Digital Revolution in the Age of the Customer

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Executives everywhere are searching for ways to make their businesses more digital. At first glance, the reason why seems simple: The world is getting more digital by the day, and incorporating new digital technologies means greater agility for your business, more accessibility for your customers, and ultimately the improved growth and customer satisfaction you seek.

Not So Fast

In reality, making a digital shift requires more than trying out a few new tools and services. It requires a transformative vision and consistent digital strategy in order to succeed. In fact, trying to apply new digital technologies without such a vision or strategy can actually do more harm than good. It will frustrate your customers and do nothing to help you compete with industry disruptors.

Here's an example of this conundrum: Let's say you're a bank that launches a new mobile app for checking balances and depositing checks. Many banks offer these apps as a quick fix for a weak mobile market presence. However, having a mobile

"A positive digital service experience is driven by a company's technology and the technology's ease of use. Whatever digital channel used, customers are focused on getting the best resolution to their problem."

Jim Marous
Growth In Digital Banking Impacted By Poor Service
The Financial Brand, April 2014

"Venmo is a digital service with a very straightforward interface that lets users make purchases from multiple apps. Customers love it and the company is growing by over 150% year over year as a result."

app that doesn't offer a consistent digital-first strategy will only leave your customers more frustrated compared to your in-branch services. Meanwhile, disruptors like Venmo continue to grow as fast, easy ways to pay friends and businesses. Both the bank and Venmo have mobile apps, yet one is far better at offering its digital experience as a straightforward, consistent image of a business model that is digital from the ground up. This is what gives Venmo a digital advantage as a disruptor in the banking industry.

> "The CDO is now a 'transformer in chief,' charged with coordinating and managing everything from updating how a company works to building out entirely new businesses."

Tuck Rickards; Kate Smaje; Vik Sohoni
Transformer In Chief: The New Digital Officer
McKinsey & Company, September 2015

So if a business wants to acquire a digital advantage, what does it need to do? Many firms are throwing out new roles like Chief Digital Officer and other kinds of digital evangelism, but that's not enough. It's hard for a nondigital company to think digital, but it's not impossible. It's absolutely possible for old-guard banks, retailers, and even utility companies to acquire a digital advantage, but doing so requires a digital transformation that combines technology with a transformative vision. That vision must start with the CEO and work its way across the company in a consistent strategy in order to succeed.

Identifying the Digital Advantage

Let's first look at the landscape in which digital advantages emerge. In each industry, there are businesses trying to acquire a digital advantage by incorporating new technologies. There are also businesses focusing on their overall strategy and alignment with new technologies. Researchers at Capgemini Consulting and MIT's Sloan School of Management researched more than 400 large companies in over a dozen industries against these metrics, identifying four major quadrants that businesses in all industries fall within. These quadrants are based on how much digital technology a business uses and how unified their strategies are:

Beginners: These firms haven't yet invested heavily in digital technology or a unified strategy for their businesses. Often these are firms that haven't yet realized all the opportunities in digital technology or unified strategies.

Conservatives: These firms haven't yet invested heavily into new digital technologies. They have a unified strategy with clear governance in place, but haven't yet aligned technology into that existing space.

Digital Fashionista: The Digital Fashionista is aware and up to date on the latest digital technologies, and even invests these technologies into its business. However, it hasn't yet realized a transformative vision or unified strategy around its digital technologies.

Digital Masters: These are the few firms that manage to fully realize a digital transformation. They're not only investing in digital technologies, but aligning the usage of those technologies with their business models, operations, and customers through a unified vision with a clear governance in place.

Digital Masters, of course, are at the top right of the quadrant chart, as they outperform in both digital technology usage and strategy implementation. They've found a way to fuse their IT and business into a consistent, companywide strategy. They can see up to 26% greater profit and up to 9% higher revenue, according to Capgemini and MIT.

Don't Become a Fashionista

Of course, every business wants to be a Digital Master. But buying the latest technology alone will not guarantee a digital advantage. You need to ensure a seamless meshing of physical and digital experiences for your customers. If you don't, your business risks becoming a Digital Fashionista – and up to an 11% drop in profitability (according to the same study).

Becoming a Digital Fashionista is the result of a failure to create a consistent digital strategy and shared transformative vision across the entire company. It can also come from weak leadership or poor governance whilst implementing your digital strategy, causing it to stray away from a digital-first, customer-centric focus. Technological evangelism is great, but without the right torque, it can quickly evaporate into internal friction between business units. Information gets lost and things start to slow down.

Customers quickly notice this friction, too. In the U.K., one fashion retailer told us about a disgruntled customer taking to Twitter after trying to order a dress through their online store. The customer needed the dress by the following evening, and ordered with expedited shipping. As far as it seemed on the website, the customer was all set.

