

Accenture Interactive – Point of View Series

# Digital Transformation

Re-imagine from the outside-in

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# Digital Transformation

## Re-imagine from the outside-in

Digital is re-imagining the human experience. It is remaking how people live, work, play and connect. Everything is being rethought, simplified and improved—even things people have taken for granted throughout their lives.

Most companies recognize that they cannot turn a blind eye to such a powerful force shaping human behavior. What worked yesterday to attract, engage and retain customers may be fast becoming obsolete. So how can companies develop a customer-relevant digital business when change is the only constant and best practices are being redefined at warp speed?

## Through the digital looking-glass

Business success today requires a customer-focused digital transformation. It starts with prioritizing a superior and relevant customer experience and aligning the organization, processes and technology to power it.

Every digital transformation journey will be different and dynamic because captivating customers means constantly and swiftly adapting to their changing needs.

Leading companies are already re-imagining customer experiences with a strong focus on digital. By giving customers rich experiences in their own languages, Marriott is reaching \$7 billion in annual sales online,<sup>1</sup> while a multichannel commerce solution is enabling Nespresso to offer a more personalized and complete customer experience across 41 countries.<sup>2</sup>

Such efforts to become a customer-relevant digitally powered business are no longer options, they are musts. And for many companies, their ability to embrace digital is quickly becoming a matter of survival. The time to act is now.

A view of the market shows just how important the customer relevance imperative is for business success in a digital world:

- **Brand recognition:** For the first time since Interbrand's top 100 global brand ranking was created in 2000, Coca-Cola was edged out as the number one global brand—by Apple and Google claiming the two top spots. In fact, four of the top five global brands are helping to drive or shape the digital ecosystem.<sup>3</sup>
- **Stock performance:** Watermark Consulting has found that companies with a strong focus on customer experience outperform the market. Six years of stock performance reveal that these companies have a cumulative total return of 43 percent compared to 14.5 percent for the S&P Index. Companies without a strong focus on customer experience lag well behind the market with -33.9 percent return (see Figure 1).<sup>4</sup>
- **Customer loyalty:** Forrester research shows a correlation between customer experience excellence and revenue gains tied to customer loyalty—be it through repeat purchases, lower switching rates or increased word of mouth. The research revealed potential loyalty-related revenue boosts of \$3 billion for wireless service providers, \$2 billion for airlines and \$1 billion for hotels as stand-outs among the industries analyzed.<sup>5</sup>

<sup>1</sup> Accenture, "Marriott International: Web Content Optimization," 2012.

<sup>2</sup> Accenture, "Accenture and hybris Team to Implement Multichannel Commerce Solutions for Global Enterprises," August 5, 2013.

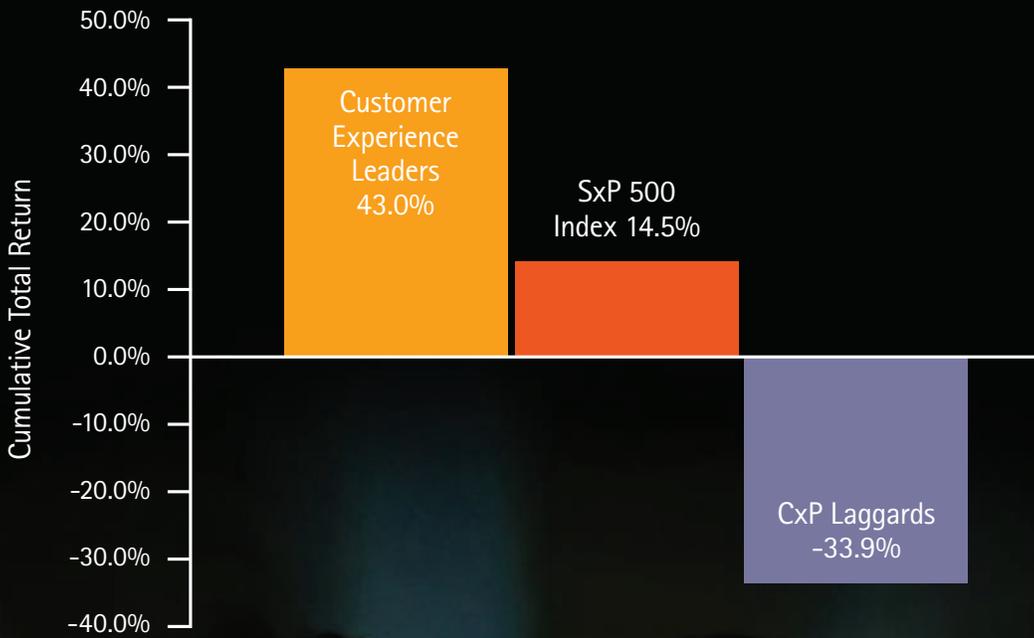
<sup>3</sup> Interbrand, "Best Global Brands 2013," accessed December 3, 2013.

