"Go Live"
Is Just the Beginning
Digital Transformation Requires a New Approach to Technology Implementation

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Highlights

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Executive Summary

Serving today's digitally savvy consumers across all channels poses a major challenge for marketers. Since customer experience (CX) technologies – such as content management systems, marketing automation, customer relationship management solutions, and e-commerce platforms – are fueling this channel proliferation, companies are by necessity looking at whether they need to expand, upgrade, and replace their CX technology infrastructure. Moreover, they are eager to get these new technologies purchased, installed, and running as quickly as possible. Increasingly, the focus of these efforts is moving from implementing a specific software vendor's product or platform to a "digital transformation" initiative.

Yet in their haste, and still focused on the product/platform mindset, companies tend to think about digital transformation as a finite project with defined start and end dates rather than as a strategic initiative. Their primary focus is on design, development, and going live with a new CX technology solution. With this approach, they overlook the critical first step: assessing their organizational readiness. Do they have the right strategy, structure, processes, and people in place to meet their business objectives?

By overlooking the organizational readiness stage, companies risk failing to realize a return on their technology investment. And as user adoption of new CX systems fails, there is no measurable positive impact on revenue and interdepartmental finger-pointing ensues. In some cases, the blame is placed on the technology solution itself.

Companies looking to new technology to help them meet the increasing demands of today's customers in an omnichannel world need to rethink their approach to CX technology implementation. Executing an omnichannel strategy requires firms to enable seamless and transparent interactions with customers regardless of the channel or touchpoint.[1]

This shift means giving up the established view of technology implementations as projects that effectively end when the system goes live. Omnichannel customer engagement instead requires thinking in terms of an organizational change initiative realized by properly leveraging CX technology. This approach demands assessment of internal capabilities and a plan for adding new capabilities as the organizational changes evolve.

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Seamless Experiences Across Channels Are Table Stakes for Today's Consumers

With the rise of the digital economy, customers are now empowered with product information and choice as never before. This abundance of information means that companies have less influence in controlling what appears about them in the public domain. Product reviews, for example, have become a staple of the online shopping experience. YouGov found that 78% of Americans check out a review section before making a purchase.[2] In the pre-digital era, reviews were published by experts and sold for a fee: think *Consumer Reports* or the *Michelin Guide*. Today, the opinions of millions are available to consumers with a single touchscreen swipe to the left.

Online shopping continues to boom, meaning that the choice of where and how long it takes to get a purchase is increasingly in the consumer's hands. And purchasing is crossing national borders more frequently, so that shoppers in one country can access products and services in another, creating greater competition for merchants and suppliers used to seeing their competition as primarily within national boundaries.[3] A recent Nielsen online survey of shoppers in 24 countries across six continents found that 57% had shopped from an overseas site in the last six months, and the size of the cross-border e-commerce market is expected to reach $1 trillion by 2020.[4]

In short, providing great customer experiences in order to differentiate from the competition and rise above the noise is becoming vastly more critical for today's companies. And while the very term "customer experience" is often misunderstood as applying solely to the commercial sector, it encompasses higher education (as institutions compete for students and funding), government agencies (as they provide public services to citizens), and nonprofits (as they rely on charitable donations to fulfill their missions). A great example of effective use of digital technologies for the latter is 2014's ice-bucket challenge. That summer, thousands of people soaked themselves in buckets of water and posted the pictures on social media channels. This raised $115 million for the ALS Association alone and led to the discovery of a new gene – one of the most common genes contributing to the disease.[5]

CX projects that move beyond "go live" apply to B2B customer relationships as well as to B2C. For example, a large multinational may have a complex network of hundreds of different distribution partners that need to be integrated into any new systems. A procurement manager responsible for enterprise purchasing will expect intelligent search, so she doesn't have to start from scratch with an initial drop-down menu every time. And frequently shifting regulatory and compliance requirements need to be baked into new infrastructure to avoid privacy breaches and ensure that local laws are being followed.[6]

