experian™

Mastering the customer experience

Why insights-driven businesses are winning in the digital age

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Methodology

Experian produced this study in July 2018 to understand digital transformation progress, challenges, and priorities within U.S. organizations. We were eager to learn how organizations today leverage data and analytics capabilities to achieve organizational priorities.

The survey was conducted by Insight Avenue on behalf of Experian and focused on 501 employees in U.S. organizations with visibility and knowledge over digital transformation plans, and how data and analytics are affecting that effort.

Survey respondents were from organizations of more than 250 employees and represented an array of industries, such as: information technology, business services, finance and insurance, retail, telecommunications, public sector, education, and healthcare.

Foreword

When I think of catalysts for innovation today, data immediately comes to mind. Organizations across all industries are leveraging their data assets to deliver better customer experiences, improve operational efficiencies, drive additional revenue, and comply with regulation. Data by itself, however, doesn't drive innovation. It needs to be applied strategically to a larger program or initiative to deliver maximum value to the business.

A big point of conversation among global business leaders lately is the concept of digital transformation or digitalization. At Experian, we believe data plays a critical role in enabling organizations to take part in those efforts.

This summer, we conducted a unique study to uncover the drivers behind digital transformation efforts and the challenges many organizations encounter. We learned that quality data does, indeed, play a critical role in digital transformation initiatives. We also learned that, for the most part, customer experience is the leading objective for organizations' digital transformation efforts.

Despite these encouraging findings, we also uncovered that almost all organizations struggle to deliver the experience they would like, and data isn't always in a suitable state to be used for this purpose.

There is a lot to say about the journey through digital transformation. Our study shows that while businesses are at varying levels of digital maturity, most organizations are relatively advanced when it comes to their digital acumen.

The increased adoption and optimization of digital channels is evidence of the work organizations have been doing to become more digitally adept. But, like anything, there are areas where businesses struggle. In many cases, it's around finding the right talent to execute on digital transformation strategies.

By embarking on this deep dive around digital transformation, we hope to share valuable insight to help all businesses power the best data-driven outcomes, today.

Simone Lima
General Manager
Experian Data Quality

A new world order

Business leaders today recognize a myriad of benefits the digital economy has to offer: improved customer experience, better insight for decision-making, accelerated product innovation, and so on. Despite the numerous advantages afforded by digital business, however, organizations are facing an increasingly competitive marketplace and changing consumer expectations.

Take retail, for instance, where the traditional big box stores are seeing their business models upended by nimbler E-commerce competitors. Likewise, in the financial sector, pressure from fintech companies is forcing many of the big banks to digitalize their product portfolios. Across all industries, changing market forces are ushering in a wave of customer centricity.

It is fair to say that digital business is increasingly becoming the new normal for revenue generation today. While industry analysts predict that the transition from traditional business models to digital business will accelerate in the years to come, forward-looking business leaders want to be ahead of the curve to maximize their revenue potential.

According to our study, businesses today estimate that an average of 45 percent of their revenue is directly or indirectly attributed to digital activity. What's more, those same businesses expect that figure to increase to 55 percent by 2020—a compound annual growth rate (CAGR) of nearly 11 percent. This also marks an important milestone at which digital revenue is expected to surpass all other revenue channels.

Interestingly, those working in financial services tend to attribute one of the highest revenue rates to digital activity today, and that number jumps to 59 percent by 2020—well above the national average for other industries.