<sup>4</sup> Jon Picoult, Watermark Consulting, "The Watermark Consulting 2013 Customer Experience ROI Study," April 2, 2013, accessed February 18, 2014.

<sup>5</sup> Maxi Schmidt-Subramanian, Forrester Research, "The Business Impact of Customer Experience, 2013," June 10, 2013.

## Figure 1: Customer experience leaders outperform the market

6-Year Stock Performance of Customer Experience (CxP)  
Leaders vs. Laggards vs. S&P 500 (2007-2012), © 2013 Watermark Consulting



Customer experience leaders know that digital is not about being technology-led. They accept and embrace digital realities and think, rethink, and think again about how to be relevant to current and future customers—from creating new experiences and service models to transforming the business.<sup>6</sup> They continually sense and respond to the ways that digital is turning everything around them upside down:

### Customers are empowered at every turn, all the time

The digital world we live in has given rise to the non-stop customer.<sup>7</sup> Consideration and engagement are on their terms.

These customers have heightened expectations for superior and relevant interactions across all digital and physical channels at all times. In fact, many customers are willing to share their personal information for superior customer service.<sup>8</sup> Their path to purchase is complex and far from linear. Customers are increasingly looking for opportunities to act as co-producers of content, experiences—even products and services. This demands synchronicity across the entire value chain.

Customers have the ready means to broadcast their delight and disdain via social media. And they are more than willing to switch providers when they do not get what they want when they want it. In fact, Accenture research indicates that 66 percent of consumers worldwide switched companies due to poor customer service in the past year alone.<sup>9</sup>

Buying decisions are increasingly tied to digital media. This research also shows significant growth in consumers' use and stated influence of digital sources—corporate web sites, online news and review sites, and product comparison sites—for product information.<sup>10</sup> This trajectory suggests that digital channels will continue to outpace traditional channels such as in-store or print advertising as go-to resources.

Savvy marketers understand the significance of this trend. Accenture research reveals that 65 percent of senior marketing executives agreed that consumer relevancy has the longest-term impact on marketing strategy. Yet another reason why getting the digital experience right is so essential.<sup>11</sup>

### Competitors are not what—or who—they used to be

Digital is changing the competitive landscape. Across industries, traditional players are exploring new identities. For example, UK supermarket chain Tesco has entered the entertainment sector with an on-demand video service, the latest new venture built on knowledge accumulated from its loyalty card.<sup>12</sup> And US retail powerhouse Wal-Mart is working with an online university to create online education courses for employees.<sup>13</sup>

Markets are also witnessing the emergence of a whole new breed of passionate digital competitors that pride themselves on following their own playbooks, reinventing services along the way. PayPal challenges age-old boundaries between banking and retail. Tesla has transformed the experience of purchasing a car. Such blurring of the lines between traditional industry boundaries signals new partnerships and ecosystems that are poised to compete with the world's category leaders and disrupt the competitive landscape.

### Technology is enabling people—but disrupting business

There is no doubt that technology has a significant role in the digital revolution. The volume and pace of technology and device innovation is already unprecedented—let alone what tomorrow will bring. And, most companies are struggling to keep pace with the multitude of new platforms.

The importance of technology is not solely a function of technology itself, but rather what it empowers people to do and how it alters the human experience. Greater options and access mean that media, devices and platforms continue to be democratized, influencing more people in more ways. For example, the wearable devices market—which literally connects people to technology—is estimated to grow from \$1.4 billion in 2013 to \$19 billion by 2018.<sup>14</sup>

<sup>6</sup> Accenture, "Growth Strategies for a Digital World," March 2014.

