

Transform Customer Experience and Operational Excellence By Going Digital *Outside and Inside*

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Organizations Struggle to Keep Pace With the Growth of Information

The amount of information generated each day within businesses and government is enormous. It continues to outstrip the abilities of workers to process incoming requests and information from customers and prospects, and for sales, service, support and finance to fulfill those requests internally.

Need proof? Just consider:

- 90% of the world's data has been generated over the last two years
- More information is created every two days than was created between 0 BCE to 2003
- The average amount of information managed daily by workers equals:
 - 500 e-mails
 - 5 faxes
 - 100 documents
 - 50 images
 - 40 social interactions
 - 10 contracts
 - 10 videos¹

This unending deluge of structured and unstructured information pushes organizations to ditch their old, outdated ways of working. In place of old ways, they must embrace a plethora of channels to capture the ever-rising amounts and types of data submitted by customers in an effort to become fully digital on the outside.

At the same time, enterprises are concerned with internal efficiency and advances in operational excellence in their rapidly changing industries. In response, they are putting their efforts behind new systems that transform digital operations, streamline internal processes, reduce the information glut, integrate business applications with information stores and go digital inside.

The Maturity of Digital Inside and Outside is Unbalanced in Most Firms

Because the digital world and customer behaviors are moving so quickly, senior executives in most organizations (rightly) feel compelled to do something immediately to remedy digital weaknesses and convert them into strengths. (For insights into weaknesses and strengths, see Table 1.)

After investigating their options, executives typically embrace business transformation either outside or inside the organization to stay ahead of the competition or catch up with competitors.² Taken together, digital outside and digital inside are two sides of the same coin, although many enterprises mistakenly focus on, or only see, one side of the coin as they embark on digital transformation.

- **Digital outside.** Many firms start by doubling down on the customer experience. They do this because many of their customers engage both digitally and physically whenever and however they choose—often switching channels as circumstances change—while expecting the same level of service across all channels. Plus, these customers and prospects expect their providers to have all the relevant data, documents, images, forms, and other information needed to service their requests, no matter which channel they are using at any given time. And these customers expect their suppliers to anticipate their needs and delight them during “moments of truth” when they re-decide whether to continue doing business with the firm.

- **Digital inside.** Many other firms start their digital journey by focusing their transformation strategies on internal operations. These organizations seek a big jump in quality of service or products, greater efficiency gains that translate to higher profits, lowered risk of being non-compliant or even improvements in hard-to-measure initiatives, like greater collaboration that leads to more innovative, competitive products. Some organizations are also making internal-only processes available to customers to increase the level of self-management that customers can undertake.

While senior executives see an urgent need to simultaneously pursue digital outside for customer experience and digital inside for operational excellence, most organizations find it extremely difficult to focus on both sides of the coin at the same time. Doing both at once is often cost prohibitive, inherently risky, and requires more executive leadership bandwidth and organizational change than many companies are willing to bear. As a result, most senior executives choose one or the other approach when getting started, but usually not both. Which of the two digital worlds to start with first—digital outside or digital inside—depends on many factors, including the organization’s business strategy, industry, customers, partners, competitors, workforce, culture and technology.

“ The ever-increasing deluge of information pushes organizations to ditch their old, outdated ways of working and become fully digital—across the organization from the outside to the inside and back again—to deliver value to the customer. ”

Table 1.