Businesses estimate that revenue attributed directly or indirectly to digital activity will grow by a CAGR of nearly **11%** in the next two years.
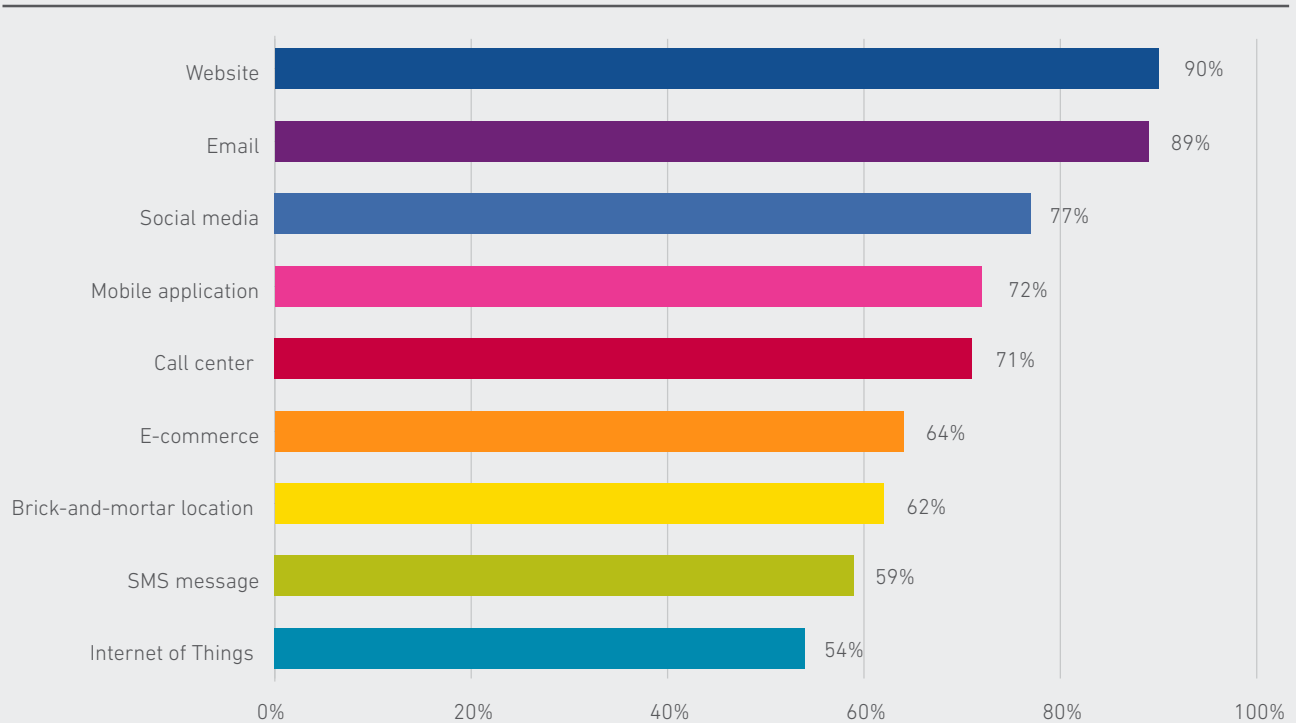
The explosion of digital channels

The digital economy is changing the ways in which businesses communicate with customers and prospects. More and more, we are seeing organizations allocate marketing dollars to digital channels. As you can see in **Chart 1**, 90 percent of organizations use their website to interact with and collect data from consumers, and just as many businesses (89%) say that they use email to communicate with their customers.

In today's market, businesses need to be wherever their customers are and ready to serve them in their moment of need. As such, other digital channels businesses use today include social media (77%) and mobile applications (72%). We see this widespread adoption of digital channels as an encouraging sign that organizations are adapting to meet changing customer expectations.

Most surprisingly, more than half of organizations in our study (54%) say they are already adopting the Internet of Things (IoT). The IoT includes everything from smart home appliances, to wearable devices, and to just about any other Internet-connected device you can think of. While the use cases and applications of IoT data can vary widely, it is a positive sign of digital transformation to see just how many companies today are collecting and leveraging this information.

Taking all these digital channels into account, we are reminded that the market is much noisier than ever before, and consumer attention is much more divided. That's why the most successful digital businesses are able differentiate themselves, provide innovative services, and operate efficiently—and they use data to inform those tactics.

Chart 1
Channels used for customer communications

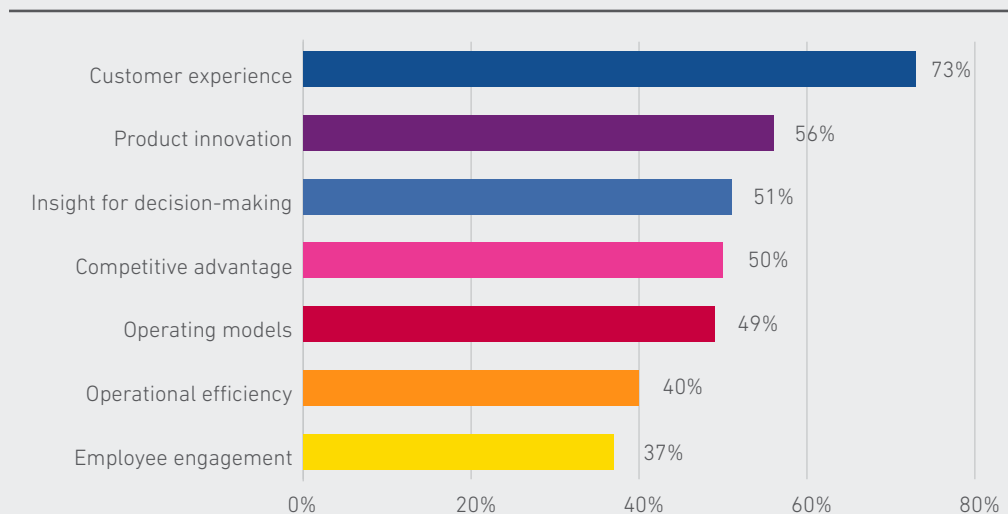| Channel	Percent
Website	90%
Email	89%
Social media	77%
Mobile application	72%
Call center	71%
E-commerce	64%
Brick-and-mortar location	62%
SMS message	59%
Internet of Things	54%