While many companies are aware of this new reality and are already investing in improving the experiences they deliver to customers, the evidence shows that companies are still falling short in their customers' eyes. An IBM survey found that while 81% of consumer brands feel they have a holistic view of their customers, just 37% of customers say their favorite retailer understands them, and only 35% of customers say that retailer sends them relevant communications.[7] In addition, an Ovum report on behalf of Blogchat reported that 43% of consumers think access to customer service agents has worsened over the last two years, with 50% citing frustration with automated response systems.
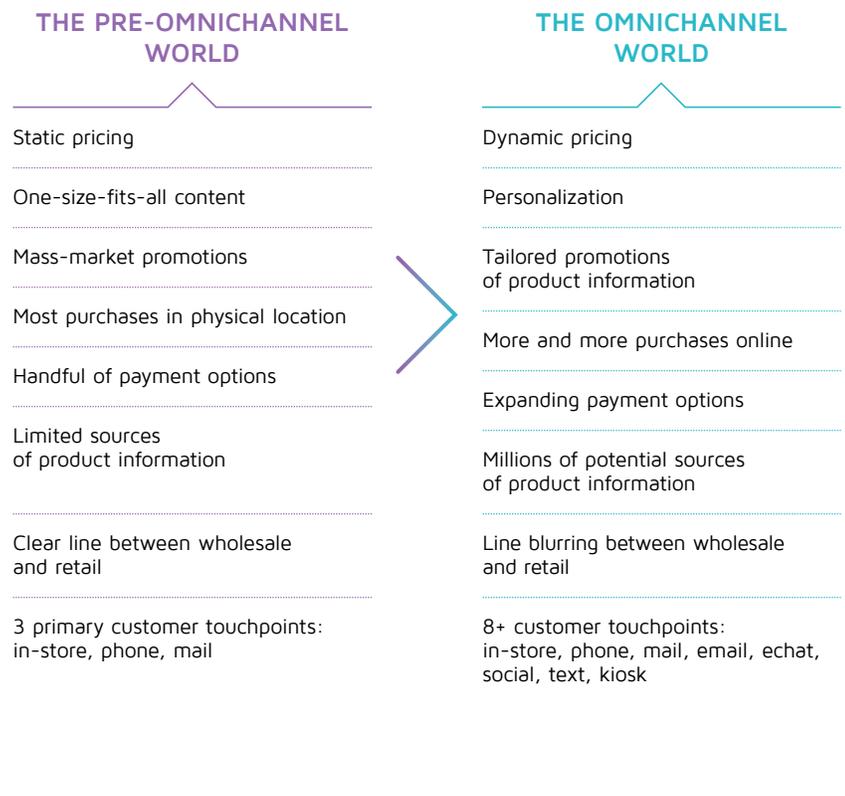
The Hyperfocus on Technology Obscures Key Omnichannel Challenges

What accounts for this gap between how companies think they are improving CX versus what their customers report? There is a widespread but erroneous perception that the digital transformations required for effective customer experience management are mainly about buying and installing new technology(ies). The enterprise buyer sees new CX technologies as the catalyst for transformation, when in fact they are more of an enabler. This may happen because those responsible for buying CX technology are in a line of business. Frequently they are content managers, marketing operations professionals, or IT managers, and do not have the experience, expertise, or perspective across the breadth of the organization to foresee what implementing that technology successfully will require – in resources, training, maintenance, and so on – once it is up and running.

However, perceiving digital transformation as something that can be achieved with the right technology misses the breadth and depth of the changes that an omnichannel strategy requires. Figure 1 shows examples of the changes that characterize the omnichannel world that companies will need to address:

- **Dynamic pricing.** This means adjusting prices several times a day instead of monthly or less, and often requires revamping product catalog management, financial reporting, and sales forecasting.

Figure 1
The Increasing Complexity of Omnichannel

THE PRE-OMNICHANNEL WORLD	THE OMNICHANNEL WORLD
Static pricing	Dynamic pricing
One-size-fits-all content	Personalization
Mass-market promotions	Tailored promotions of product information
Most purchases in physical location	More and more purchases online
Handful of payment options	Expanding payment options
Limited sources of product information	Millions of potential sources of product information
Clear line between wholesale and retail	Line blurring between wholesale and retail
3 primary customer touchpoints: in-store, phone, mail	8+ customer touchpoints: in-store, phone, mail, email, echat, social, text, kiosk

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- **Personalization.** This allows marketers to customize email and websites to increase relevancy for a particular customer, such as offering a promotion on an item that the customer abandoned in the shopping cart during a previous online session, or prefilling search boxes with the customer's previously used search terms.

- **Localization and translation.** This allows a website to run in multiple countries.

- **Email campaigns.** These can be used in targeting VIP customers, which often requires changes to content management and marketing operations and increasing the level of expertise in both areas.

- **Product information.** This data comes from a wider variety of sources, as retailers expand their product assortments with new brands that also sell directly to consumers via their own sites.

