a more effective digital business and a more satisfying customer experience, they still have a lot of room for continued development of their capabilities.

### KEY FINDINGS

Forrester's study yielded three key findings:

- **The customer experience is at the heart of digital transformation.** With customers in the driver's seat of their interactions with brands, businesses must create positive and relevant customer experiences across channels and touchpoints. As a result, digital development and customer experience improvement are two key priorities for businesses.
- **Businesses are on the path to digital transformation but have a ways to go.** Across the three dimensions of digital transformation — organization, operational process, and technology — businesses are making strides, but they are still struggling with traditional silos and a lack of alignment. Many firms are stuck offering an "average" digital experience with limited understanding of what to do next, who should lead it, and how to measure success.
- **Third-party solution providers plug the gaps and manage the drive for transformation.** To preserve internal resources, reduce time-to-market, and overcome gaps in capabilities, many businesses turn to third-party solution providers for help with their digital transformation. Most businesses are satisfied with their choices to engage third parties, but many are not structuring their vendor relationships optimally to ensure consistent and ongoing success.

*"Digital experience is a top priority for the company in terms of resource allocation. . . . It affects prospect and customer experiences, and we want to improve both.*

— Director at a US-based insurance enterprise

## The Customer Experience Is At The Heart Of Digital Transformation

In the Age of the Customer, consumers are in control of their interactions with businesses. Inundated by endless sources of information, customers expect ready access to content that is personally relevant in the context of what they are doing and accessible anytime, anywhere, and in the format and on the device of their choosing. Attracting, winning, and retaining customers in this environment requires a concerted effort from across the business: The organizational structure, company culture, and business technology must all be aligned in service of the customers, in the spirit of delivering them exactly what they want. For this reason, digital and customer experience strategies are inexorably linked. Most every change that organizations make to aid in their digital transformation is also in pursuit of a better customer experience, whether directly or indirectly. Our study found that:

- **Key drivers of digital transformation are profitability, customer satisfaction, and increased speed-to-market.** Revenue is not king when it comes to digital strategy — that throne has been usurped by margins, speed-to-market, and customer satisfaction. While sales will always be important, our study found that *how* the sale is made is what matters. When we asked firms to rank their top drivers for digital transformation, the most common responses were that they look to digital to help them sell profitably (58%), quickly (51%), and with superior customer satisfaction (48%) .

- **Improving customer experience and growing revenues are top strategic priorities.** When we asked decision-makers about their broad strategic priorities over the next year, "improving the experience of customers" was the choice with the most No. 1 rankings, followed by growing revenues, improving differentiation, and reducing costs. Customer experience and strategic thinking also topped the list when we asked respondents what skillsets they would consider most important for a senior executive responsible for all aspects of digital business. Technology, though the backbone of digital initiatives, is lower on the list (especially among non-IT respondents), indicating that digital transformation is a customer-driven business transformation initiative rather than a strictly technical challenge.

- **Online and cross-channel customer experiences are getting the most attention in the next year.** It isn't only the case that the customer experience is the heart of digital; digital is also the heart of the customer experience. Customers interact with businesses through a wide range of channels — often more than one channel in the same customer journey. Digital channels are growing the fastest, and are therefore getting the most attention. When we asked respondents how they plan to improve the experience of their customers, the top responses were improving the customer experience online (63%), cross-channel (58%), in the call center (50%), and for mobile (46%) (see Figure 1).

**FIGURE 1**
**Digital Channels Are Key For The Customer Experience**

**"What actions is your organization taking to improve the experience of its customers in the coming year?"**

Base: 288 director-level or higher digital experience decision-makers at enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

## Businesses Have A Ways To Go On Their Path To Digital Transformation

Given the constantly evolving nature of technology, digital transformation cannot be a large, one-time investment and initiative. Rather, to "digitally transform" means to put organizational, operational, and technological foundations in place that foster constant evolution and cross-functional collaboration. Our study found that most businesses are actively working to develop their digital capabilities but are far from achieving digital mastery. We found that:

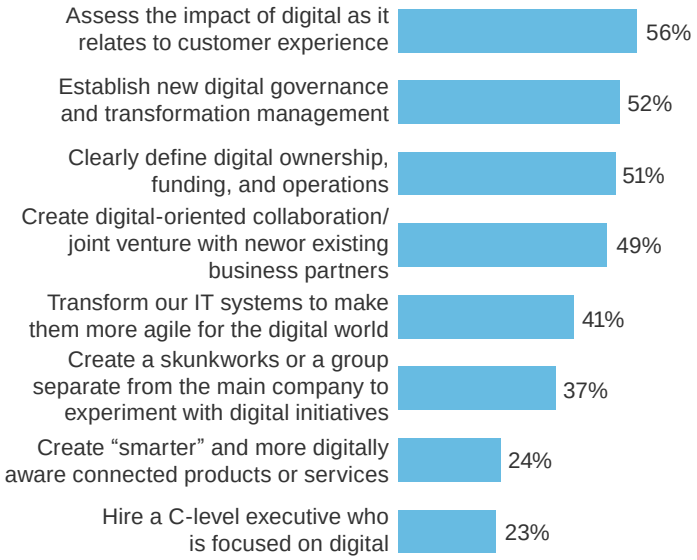
› **Businesses are focused on assessing digital experience and putting digital governance in place.** Forrester states that digital transformation can be a "complex and risky undertaking" that "requires senior sponsorship, clear direction, appropriate resourcing, cross-functional engagement throughout [the] organization, robust governance, and much more.[1]"

Businesses are in various stages of addressing these facets of their digital strategy. In the coming year, 56% plan to assess the impact of digital as it relates to the customer experience; 52% plan to establish new digital governance and transformation management; 51% plan to clearly define digital ownership, funding, and operations; and 49% plan to create digital-oriented collaboration or joint ventures with business partners (see Figure 2).

› **Confusion over who should "own" digital leaves firms unable to execute their digital strategies.** There is no clear consensus on who should own and drive the digital vision and strategy. Currently, ownership is divided between the CEO (38%), the CIO (33%), and other senior leaders (29%) at different businesses — and when asked who *should* own digital, the responses are just as muddled (see Figure 3). Forrester believes that it doesn't necessarily matter whether the digital leader is a CEO, CIO, or chief digital officer, but there needs to be a

**FIGURE 2**
**The Customer Experience Is A Top Digital Initiative**

**"What actions is your organization taking to address the impact of digital disruption on your business in the coming year?"**

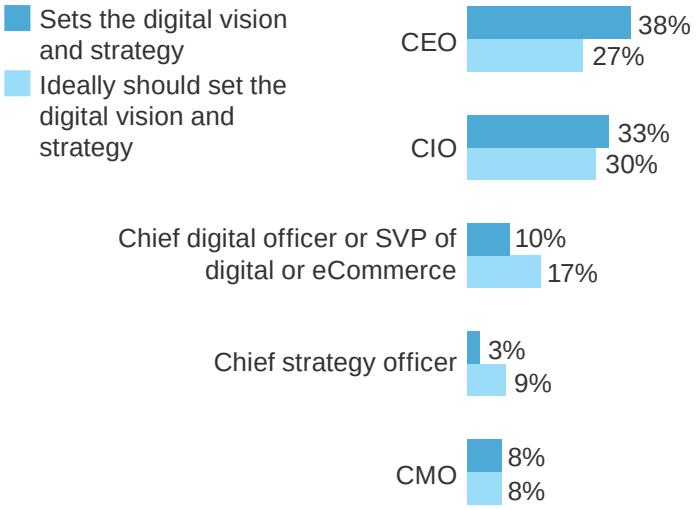



Base: 188 director-level or higher digital experience decision-makers at enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

**FIGURE 3**
**Digital Vision And Strategy Are Most Frequently Led By A CEO Or CIO**

**"Who in your organization sets/should set the digital vision and strategy?"**




Base: 396 director-level or higher digital experience decision-makers at enterprises with 1,000+ employees

(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

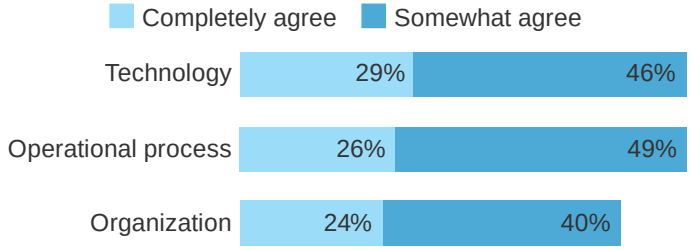
customer-focused leader to lead the charge in establishing a strategy to embed digital capabilities across the enterprise.[2] For digital transformation to be successful, leaders from across the business must work collaboratively toward realizing a shared vision. IT's primary focus is no longer on putting out internal fires, and marketing is no longer focused on siloed outbound marketing approaches. Instead, these and other functions are looking to knit together their data, systems, and processes in order to get an increasingly relevant and targeted view of customers to better influence and serve them.