Data is the differentiator

The ability to fully leverage data assets is quickly becoming a leading differentiator in the digital economy. Our research shows that businesses today are using their information for a wide range of strategic initiatives. What's at the top? As shown in **Chart 2**, customer experience is cited as the top objective for digital transformation by more than three-quarters of businesses today (76%). Next, initiatives around product innovation (56%), decision-making (51%), and competitive advantage (50%) are each cited as top objectives for more than half of our survey respondents.

Thriving in the digital economy means having access to data that you can trust. That's why nearly every business we spoke with (92%) said that high-quality data is the fuel for their digital transformation efforts. Despite that acknowledgment, only 39 percent of organizations believe they can effectively enable the use of trusted data across the business today. To capitalize on the benefits of the digital economy, 90 percent of organizations say that enabling trusted data across the business is an ongoing priority for them.

Another sign of a developing data-driven business model is the inclusion of third-party data. While organizations today sit on a trove of information, missing essential pieces of information can prevent businesses from using their data effectively. For instance, a business might have telephone numbers for its customers, but it might not know if those numbers are for landline or mobile phones. If they intend to leverage telemarketing in the future, compliance with the Telephone Consumer Protection Act (TCPA) is mandatory—and marketing to mobile devices can result in steep fines.

In that instance, a business might opt to append that information from a third party to enable more effective marketing practices and stay in compliance. Likewise, more digitally advanced companies might append demographic, financial, or behavioral information to their consumer records to enable more effective decisioning and unlock revenue opportunities. Accordingly, our study found that 82 percent of organizations plan to integrate third-party data as part of their digital transformation efforts.

Chart 2
Strategic objectives for digital transformation efforts

Objective	Value
Customer experience	73%
Product innovation	56%
Insight for decision-making	51%
Competitive advantage	50%
Operating models	49%
Operational efficiency	40%
Employee engagement	37%

Digital transformation maturity

Industry experts and business leaders talk a great deal about the transformational power of the digital economy, but the reality is that organizations are at varying levels of maturity when it comes to digital transformation.

As part of our study, we categorized organizations into four distinct groups (novice, emerging, developing, and strategic) based on their level of digital sophistication, as described in **Figure 1**. What we found was that most organizations (65%) are either at the "strategic" or "developing" stages of digital maturity, which you can see in **Chart 3**.

What does that mean? Organizations at the highest strategic level (30%) have overarching digital visions, many digital initiatives, strong digital governance, and integrated digital cultures.

Those at the developing stage (35%) have many advanced digital features in parts of the business, but they tend to have under-developed digital coordination and silos within the organization that prevent data from being used as a strategic asset across the enterprise.