<sup>7</sup> Accenture, "Serving the Nonstop Customer," October 2012.

<sup>8</sup> Accenture Interactive, "Survey Results: Today's Shopper Preferences: Channels, Social Media, Privacy and the Personalized Experience," November 2012.

<sup>9</sup> Accenture, "2013 Global Pulse Research: Digital Customer: It's Time to Play to Win and Stop Playing to Lose," November 2013.

<sup>10</sup> Ibid.

<sup>11</sup> Accenture Interactive, "Turbulence for the CMO: Charting a Path for the Seamless Customer Experience," May 2013.

<sup>12</sup> BBC, "Tesco Trials New On-Demand Film and TV Service," February 12, 2013, accessed December 5, 2013.

<sup>13</sup> Stephanie Clifford and Stephanie Rosenbloom, "Wal-Mart to Offer its Workers a College Program," June 3, 2010, accessed December 5, 2013.

<sup>14</sup> Juniper Research, "Press Release: Mobile Smart Wearable Devices to be Worth \$19 Billion by 2018, Juniper Research Finds," October 15, 2013, accessed December 3, 2013.



# Shattering the status quo

Business models that historically made many companies successful are becoming the bane of their existence. Former strengths like size, structure and culture are fast becoming liabilities as established companies struggle for agility in the digital world. Once the gold standard for information, Encyclopedia Britannica announced an end to printed editions in 2012 after 244 years. In 2010, U.S. Internet ad revenue surpassed newspaper ad revenue 305 years after the first newspaper ad appeared.<sup>15</sup>

Many companies are falling behind nimble new entrants that are setting—even leapfrogging—the pace of change, and are inherently structured to reap the benefits of digital success.

The good news is that all is not lost. There are significant opportunities for companies that embrace digital realities and use them to drive customer relevancy.

For most companies, digital transformation will require reorientation around an “outside-in” lens to deliver enduring customer relevance at scale. Companies should first consider the visible part of their business—everything that customers experience directly. With a clear picture of the customer journey, companies can then align the parts of the business that customers do not see—internal operations and technology infrastructure—because these elements make or break the customer experience (see Figure 2).

## 1 Delight your customers

Companies must understand customers to design delightful omnichannel experiences and services. Customer systems should be relevant, simple and elegant. This is just what digital pioneer Amazon has always prided itself on. Amazon wins with customers because it makes it easy for them to get exactly what they want hassle free, while continually raising the bar on the customer experience.<sup>16</sup>

## 2 Re-orient your business

Companies must tune brand management and the operating model toward customer-centricity and agility while infusing analytics into the core culture. Business systems should be effective, efficient and deliver return on investment. BMW recognized this need to align its internal business operations around its customers, implementing an eKanban system digital solution together with Lear Corp., a car seat supplier, to streamline the supply chain.<sup>17</sup> Performance should be monitored and measured, with changes made as necessary.

## 3 Flex your platform

Optimizing the marketing, content and commerce technology infrastructure—and turning on a dime as needed—powers customer experiences and business operations. Technology systems should be robust, scalable and capable of being deployed quickly. A leading global consumer goods company is extending its digital transformation with the creation of a comprehensive digital dashboard architecture. This flexible technology solution will store data from multiple digital sources and provide a strategic business intelligence platform for analysis, insights and measurement of global digital marketing initiatives.

Making a complete digital transformation means aligning and executing these three elements together, even if maturity among them varies. This could mean accelerating the effectiveness and efficiency of the current business, driving growth. Or it can be differentiating the business by launching new products or services that delight customers. The ultimate reward is breakthrough business performance. This is just what Swedish mobile operator 3 did when it launched the My3 app. Guided by customer insight, the company transformed the monthly bill from an annoyance to a powerful customer engagement tool. The innovative smartphone app gives users access to the information they want while reducing customer service support calls.<sup>18</sup>

<sup>15</sup> Mary Meeker, KPCB, “Kleiner Perkins Caufield Byers Internet Trends 2012,” May 30, 2012, accessed December 3, 2013.