- **Businesses do not have a complete understanding of digital.** Not surprisingly, respondents listed their "organization" as the dimension of their business least ready to execute digital strategy when compared with technology and operational processes (see Figure 4). The C-level executives who we surveyed were particularly hesitant that they have the right people in place, with less than half "agreeing" or "somewhat agreeing" that the organization is ready. Across all three of these dimensions, businesses are on the path to execution, with the majority at least "somewhat agreeing" that their company is ready to execute their digital strategies. However, businesses have room to continue to transform, as a minority of respondents "completely agree" that they have the technology (29%), operational processes (26%), and organization (24%) in place to execute their digital strategies effectively.

**FIGURE 4**

**Organizational Readiness Lags Behind Technology And Operational Process**

**"Across the following dimensions, to what extent do you agree that your company is ready to execute its digital strategy?"**




Base: 396 director-level or higher digital experience decision-makers at enterprises with 1,000+ employees

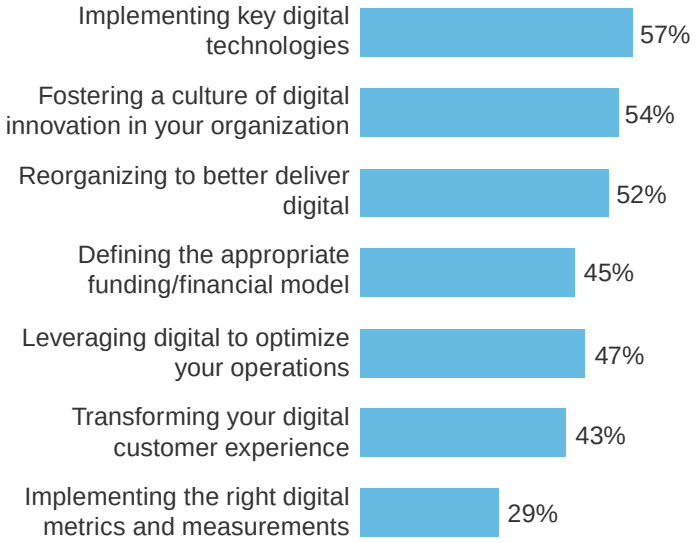
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

- **Companies feel that they are meeting customer expectations for the digital experience but not exceeding them.** For most businesses, the sprint to implement rapidly evolving digital technologies is a matter of keeping up with the Joneses. Seventy-three percent of businesses surveyed feel that their digital customer experiences meet their customers' expectations, but only 5% feel that they're exceeding expectations — indicating that very few are confident that they have mastered digital to a point of differentiation from their competitors. Another 22% do not feel that they are meeting expectations, but most of these respondents believe their digital customer experience is "good enough." This sentiment is likely more of an indication that digital strategies are good enough for *now*, as there are a number of strategies that businesses are actively implementing and consider critical to their digital businesses — including implementing key technologies, fostering a culture of innovation, and reorganizing to better deliver digital (see Figure 5).

- **Measurement is lacking.** Companies often worry about implementation of new processes and technologies well before putting in useful metrics with which to evaluate them. B2B marketers are particularly guilty of this.[3] This is at least partially due to the fact that increasing numbers of cross-channel touchpoints make the process of getting useful metrics even more difficult.[4] Our study reinforced the observed trend that metrics are a low priority to businesses, as "implementing the right digital metrics and measurement" came up as the least critical consideration to enabling a digital business among both B2B and B2C organizations (see Figure 5). As one CFO for a UK-based manufacturing firm put it: "You can obtain all sorts of information, but how much of it relates to how much customers come to you or stick with you when they have an alternative choice? Digital is just one of the touchpoints that customers have in a typical journey. Metrics are a nightmare." In order to drive continued investment in digital transformation, digital decision-makers must measure and prove the value of their strategies. In the modern digital landscape, this means deviating from channel-siloed metrics to measure more complex cross-channel metrics over a series of interactions such as customer satisfaction, Net Promoter Score (NPS), and customer lifetime value (CLV).[5]