Figure 1
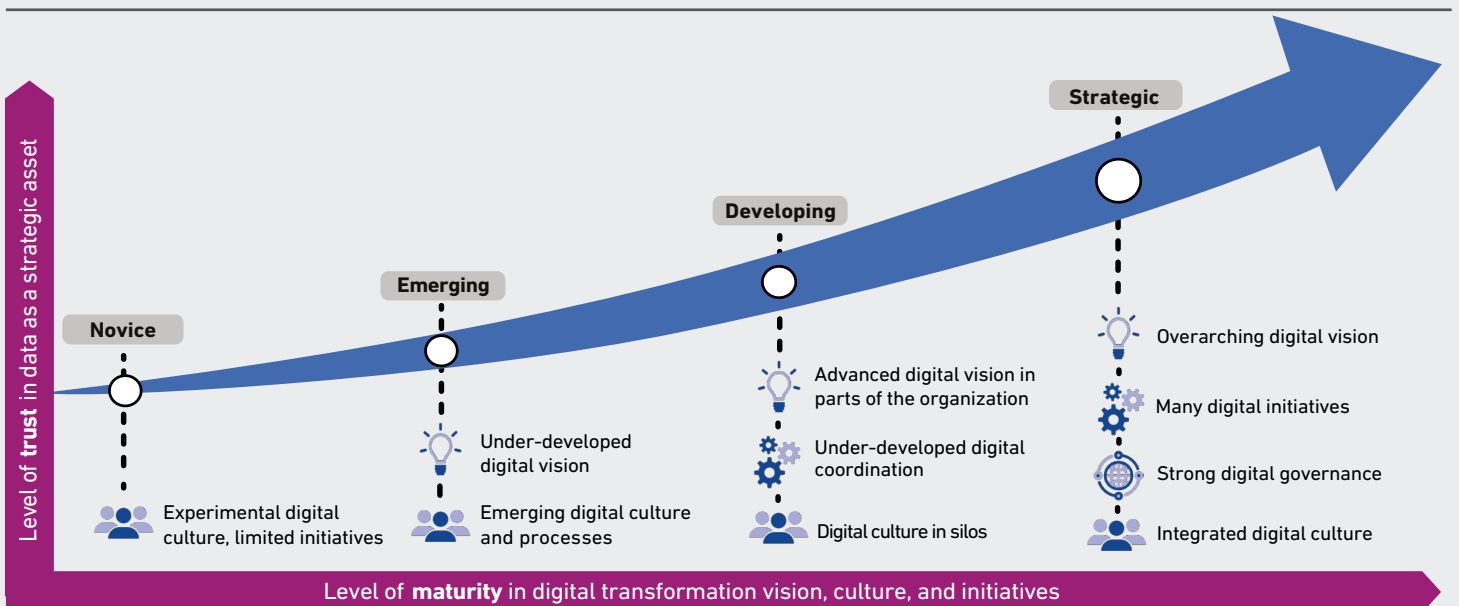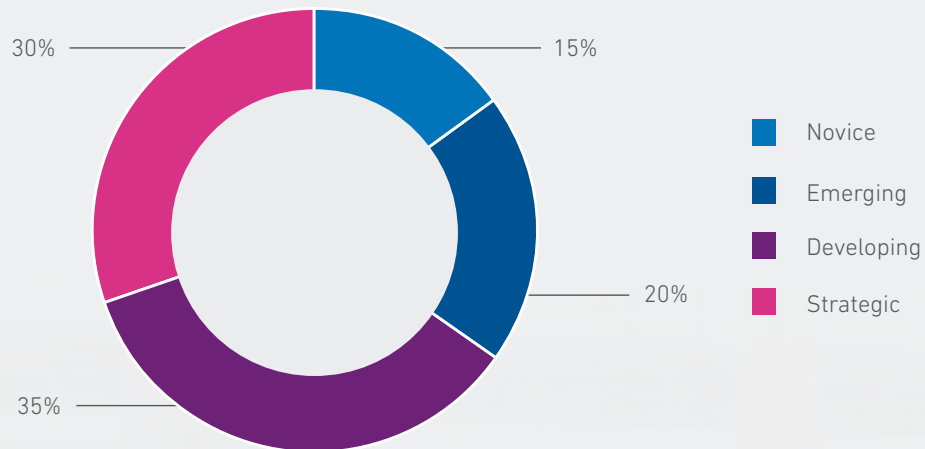Digital transformation maturity curve

Chart 3
Digital transformation maturity

15%
Novice

20%
Emerging

35%
Developing

30%
Strategic

Legend:
- Novice
- Emerging
- Developing
- Strategic

While it is encouraging to see most organizations in these advanced stages of digital maturity, organizational silos remain a barrier to reaching strategic levels of digital transformation.

Just over a third of businesses (35%) fall within the bottom two stages of digital transformation maturity: these are the "emerging" and "novice" stages. Those in the emerging stage (20%) frequently have an under-developed digital vision and culture and processes that are just beginning to advance.

Lastly, organizations in the earliest stage of digital transformation, which we call the novice stage (15%), are characteristically experimental and have a rudimentary digital culture with limited initiatives. These organizations have the most work to do to catch up with the pack when it comes to embracing digital transformation.