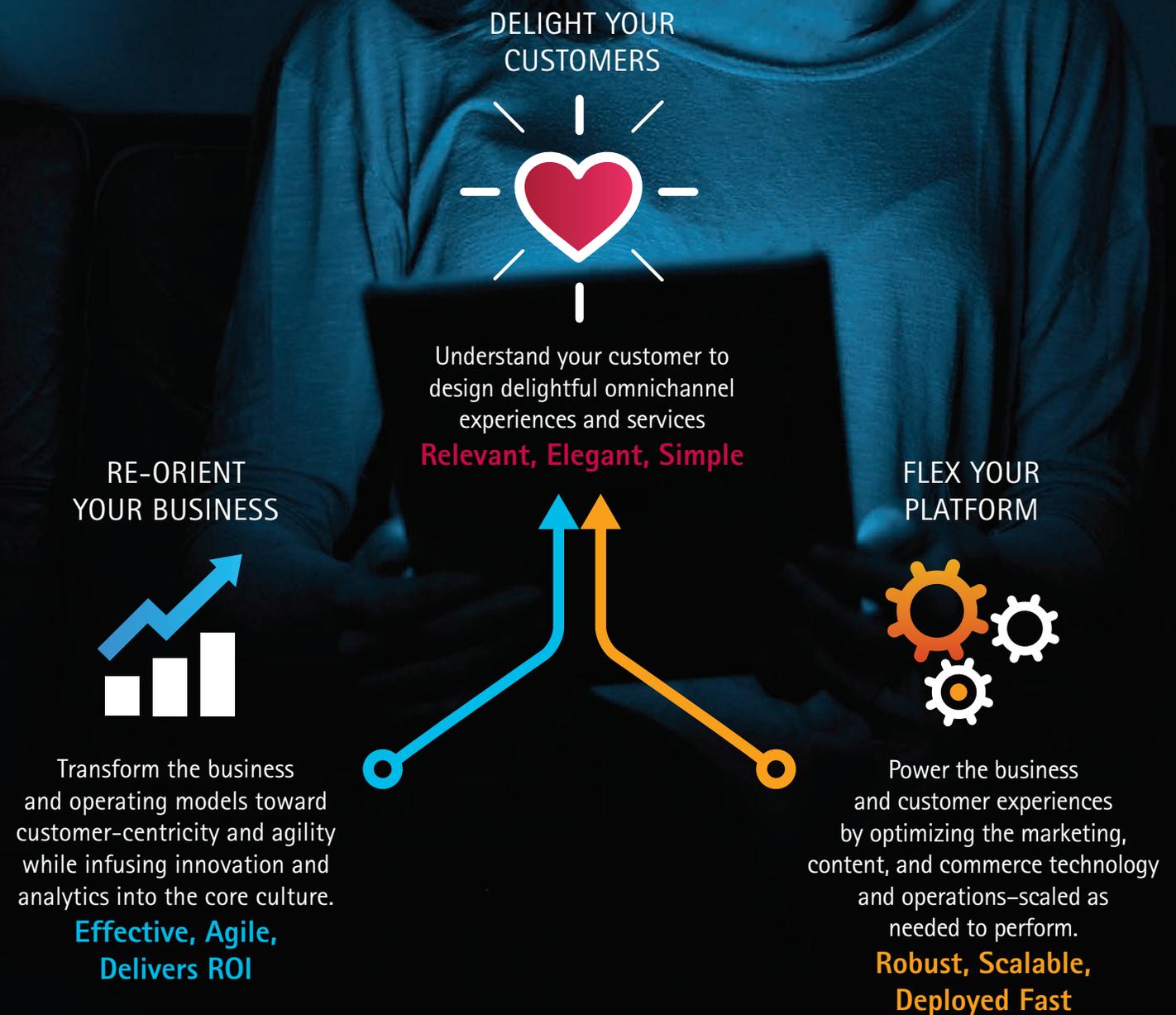
<sup>16</sup> J.J. McCorvey, “AmazonFresh is Jeff Bezos’ Last Mile Quest for Total Retail Domination,” August 5, 2013, accessed December 3, 2013.