Because of the complexity of omnichannel and the additional skills and processes it requires, digital transformation needs to be approached *as an organizational change initiative involving technology rather than as a CX technology initiative*. Technology is an *enabler* of digital transformation: having the right technology infrastructure is crucial, but does not automatically guarantee business value.

A digital transformation initiative aimed at providing a great customer experience across channels is not a project with definite start and end dates. Yet associating it synonymously with a technology project erroneously reinforces that perspective. It is a continuous process requiring ongoing engagement, gathering and synthesizing data (customer, product, online), and tweaking customer journeys.

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Prepare for the Post-Implementation Reality

Because of constantly changing customer demands, organizations looking to purchase technology to enable omnichannel and a CX strategy need to consider what the post-implementation phase will look like. Executive sponsors and project managers should do this before embarking on any CX technology buying process. The more "transformative" the desired outcome, the higher the likelihood that additional headcount, retraining, and expertise will be needed. It's hard to predict where these people will be required, as each firm is unique. There are, however, a number of capabilities necessary for executing an omnichannel strategy:

- **Analytics and reporting.** Traditionally, a company's analytics and reporting have been based on sales channels – for example, direct sales, third-party sales, or online sales – tracked by the marketing department. However, with the proliferation of customer touchpoints across channels, the customer journey is no longer linear, so analytics and reporting need to reflect new customer journey KPIs. Accomplishing this revamp requires deep data management and integration expertise in order to pinpoint what customer data needs to be captured and shared across platforms.

- **Personalization.** This technology is, rightly so, one of the hottest topics in digital marketing. Yet there are multiple types of personalization technologies, and they need to be managed in a coordinated way to be effective. For example, content personalization shows relevant content to website visitors based on their previous visits to that site. Email personalization addresses the customer by name and recommends a product relevant to past purchases or behaviors. Social personalization enables targeted ads on social networking sites. If implemented and used in isolation, these tools will not only be ineffective but may annoy customers rather than engaging them.

- **Back-office integration with legacy systems.** Companies have a mix of legacy infrastructure that includes commercial and proprietary software of various ages and degrees of customization. They also increasingly contract for SaaS solutions, which come with different purchasing and pricing models than on-premise licenses. SaaS solutions use recurring subscription payments that may vary based on usage rather than a fixed monthly fee or one-time licensing. Financial executives will need to understand these models for their accounting systems and budgeting processes.

- **Secure data capture.** One of IT's major concerns is the security implications of any new CX technologies. To lessen the risk of a breach, an organization needs to contractually define what data will reside with the managed provider and what data will not be in managed services.[8] Marketers commonly believe they must capture all the customer data they possibly can. Yet that wish needs to be weighed against the risk of what will happen in case of a security breach, which requires explaining to customers in detail what has occurred.[9]

- **Documentation and redundancy.** In many companies, limited resources means that important institutional knowledge may rest in just a few employees. This leaves the organization vulnerable if those individuals change jobs or leave altogether. Companies therefore need extensive documentation and redundancy plans so that mission critical information is available at all times.

Many of these capabilities require skills in high demand and scarce supply, like data architecture and technology integration. Organizations will find there are gaps between their ways of working and what will be required further along the transformation journey. For example, marketing and IT will need to collaborate in monitoring that the new systems are used as effectively as possible. Legal must be kept abreast of how marketing and IT use customer and employee data to ensure compliance on personal data (a particular concern as enactment of the GDPR looms closer).[10] Procurement needs to understand the expectations around pricing for services where there is little to no physical component, but rather virtual transfer of data assets in the cloud.

In addition to requiring departments to collaborate across their boundaries and acquire new knowledge, the organization must also acquire a range of skills that they do not have in-house. These include marketing operations experts, business analysts, data analysts, content managers, business process managers, and change management experts. Companies embarking on digital transformation must ensure they can fill these roles within the appropriate time frame. Hiring an in-house team is one option, and, depending on the company's culture and ability to attract and assimilate new talent, this may be the preferred option. However, an alternative is selecting an external service provider to fill in capability gaps.

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Identify and Assess the Right Partner for Digital Transformation

When companies look outside for assistance with CX initiatives, identifying the right partner is crucial. There are literally thousands of service providers to choose from around the globe for digital transformation initiatives, such as systems integrators, digital agencies, and other specialized consultancies.