Turn Digital Outside and Inside Weaknesses into Strengths

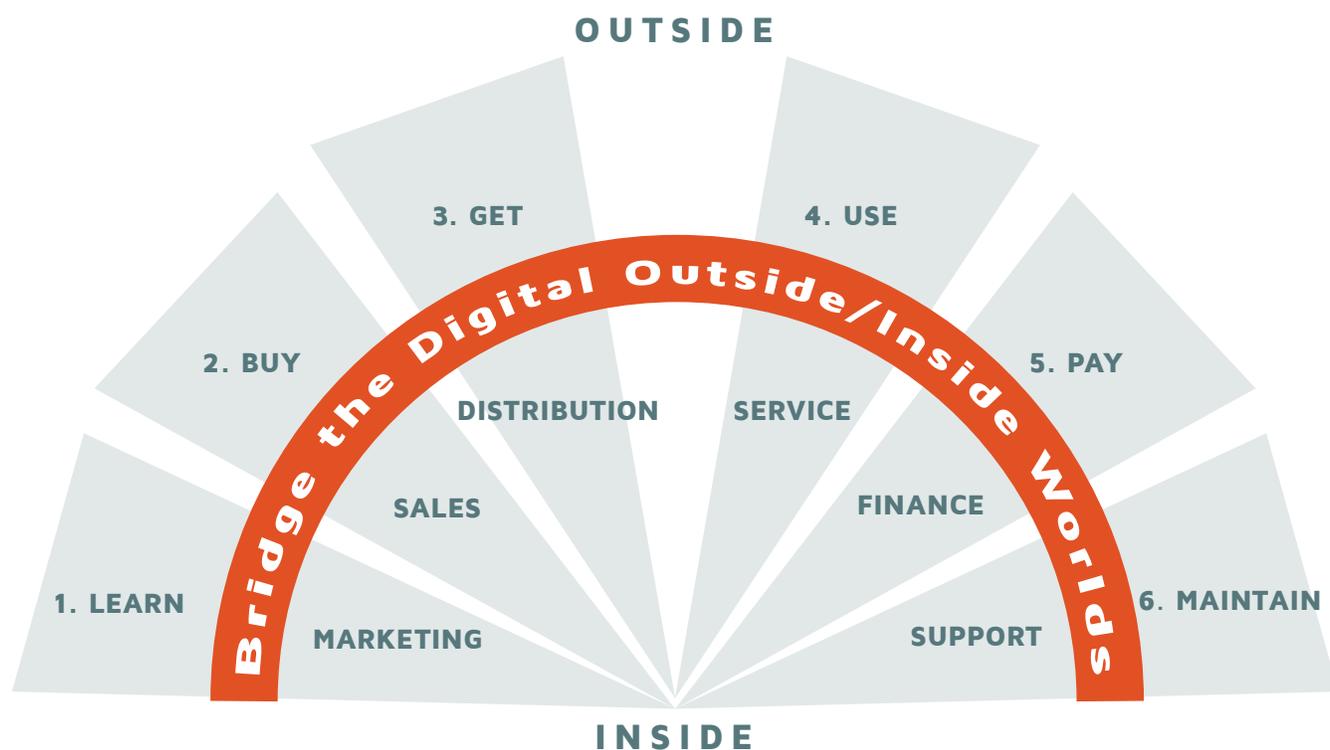
<p>Weak Digital Outside</p> <ul style="list-style-type: none"> • Customer journey is often broken, leading to customer frustration, unfinished transactions and abandoned processes • Customer expectations are unmet, potentially leading to lost customers • Customer interactions are not customer-friendly, as compared with competitors • Information is siloed and difficult to access 	<p>Weak Digital Inside</p> <ul style="list-style-type: none"> • Processes viewed from an internal perspective, with customers an afterthought • Metrics are usually internal measurements • Work and information is often lost in handoffs between silos and workers • Processes are often inefficient and outdated—leading to waste, inefficiency, errors and poor quality, which may be apparent to customers
<p>Strong Digital Outside</p> <ul style="list-style-type: none"> • The customer is at the center of interactions • Customers are supported throughout their journey • Customers can choose the channels they like at any given time • Customers have ready access to many information types • Customers can be supported by people (call center, bricks and mortar) or engage in self-service (voice response, virtual assistant, mobile apps) • Mobile customers are supported with the same quality of service as stationary customers 	<p>Strong Digital Inside</p> <ul style="list-style-type: none"> • Greater efficiency and productivity improves profits and lowers the cost to customers • Processes start from the customer’s perspective (based on Lean) • Greater quality and lowered defects helps to improve customer satisfaction and lower costs • Smooth handoffs (with audit trails) between workers and departments keep work from falling between the cracks • Greater transparency leads to more accountability and better service • Easy to see the status of work in progress, providing greater insight to customers • Content is automated, under control, easy to locate and flows smoothly across departments, making it easier to serve customers