<sup>17</sup> Rüdiger Stern and Matthias Ziegler, Accenture, “Outlook Point of View: Are You Ready for the Digital Value Chain?” August 2013.

<sup>18</sup> Fjord, “Making Bills Fun: Creating a Service to Demystify the Phone Bill,” accessed December 3, 2013.

Figure 2: Enduring customer relevance at scale

Enduring customer relevance requires three key elements:



## No journey looks the same

A customer-focused digital transformation is a unique journey for every business. It is one that often includes unexpected detours that allow for continual refinement. A number of factors, such as the extent of industry disruption and market maturity, will influence how the journey proceeds. While a tremendous opportunity, digital transformation is never a quick fix.

Accenture experience reveals that there are five building blocks to enabling digital transformation (see Figure 3). The digital business must be hyper focused on customers. With data management at the core and fueled by expert analytics, insight and content management, a digital business provides fully integrated services for seamless, 360-degree customer experiences. Organizational and cultural changes and the right operating model must underpin these building blocks, and are often the most challenging elements to tackle.

With so much at stake, getting started can be overwhelming. But there are specific actions that companies can focus on today to jumpstart a meaningful digital transformation—keeping the customer experience front and center at every turn:

### Mindset: Broaden the definition of digital

Many companies have blinders on when it comes to their definition of digital. A campaign-driven, technology-led perspective confines digital to a single part of the organization, and is much too narrow for lasting business success. Instead, companies must infuse digital into every aspect of the business, creating an enterprise-wide digital ecosystem that includes people, processes and technologies.

One of the United Kingdom's leading retailers is bringing this understanding to its digital transformation. The company launched a five-year transformation program to reinvent itself as a digital retail leader. This program goes well beyond marketing to include improved business intelligence capabilities, a multichannel platform, cost-efficient supply chain and a new commercial operating model.

### Connection: Discover how in love customers really are

Competitor benchmarking does not always provide the right insights for guiding an effective digital transformation. Because companies have such varying degrees of digital maturity, benchmarking can quickly become an exercise in comparing apples to oranges that nets few actionable insights. Such approaches also miss a key metric for the customer-focused digital business. Namely, how do customers feel about the company? Do they view the customer experience as being relevant enough? Will the quality of interactions keep them coming back?

As part of their digital transformation, companies can augment traditional benchmarking practices, pursuing new ways to get a pulse on true customer satisfaction. This includes measuring rational and emotional appeal. APCO Worldwide's 100 Most Loved Companies index is one example of this kind of tool, as rankings reflect an emotional linkage rooted in understanding customers' feelings about brands.<sup>19</sup>

Figure 3:  
Building blocks of a digital business



## Leadership: Build momentum from the top

Digital transformation must start at the top of the organization and permeate through it—the entire C-suite must be committed and work in a highly collaborative manner toward shared goals. There is no prescriptive approach as the CEO, CIO, CMO, or ideally a combination of C-level executives, could lead the transformation depending on a company's circumstances. Some companies are looking to the leadership of an emerging C-level role here such as the chief experience officer (CXO). Gartner reports that 19 percent of business leaders expect to see a chief digital officer by 2014 and 17 percent expect to see a chief data officer.<sup>20</sup>

Burberry's evolution from a quintessentially British brand to a recognized global digital groundbreaker reveals the power of C-level digital champions. Former CEO Angela Ahrendts—who was recently hired by Apple to oversee its retail and online stores—is largely credited with spearheading the company's much-heralded transformation.<sup>21</sup>

## Education: Teach the power of digital

In many organizations, digital expertise is held by a select few. Moving forward, it is imperative that digital knowledge goes beyond isolated pockets to become embedded throughout the organization.

Recognizing the need for consistent digital training, Unilever set up a Media Lab in India—adding to a similar hub in Shanghai—to share leading digital practices and emerging approaches and tools.<sup>22</sup> Nestlé's Digital Acceleration Teams bring marketing managers together from different regions for an intense eight-month digital training program. Participants emerge as digital champions, ready to engage with customers in new ways.<sup>23</sup> Such programs can be structured to reflect digital maturity at in-market levels.