For companies that have already selected technology from a specific vendor, getting that vendor to recommend a partner is a common first step.[11] However, the selection process cannot stop there. The firm must still carefully consider how well the capabilities of the recommended service provider fit their unique requirements. This involves, for example, factoring in not only the partner's implementation skills but also their ability to contribute to ongoing operation and optimization of the created solution.

An external service provider can be an effective digital transformation guide. Some service providers are offering this type of guidance as an ongoing service using the term "managed services." Buyers of CX technologies need to be cognizant that managed services in these cases refers to a different or broader set of services than the term traditionally connotes.

Managed services commonly include a contractual agreement for hosting, upgrades, uptime, expansions, and other areas at the infrastructure level. Depending on a company's needs, those may very well be required, so an IT services firm is a logical choice. However, a traditional IT services firm will not necessarily have the other skills and operations expertise required to guide a digital transformation initiative.

Figure 2
New Framework for Digital Transformation Services
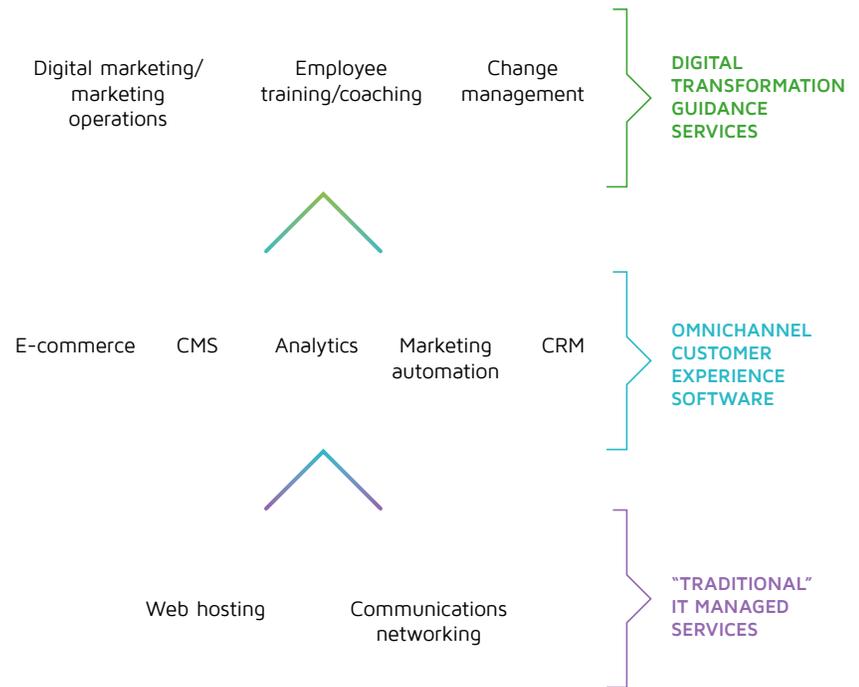
Identifying the right digital transformation guide requires a company to consider the areas beyond infrastructure management where they have capability gaps and to identify service providers that have deep expertise in those areas. Figure 2 shows examples of the types of services some providers offer on a managed services-type basis and how those services differ from technology implementation and traditional IT managed services.

It will be a challenge for companies to find a single service provider that can provide a managed service encompassing all three layers shown in Figure 2, as most providers offer only one or two of the service layers. Web hosting and

communications service providers like Verizon or Amazon Web Services own the underlying infrastructure that connects companies with their customers and over which customer experience software runs. However, these infrastructure providers, like Amazon, do not usually offer software design, integration, and implementation services. Systems integrators, digital agencies, and other types of specialized consultancies come into play at that level, depending on the skills needed. In turn, those systems integrators and agencies usually do not have the expertise to help with organizational change, operations management, and training, which are more the provenance of management consultancies and specialist training companies.

Yet, increasingly, service providers that have historically focused on the middle layer – implementing CX technologies – are also expanding into providing the non-technical services on the top layer.

Here are some of the key questions to ask a service provider being considered for digital transformation guidance:

- What is your prior experience advising companies on digital transformation strategy?

- How many years have you been offering these services?

- Who are the experts that my company will be working with? What types of professional certifications do they have?

- What types of project management methodologies do you use (e.g., agile, waterfall)?

- How will you share information about project progress, and how frequently?

- What is your process for training and providing documentation to the employees who will be running the new system(s) once installed? Is training on-site?

- How long do you estimate this hand-off will take?