But, it's an illusion to think that the organization can decide to focus on digital outside exclusively and put digital inside on a shelf—or vice versa. That's because the six key steps for delighting customers in a digital outside world are directly and strategically connected to the six key business functions inside organizations for delivering on those promises. (See Figure 1.) For example, as customers go from learning about products and services (step 1), to buying products (step 2), to getting products and services (step 3)

through the digital outside, they are also knowingly or unknowingly coupled to the digital inside business processes and functions of marketing, sales, and distribution. The pattern in steps 1-3 continues as digital outside customers experience the digital inside business functions of service, finance and support while engaging with the organization's digital inside activities, specifically: use the product (step 4), pay for the services (step 5) and maintain the product over time (step 6.)

Figure 1.

Customer Actions in Digital Outside Mirror Employee Actions in Digital Inside



" It's an illusion to think that the organization can decide to focus on digital outside exclusively and put digital inside on a shelf—or vice versa. "

As Customers Become IT Savvy, Digital Inside Sheds Its Mystery

Compared with ten years ago, the whole world—business, society, government, education, non-profits—seems to have inverted. Businesses used to be digital treasure troves, with their supercomputers, servers, LANs and phalanxes of laptops collecting, storing and creating vast amounts of information under lock and key. But consumers now store *their own* vast amounts of data, documents, photos, videos, music and other media in the cloud, on their home networks, and on their multiple laptops, tablets, smart phone and smart electronics.

The result? Automation that used to confuse, overwhelm and intimidate customers when they went to their bank branch or to renew a driver's license no longer seems so mysterious—the playing field between customers understanding consumer technology and understanding the digital outside and inside has been leveled. *And customers are quite willing to challenge companies on why they operate so inefficiently.* Let's face it—the reins of power have shifted from businesses and government agencies to customers, who are very willing to march to a competitor or post a negative review to Yelp and Qype—or, conversely, reward the really good companies on Angie's List. For example:

- Nothing upsets a customer more than to be passed from customer service rep to another and yet another, only to be asked repetitively for name, address, e-mail, phone number and account number. Hanging up in frustration

after talking to five or six people in an hour, they think, why doesn't this firm get its CRM and database act together and solve my problem?

- When a mail order customer receives a form along with a product delivery, and is asked to complete the form, cut it on the dotted line and mail the slip back to the company for future re-orders, she thinks, is this business really a forward-thinking company that I want to buy from?

Customers now have strong opinions and rising expectations for the channels they use and types of information they exchange with companies and government agencies. The gamut of tools in use at any given time can run from web sites, to texting and emailing, to social media and embedded software (internet of things, anyone?). Similarly, the analog and digital information used by customers can range from the traditional (faxes, paper forms, PDFs, RFT documents, bar codes, output from business applications like ERP, HRM and CRM) to more complex content (digital photos, videos, audio, CAD files and QR codes) to advanced information types (3D print files, medical diagnostics, video chats, and advanced analytics reports). To be competitive, organizations must offer an ever-expanding variety of channels and information types to these tech savvy customers, who expect the companies they deal with to be *fully digital on the outside and inside.*