But while the customer's front-end experience was top-notch, the back end for this company was a different story. The fulfillment system wasn't in real time; orders were processed in daily batches at the end of the day and sent off to a third-party courier who couldn't provide real-time tracking. For an urgent order with no clear delivery window, this becomes frustrating for the customer. To make matters worse, in-store pickup wasn't available even if the customer wanted it. The physical store used an entirely different system that couldn't see her online order. If she wanted the dress, she'd have to pay for it twice and then return it, putting all the burden on the customer.

No customer-centric business should inflict this experience on its customers. Digital Fashionistas give the impression of a digital experience, but fail to follow through on that expectation. The result? Buying from them can actually be more frustrating than dealing with traditional retailers. Customers can even feel betrayed if a digital experience breaks down into something slow and difficult to use. These are all pitfalls that you want to avoid.

How Leadership Enables Digital Mastery

To truly transform their businesses digitally and prevent them from becoming Digital Fashionistas, business leaders need to avoid merely being hobbyists when implementing digital technology. They have to think carefully about what they want to achieve, and how they can transform their entire business. If your business leaders can't commit themselves to having a digital-first strategy, then there's no chance at ever acquiring that digital advantage and becoming a Digital Master.

Once business leaders know where they want their business to end up, they must figure out how they can transform the business from within to get there. A digital advantage doesn't come from having a digital strategy in your portfolio, but from it being your highest priority. It should come from the CEO downward, and everyone in the company must be confident in your digital transformation. This is no small feat – it means revamping the customer experience, internal operations, and potentially even the core business model.

Four Keys to Success

In our own work of helping businesses carry out digital transformations, we've identified four key steps to lead such endeavors to success:

1. The Vision: Create a single shared, transformative vision of the digital future you imagine for your business, your employees, and your customers.

2. The Engagement: Engage with your employees at scale to build confidence and make your vision a reality.

3. The Governance: Establish strong digital governance to steer the course of your transformation as it comes into implementation.

4. The Technology: Fuse IT and business communities together to build digital skills while transforming your platforms to support your new vision.

Technology Comes Last

Doing all of this can enable digital mastery, even in industries you'd least expect it. We did it with a utility company with more than 100,000 employees, a firm old-fashioned in its origins but interested in a new digital-first business model. We worked with the CEO and the executive team, who were so focused on this digital transformation they required all employees to quiz themselves on the business and its digital capabilities. They used this quiz to identify employee ambassadors, who would work internally and externally to help promote a consistent digital vision. This company provided each employee a smartphone and developed customer applications to tie its traditional utility operations into an entirely digital experience.

This business is clearly a Digital Master, and its achievements were made possible by creating a consistent digital strategy that could meet the high expectations of our digital world. It fused business, IT, and operations into a companywide mission to be more digital. The company developed a new governance that implemented its operations with a digital-first mindset. It isn't just about having a digital strategy, but about making it your top priority across the company.

That's how your business, no matter its industry, can acquire a digital advantage.

Believe it or not, this also means worrying about technology should come last in designing your digital transformation. Your tech is only as good as your ability to envision its usage in your company and guiding its implementation into every business unit and employee. Strong leadership in your business is not optional in crafting that vision, and it can't be done piecemeal.

"Lloyds Banking Group, the U.K.'s largest retail bank, has initiated a massive migration to deliver digital services. They project to spend £1 billion ... creating better analytics and greater personalization."

Stuart Lauchlan
Lloyds Bank Plans £1 Billion Spend to Secure a Digital Future
diginomica, October 2014

Digital transformations can revolutionize businesses in practically any industry. We've seen it in retail, as Amazon encouraged Macy's and Target to develop new, highly digital ways to shop in-store. As IoT-based startups like Nest change how people buy lightbulbs, long-established companies like Lutron shift their business to meet customers' desires for digital homes. Any business can reinvent itself to give disruptors a run for their money. We see this with businesses like Lloyds Bank, whose digital strategy centered on a transformation two years ago, rather than touting a single digital app.

The Best Time to Start Your Digital Transformation is Now

Every year, we gradually see technology become more powerful in its capabilities and cheaper to implement. The digital world is ubiquitous, and the only way to avoid disruption in your industry is to transform your place in the industry with it – before the disruptors beat you to it. But you need to do it correctly, or you'll just end up turning yourself into a Digital Fashionista and fail to acquire that digital advantage.

This is what Digital Masters are realizing every day, and what every business leader must realize in order to acquire a valuable advantage for the years ahead.

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Before joining Salesforce, Simon occupied key technology and business leadership roles at Capgemini and Vodafone, spearheading transformational initiatives in customer experience, business development, e-commerce, and Saas. He is also a 15-year veteran of the Royal Navy, where he supported major defense and technology programs.

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