- Post-implementation, who are the main contacts for service and support in case of problems? Are they at the technology vendor, the service provider, or both? If both, how do the two handle complex problems?

- What services and support can I expect to be covered in my service contract, and what types of issues fall out of scope that would require additional payments?

- What are some reference clients of yours that I can contact? (Two, and preferably three, are recommended.)

In addition, customers will need to address an internal issue: how to estimate the costs and request budget to fund the engagement with a digital transformation service provider. A company purchasing technology, such as an on-premise software license, traditionally accounts for this purchase as a capital expenditure. In contrast, a digital transformation engagement, where the post-implementation includes managed services provided over a period of months or even years, is more suited to be counted as an operating expenditure. In these cases, any external service provider under consideration should be clear about how these operating expenses will be tracked and measured during the course of a contract.

Conclusion: Beyond "Go Live"

Conceiving of a CX technology implementation where "go live" defines a midpoint rather than the end state is now imperative, as customers demand seamless experiences across channels and competition for those customers' attention intensifies amid the noise of today's marketplace. Understandably, many organizations considering digital transformation are unsure about what that means, where to start, and whether they have the right capabilities and structure to manage the whole process.

An external partner needs to have fluency in vendor technologies that goes beyond basic understanding of features and functions of different versions. Partners also need to know how those technologies integrate with existing infrastructure that includes other vendor and home-grown solutions, how to troubleshoot and resolve problems quickly as they occur, and how to adapt and add on new technologies as the company grows and transforms. The most valuable partner will be the one that helps a customer navigate these changes, providing guidance as they and the marketplace evolve and end-consumer expectations change.[12]

Endnotes

1   Based on conversations with marketers worldwide, DCG has developed the following framework terminology around channels:

   — **Single channel** designates customer engagement activities via a single channel – e.g., the website.

   — **Multichannel** designates customer engagement activities via several channels – e.g., the website, in-store, or call-center.

   — **Cross-channel** indicates some degree of coordination among the multichannel initiatives – e.g., the website, email message, and in-store point of sale present a common message.

   — **Omnichannel** is cross-channel from the customer's point of view. Customers seek seamless and transparent interactions with firms, without regard to any channel or touchpoint. Omnichannel is about focusing on the customer's overall experience rather than on the desired outcomes for the company.

2   From YouGov's US omnibus survey of its 1.2-million-member panel in 2014.

3   For more information on cross-border e-commerce, see "Cross-Border E-Commerce: A Maturity Roadmap and Partner Selection Guide," Digital Clarity Group, October 2015.

4   See http://sites.nielsen.com/newscenter/global-e-commerce-is-becoming-the-great-equalizer/

5   See http://www.nytimes.com/2016/07/28/health/the-ice-bucket-challenge-helped-scientists-discover-a-new-gene-tied-to-als.html

6   One such regulation that will have a huge impact on companies worldwide is the European Union's new General Data Protection Regulation (GDPR). For an initial introduction to the GDPR, see the Digital Clarity Group Insight Brief "The Meaning and Impact of the GDPR: Executive FAQ."

7   See https://econsultancy.com/reports/the-consumer-conversation/

8   See "CMOs, cybersecurity, and the criticality of customer trust," Digital Clarity Group, October 2016.

9   See note 6.

10 Ibid.

11 Selecting the right service provider requires an understanding of the types of service providers in the market and how their heritage informs their capabilities. See "Navigating the service provider landscape for customer experience success," Digital Clarity Group, September 2016.

12 For more information about how to assess service provider capabilities such as technology fluency, see "Are You Ready for Customer Experience Management? The Ten Core Competencies Every Organization Needs To Execute a CEM Strategy," Digital Clarity Group, June 2015.

About Digital Clarity Group

Digital Clarity Group is a research-based advisory firm focused on the content, technologies, and practices that drive world-class customer experience. Global organizations depend on our insight, reports, and consulting services to help them turn digital disruption into digital advantage. As analysts, we cover the customer experience management (CEM) footprint – those organizational capabilities and competencies that impact the experience delivered to customers and prospects. In our view, the CEM footprint overlays content management, marketing automation, e-commerce, social media management, collaboration, customer relationship management, localization, and search. As consultants, we believe that education and advice leading to successful CEM is only possible by actively engaging with all participants in the CEM solutions ecosystem. In keeping with this philosophy, we work with enterprise adopters of CEM solutions, technology vendors that develop and market CEM systems and tools, and service providers who implement solutions, including systems integrators and digital agencies.

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