Both Digital Outside and Inside Must Be Customer-centric

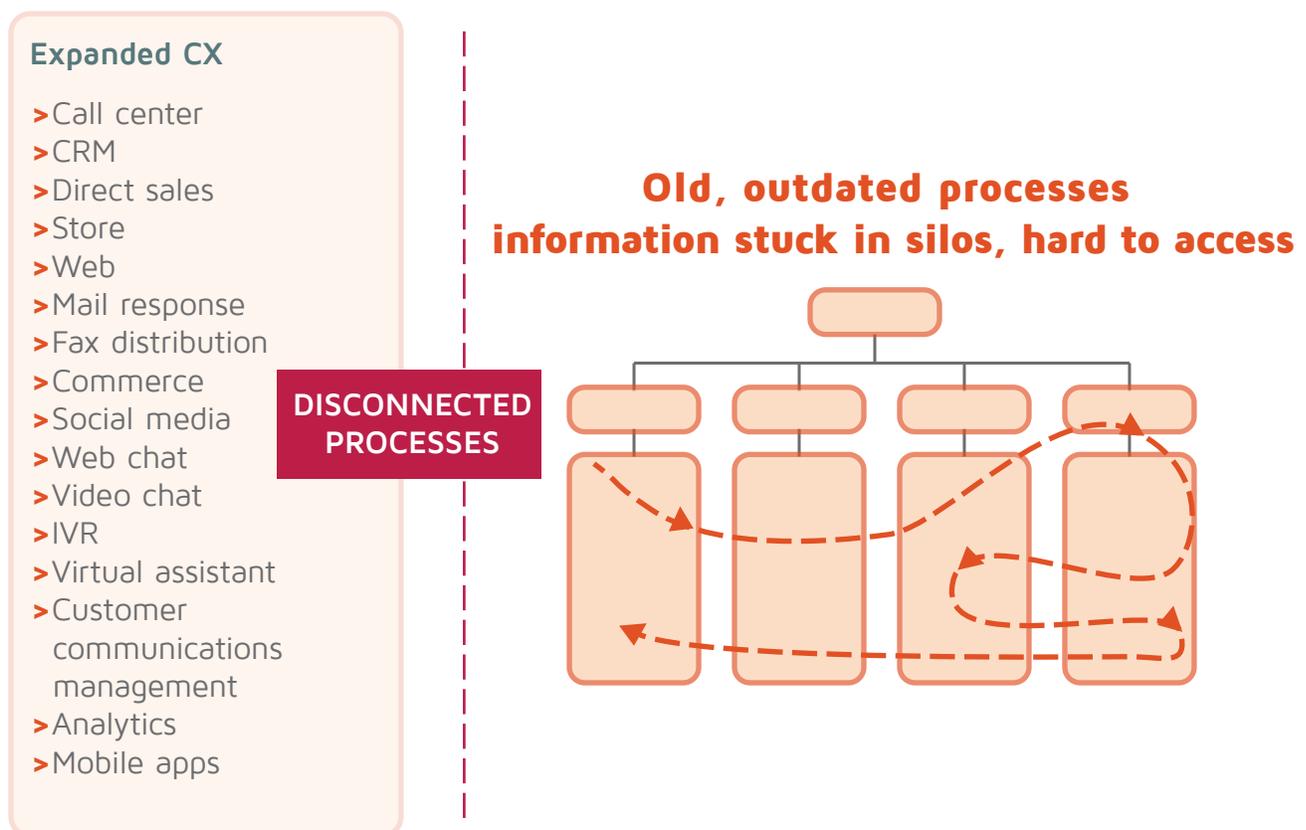
Digital outside happens when a company doubles down on providing exceptional interactions with customers—supporting the customer’s journey across all the channels used throughout a series of interactions—and delighting the customer in the process. Importantly, traditional channels can and should still be used to support customers, including bricks and mortar locations, mail processing centers, fax servers, a direct sales force with mobile applications, CRM and call centers. These are tried and true ways of liaising with customers and may provide the best support for an older generation of customers.

But most customers expect much more than that. To be fully digital outside, organizations also need a constantly expanding combination of channels, metadata, and information management platforms, including: speech IVR and speech recognition, video chat, web chat, collaborative browsing, social media, email response management, knowledge management, virtual assistants, “how to” video services, smart messaging service, mobile apps, and smart video.³

Many firms mistakenly believe that omni-channel is the silver bullet to a transformed digital outside,

Figure 2.

Strong Digital Outside Is Compromised By A Weak Digital Inside





allowing customers to move seamlessly across channels as their situations change. But that is only the tip of the iceberg. Customers also need, expect and demand high levels of service and quality when requesting and receiving information from the supplier and providing new inputs. Without information management technologies like data warehousing, MDM, product information management, analytics, and enterprise content management (ECM) platforms—with metadata, integrated repositories, enterprise search and content analytics—only a portion of the customer expectations will be met. (See Figure 2.)

Unless an organization's internal processes are also optimized and designed from the customer's vantage, and fully and holistically integrated with the company's digital outside, there's a high risk that

customer expectations will be raised by digital outside initiatives, only to have them dashed when an internal process fails or information is unobtainable or unusable. Examples of raised/dashed expectations could be when the customer has a delightful experience ordering a product in the firm's digital outside but doesn't receive items that were ordered, receives damaged items that are difficult to return, experiences billing problems or has trouble getting the product to work properly.