**FIGURE 5**
**Measurement Is A Relatively Low Priority**

**"Which of the following considerations are most critical to enabling your digital business?"**




Base: 396 director-level or higher digital experience decision-makers at enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

## Third-Party Solution Providers Plug The Gaps And Drive Transformation

In recognition of the scarcity of skills in many businesses and the goal of increasing speed-to-market (and with customer satisfaction on the line), most businesses leverage the resources and expertise of third-party solution providers and partners for at least some components of their digital strategy. As digital transformation pervades all areas of the business, however, decision-makers increasingly look for their vendors to serve as ongoing strategic partners rather than simple implementers of point solutions. Our study found that:

- **Eighty-eight percent of firms use a third-party solution provider for at least one component of their digital transformation.** The respondents that we surveyed use third-party solution providers for an average of 3.4 distinct components of their digital transformation (see Figure 6).The processes that are most frequently outsourced to vendors are performance analytics and reporting (39%); implementation of front-end (38%) and back-end (37%) applications; web/user experience design (33%); managed services (32%); and digital organization and operations (29%). The mix of outsourced services varies by company type as well. Business-to-consumer (B2C) companies are more likely to use partners for analytics and measurement, whereas business-to-business (B2B) companies rely on partners more for strategy, requirements definition, and project management.

**FIGURE 6**
**Companies Use Third-Party Solution Providers For A Range Of Functions**

**"Please indicate if your organization works with third-party vendors for any of the following components of your digital transformation."**

Businesses use third-party vendors for 3.39 of these processes, on average.

Base: 396 director-level or higher digital experience decision-makers at enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

› **Firms engage third parties for their expertise and resources.** We asked respondents why they contract third-party solution providers for help with their digital transformation and found that vendors offer a range of benefits in support of companies that choose to engage them (see Figure 7). When expanding into new regions or markets, companies look to vendors to help reduce liability and risk (40%) and for their global capabilities (30%), such as the ability to deal in local languages and currencies. In some cases, companies feel that they have capabilities, but they find that their vendors can perform tasks cheaper (32%) or faster (30%) or can reduce the burden on internal resources (43%). It stands to reason that the top driver of organizations engaging third-party vendors is the same for digital transformation overall: to provide a better customer experience (45%).

**FIGURE 7**
**Companies Trust Third-Party Solution Providers To Help Drive Customer Experience**

**"Why does your organization engage third-party vendors to support its digital transformation?"**

Base: 349 director-level or higher digital experience decision-makers at enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

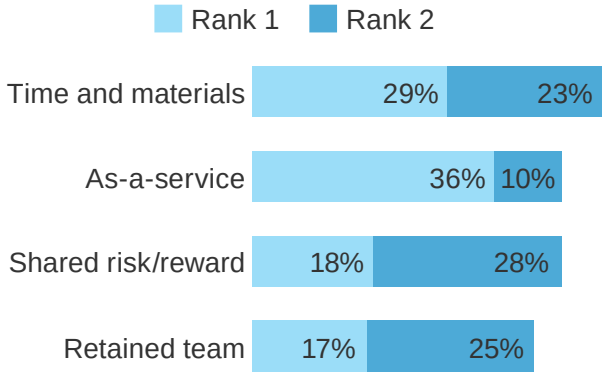
› **Existing vendor relationships are not structured optimally.** Very few (2%) of the organizations that we surveyed were "dissatisfied" outright with their third-party digital vendors, but only 34% reported being "very satisfied," leaving room for improvement. Interviewees commonly cited communication and post-project support as areas where vendors were lacking, though their experiences varied among the vendors that they were using. These types of issues may be symptomatic of the fixed-contract structure of many vendor relationships. Our study found that only 46% of companies have vendors as full-service partners, whereas the rest outsource work in a lesser capacity. Contractors responsible for point implementations are the most common (43%), and providers of ongoing support and services are the least common (30%). Another question found that time and materials is the most common contract structure (see Figure 8). For something as strategic and iterative as digital transformation, organizations should consider challenging their partners to bring more than just time and materials contracts to the table, and instead engage in an end-to-end partnership in which the vendor assumes some responsibility for the success of the initiatives.