## Teamwork: Encourage digital accountability

An essential part of digital transformation is to make structural changes that enable collaboration, not just in name only, but in practice. Companies can set digital key performance indicators for personnel in all areas of the organization—and reward high performers with incentives.

## Entrepreneurship: Commit to never being satisfied

Truly owning the mantle of the digital business means always being willing to think and work like the best of them. Throughout the digital transformation, companies should ask themselves, "What would Apple or Google do in this situation?"

This entrepreneurial spirit can lead companies to exciting opportunities to innovate outside of their comfort zone—where the magic happens. This is what Turkey's Garanti Bank did when it created iGaranti, a mobile-only banking service that allows customers to create their own customized banking service.<sup>24</sup> Nike, with innovation part of its DNA, created Nike+, which uses a pedometer placed in the shoe to engage customers around their individual athletic performance—opening the door to the increasingly popular "quantified self" market.<sup>25</sup>

## Planning: Invest beyond the here and now

Digital gains are not necessarily immediate. Companies must be patient, pursuing digital transformation as part of a lasting vision for change, making long-term investments rather than focusing only on point solutions that promise an immediate payoff. Planning and creating a customer journey blueprint are essential to coordinate efforts around all three elements of the customer-relevant digital business.

Nespresso is doing this today. The company is beginning a longer-term transformation program to delight customers and align the business around it. The initiative includes a single, streamlined, interactive platform designed to create more consistent and seamless customer experiences underpinned by agile and flexible business processes that support local market needs.<sup>26</sup>

<sup>19</sup> APCO Worldwide, "Disney, Yahoo!, Google Top List of 100 Most Loved Companies," October 10, 2013, December 3, 2013.

<sup>20</sup> Gartner, "CEO and Senior Executive Survey 2013: As Uncertainty Recedes, the Digital Future Emerges," 2013.

<sup>21</sup> Sheena McKenzie, "Angela Ahrendts: The Burberry CEO Who Reinvented a Heritage Brand for the Digital Age," October 15, 2013, accessed December 3, 2013.

<sup>22</sup> Sagar Malviya & Amit Bapna, "Hindustan Unilever sets up digital media lab in Mumbai to train managers," July 26, 2013, accessed March 5, 2014.

<sup>23</sup> YouTube, "Nestlé Digital Acceleration Team," accessed December 3, 2013.

<sup>24</sup> The Paypers, "Garanti Launches Socially-Integrated Mobile Banking Service," August 28, 2013, accessed December 3, 2013.

<sup>25</sup> Mark Parker, "Nike 2011 Shareholder Letter," July 13, 2011, accessed December 3, 2013.

<sup>26</sup> Accenture, "Accenture and hybris Team to Implement Multichannel Commerce Solutions for Global Enterprises," August, 5, 2013.

## Putting it all into perspective

Who are  
the future  
customers?

Is the business  
delighting  
customers—  
anywhere and  
every time?

Who are the  
future competitors  
and partners?

What will  
the business  
become?

Digital transformation is not for the faint-hearted. It pushes companies to take stock of who they are—and what they could become. That alone is hard work. But amid the inescapable realities of new customers, new competitors, new partners, and new technologies, success cannot be left to serendipity.

The business imperative for all is to achieve enduring customer relevance at scale through a customer-focused digital transformation. Whether companies perceive digital as a threat, a challenge or an opportunity, those that ignore it do so at their own peril.

Moving forward, companies will need to pursue digital transformation in order to survive, let alone be market leaders. It is often complex and requires thoughtful investment. Yet the vision must be to continually renew the strategy, culture, operating model and infrastructure to flex the business on an ongoing basis. Because anticipating customers' needs and exceeding their expectations is essential in a customer-relevant digital world.





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## About Accenture Interactive

Accenture Interactive helps the world's leading brands delight their customers and achieve superior marketing performance across the full multichannel customer experience. As part of Accenture Digital, Accenture Interactive works with over 23,000 Accenture professionals dedicated to serving marketing and digital clients to offer integrated, industrialized and industry-driven digital transformation and marketing services. Follow @AccentureSocial or visit [accenture.com/interactive](http://accenture.com/interactive).

## About Accenture

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