Incorporate Customer Centricity Into Digital Inside

Replacing outdated, archaic business processes within business siloes with newly conceived, end-to-end, cross-functional business processes that span the organization is not a new idea. Companies have been embarking on process improvement efforts for years—particularly after large enterprise suites came on the scene in the late 1990s. Six Sigma experts and Lean practitioners frequently lead process improvement projects fueled by a strong business focus on strategic end-to-end processes like supply chain, procure to pay, order to cash, and hire to retire.

It's not just that a large number of today's processes are archaic, it's also that the way we do business has changed rapidly because of digital disruption. As a result, our processes, information management approaches, and the methods we use to improve them need to match the pace of change in the digital marketplace. For example, consider the many decades that consumers used the plain old telephone service (POTS). Eventually, wireless home phones hit the sleepy telephone market, followed by wireless phones and personal digital assistants. Then, changes to both technology and consumer behavior started accelerating and then skyrocketing with the introduction of smart phones, tablets, texting, social media, mobile applications, iTunes, location services, mobile commerce . . . the list goes on. This drumbeat of accelerated change makes it challenging yet crucial for digital outside and digital inside teams charged with transformation to keep pace with their B2B, B2C, G2B and G2C customers and constituents.

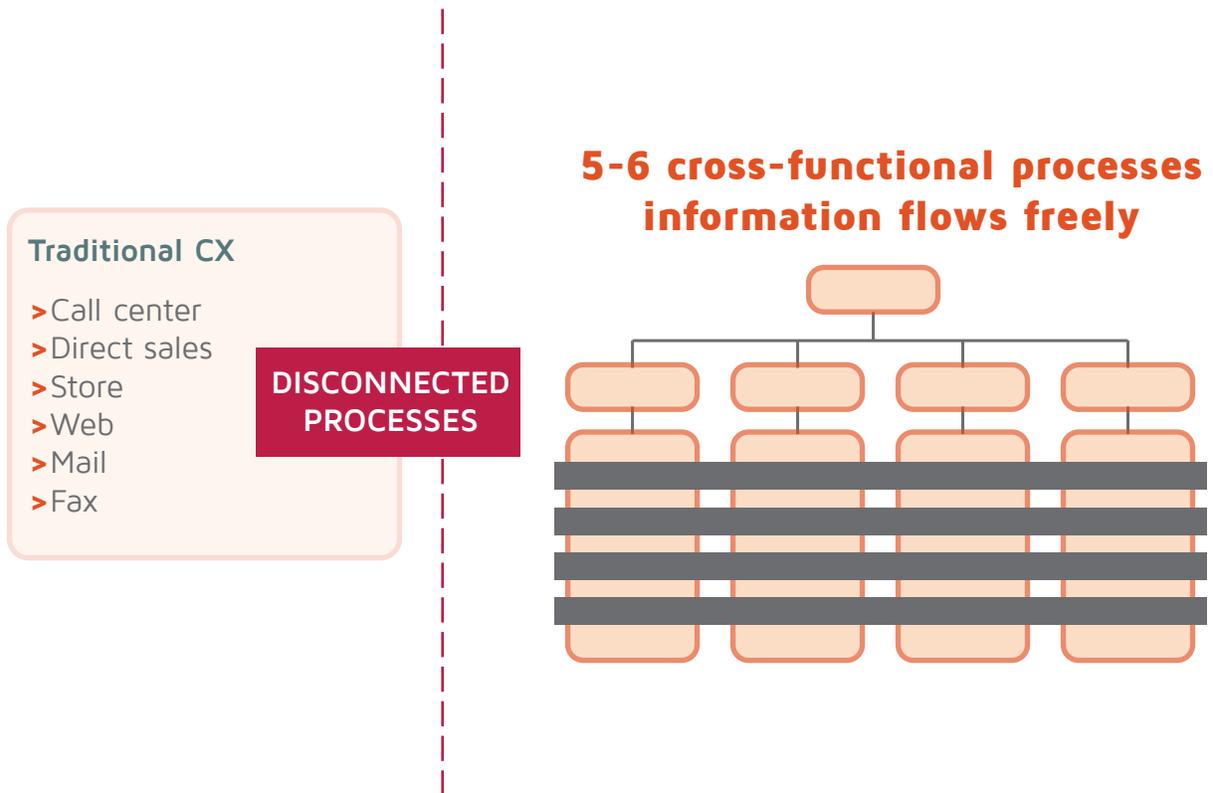
Companies have gotten huge business advantages from these business-process improvement projects, like increased productivity, improved quality, greater efficiency, working collaboratively across business