*"When you work in a partnership, they take time to get to know the business; they aren't trying to sell you hours. Vendors must invest in that knowledge."*

— Solutions leader at a UK-based auto manufacturer

**FIGURE 8**
**Vendor Relationships Are Not Usually Structured Ideally**

**"How are your vendor relationships usually structured?"**




Base: 349 director-level or higher digital experience decision-makers at enterprises with 1,000+ employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

## Key Recommendations

Digital transformation is a complex process that fills many business leaders with uncertainty. It is critical that leaders fight through that uncertainty to take iterative steps to implement the culture, processes, and technology that will enable their business to compete in the modern marketplace. As a decision-maker seeking to drive the digital transformation of your business, you should:

- **Advocate digital transformation and the customer experience at an executive level.** Digital transformation can only succeed as a companywide initiative, which requires strong collaboration and evangelism from company leaders. No one person alone can drive all of the changes that are required for an organization to operate as a customer experience machine. Our study found that the company culture and organization lag behind process and technology when it comes to digital readiness; this has to be fixed in order for companies to mature effectively. Therefore, don't downplay the cultural change and educational aspects of transformation; instead, make them a highlight of your plan.
- **Execute change within the context of an end vision.** A clear vision for the end state is absolutely critical to make sure that everyone in your organization is moving in the same direction. Even if that vision is a moving target, leaders need to always have goals in mind to ensure that they are not making changes in isolation. Standardizing on a core set of technologies that the business can build around is a great way to accelerate change and keep the organization connected.
- **Be willing to take risks and learn from mistakes.** As digital touchpoints continue to evolve and proliferate, companies will need to take risks and develop Agile processes in order to keep up. In a digitally mature company, not every change should require traditional approvals and a detailed business case; if new functionality is in the spirit of digital transformation and the customer experience, give it a try, solicit feedback, and then iterate on it. This Agile approach helps to ease capital expenditures as well, and third-party solution providers may be willing to help phase investments as you implement new capabilities over time.
- **Find partners whose capabilities complement your own.** Even digitally mature companies will have new gaps in capabilities as the technology continues to evolve. Enlisting third-party solution providers to help navigate change and implement new strategies is often cheaper and faster than building those capabilities internally. Find partners that understand your broader strategies and have specific strengths in the functions and areas that your company lacks.

## Appendix A: Methodology

In this study, Forrester conducted an online survey of 396 organizations from across the US, Canada, the UK, Germany, France, China, India, Japan, Brazil, and Mexico to evaluate their digital and customer experience strategies. Further, Forrester conducted five phone interviews with respondents of the same profile to gather additional in-depth insights. Survey participants included director-level or higher decision-makers with responsibility for customer experience strategy and/or digital initiatives. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began in May 2015 and was completed in June 2015.

Project Director: Mark Brozek, Market Impact Consultant

# Appendix B: Supplemental Material

## RELATED FORRESTER RESEARCH

"Brief: Audit Your Digital Transformation Efforts To Ensure Successful Delivery," Forrester Research, Inc., March 26, 2015

"Use Customer-Centric Metrics To Benchmark Your Digital Success," Forrester Research, Inc., February 5, 2015

"Digital Business Transformation: Lessons From The Pros," Forrester Research, Inc., December 11, 2014

"Customer Desires Vs. Retailer Capabilities: Minding The Omni-Channel Commerce Gap," Forrester Consulting, January 2014

"Building The B2B Omni-Channel Commerce Platform Of The Future," Forrester Consulting, November 2014

## RELATED ACCENTURE INTERACTIVE MATERIAL

"Digital Transformation: Re-imagine from the Outside-in," Accenture Interactive, 2014

## Appendix C: Endnotes

[1] Source: “Brief: Audit Your Digital Transformation Efforts To Ensure Successful Delivery,” Forrester Research, Inc., March 26, 2015.

[2] Source: “The Chief Digital Officer: Fad Or Future?" Forrester Research, Inc., October 31, 2013.

[3] Source: “Compare Your B2B Content Marketing Maturity,” Forrester Research, Inc., July 16, 2014.

[4] Source: “Use Customer-Centric Metrics To Benchmark Your Digital Success,” Forrester Research, Inc., February 5, 2015.

[5] “Net Promoter Score” is an index that measures the willingness of customers to recommend a company's products or services to others. Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld. “Customer lifetime value” is a prediction of the net profit attributed to the entire future relationship with a customer.