units and overall operational excellence. (Toyota and GE are great examples of a relentless focus on operational excellence.) But too often, process initiatives take a strong internal focus, leaving customer experience issues far behind. Usually this is because process practitioners often work for the COO or CFO, who by definition have internal portfolios. This happens despite the fact that both Lean and Six Sigma—the methodologies typically employed for process initiatives—explicitly prescribe designing processes from the customer's viewpoint.

Companies that focus exclusively on *digital inside* have opposite outcomes from companies that exclusively pursue *digital outside*. Customers may experience frustrating or uneven support when engaging with the organization, whether through digital channels, within a store, or face-to-face with a sales rep, but may be delighted with the company once they buy products or services. That's because the organization's business processes have been redesigned with quality, excellence, high throughput and increased productivity in mind. That redesign may include adopting business process management (BPM) software for automating business processes; implementing enterprise content management (ECM) to manage all unstructured content in digital forms; using analytics to measure the effectiveness of processes, content and interactions; implementing the latest collaboration software for internal communications and coordination; and deploying large-scale enterprise suites to leverage the best practices codified in those solutions. But still, despite this investment, the company can only get so much advantage because digital outside is out of balance with digital inside. (See Figure 3.)

Figure 3.

Strong Digital Inside Gets Diminished By A Weak Digital Outside



Reach for Digital Outside and Inside To Transform the Business

Ultimately, business transformation requires a delicate balancing act: combining both digital outside with digital inside to support a seamless end-to-end process. There is no way to separate the two worlds for very long and still transform the business, particularly since the goalposts for transformation keep getting higher and higher. As a result, business transformation must focus on re-inventing customer interactions, implementing streamlined cross-functional processes that put the customer first and adopting fundamentally re-imagined and redesigned business models. It also requires a substantial investment in digital technology, running the gamut from software for new customer care channels to BPM, ECM, analytics and enterprise suites for operational excellence.

This is a tall order for most organizations, but some name-brand companies excel at transforming the digital outside and digital inside at the same time. (See Figure 4.) For example, take three well-known examples: Amazon, Apple and Costco. Smaller, lesser-known companies are pursuing similar transformation efforts too. For example, a UK building society is pursuing transformation across the board, championed by the CEO and board of directors. This five-year project requires a complete overhaul of most systems, including installing a new mortgage platform, a new customer platform, telephony, data warehousing, analytics, web content management and workflow. Two years into the project, the executives are highly motivated and feel compelled to stay the course because they believe in the company's vision and know their competitors are on similar paths. (See Figure 4.)

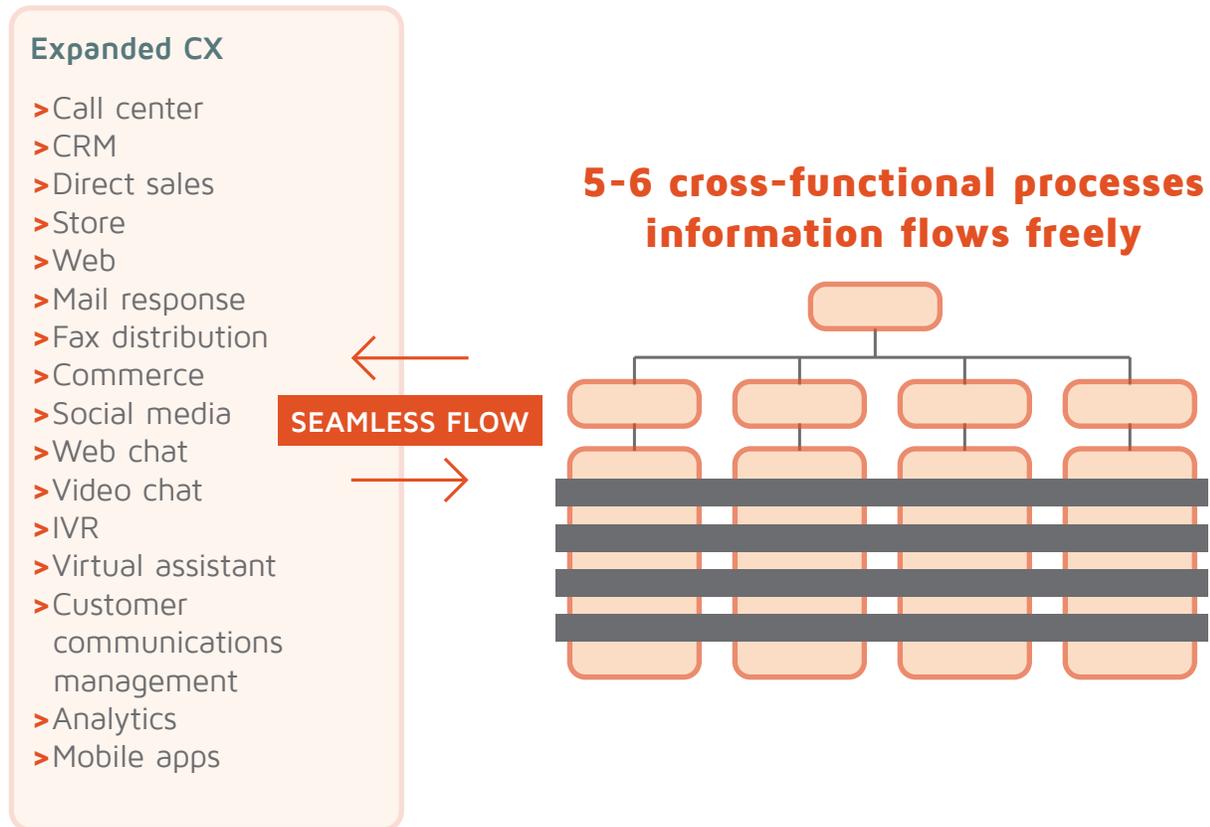
Firms should consider different avenues when embarking on business transformation. For example:

- Senior executives could select a single strategic process that would be digital outside and inside if it were re-invented as a cross-functional process that flows seamlessly between customer behaviors and internal functions. If so, it might be smartest to focus on that single process first, tackling digital outside and inside at the same time. (Supply chain management is a good example of such a process.)
- Or, senior executives may be most concerned that competitors are pursuing complete transformation with high intensity (along the lines of the building society described above). If that is the case, the organization may need to embark on a multi-year process for re-imagining its digital outside and inside.

There is no one perfect answer, but many companies have successfully transformed their businesses by going digital inside *and* outside. The trick is to develop a digital strategy; build your core competencies in emerging technologies, information management, and process transformation; and then start creating your organization's vision for the future, keeping in mind that customers ultimately don't know or care where or how the work is done—they just want unparalleled service at an unbeatable price. By going digital outside and inside, organizations have it within their grasp to deliver on that promise.

Figure 4.

Strong Digital Outside and Inside Is The Winning Combination for Transformation



Notes

1. Open Text, "Digital Changes Everything," Adam Howatson, keynote presentation, Open Text Innovation Tour 2015.
2. For insights about who drives business transformation, see "Who Drives Customer Experience: The CIO, The CMO, or Fill-In-The-Blank?" <http://www.digitalclaritygroup.com/customer-experience-cio-cmo/>
3. For a more detailed explanation of these customer care channels, see the "Is Your Organization Ready to Take the Leap Towards Customer Care?" <http://www.digitalclaritygroup.com/is-your-organization-ready-to-take-the-leap-towards-customer-care/>



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, business process management, analytics, 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. For more information about DCG, visit www.digitalclaritygroup.com or email info@digitalclaritygroup.com.

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