Digital transformation challenges

Embracing digital transformation is much easier said than done. To that end, nearly every company we spoke to (96%) say that they experienced at least one challenge with their digital transformation efforts. **Chart 4** shows a breakdown of the top challenges organizations face.
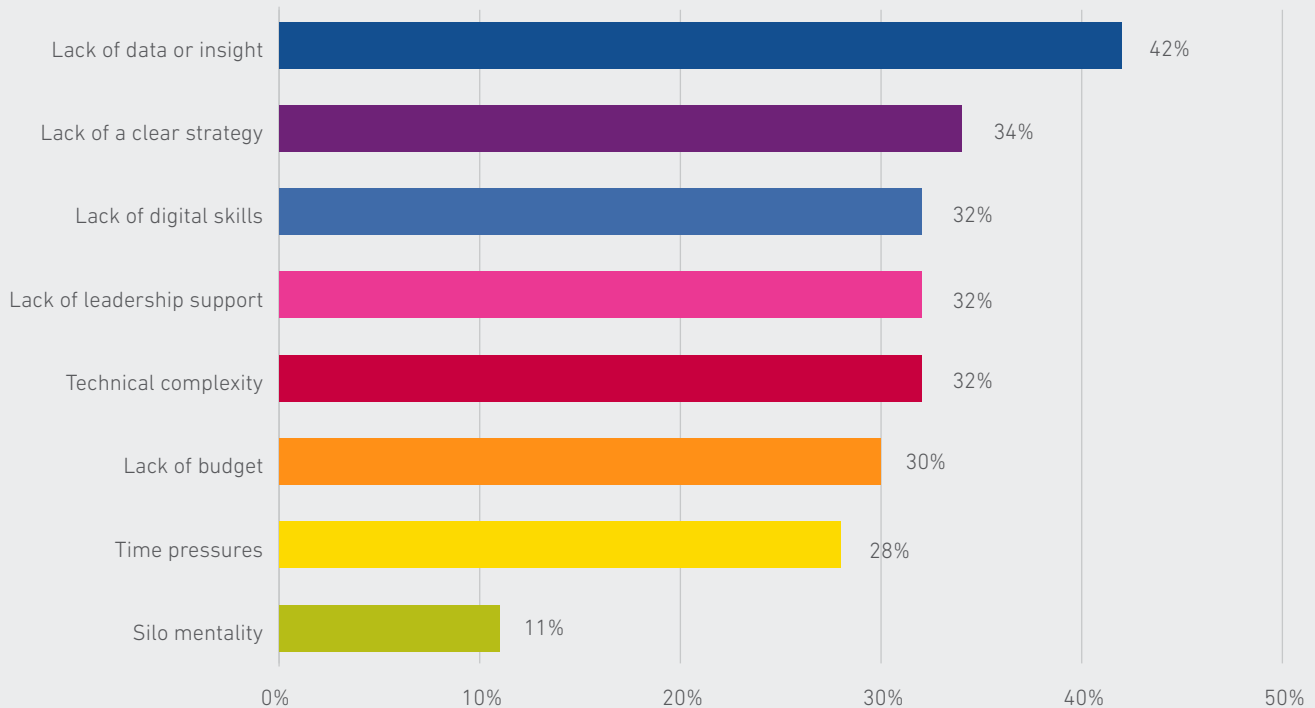
At the top of the list is a lack of data or insight into customer needs (42%). While the pervasiveness of this challenge depends largely on the stage of digital transformation an organization is in, it is interesting to note that organizations at either extreme are more likely to identify this as an issue. For instance, we see that 62 percent of organizations in the novice stage and 50 percent in the strategic stage experience this challenge.

Meanwhile, those in the middle two levels of maturity are much less likely to see a lack of data insight as a challenge. Here we see 29 percent of organizations in the emerging stage and 34 percent of those in the developing stage experience this challenge. Why is there such polarization around this? We believe that it is likely that the more strategic businesses have enough insight into their data to really understand what is missing from an analytics perspective, and

96% of organizations experience at least one challenge with their digital transformation efforts.

Chart 4
Biggest challenges with digital transformation

Challenge	Percentage
Lack of data or insight	42%
Lack of a clear strategy	34%
Lack of digital skills	32%
Lack of leadership support	32%
Technical complexity	32%
Lack of budget	30%
Time pressures	28%
Silo mentality	11%

those at the novice level are overwhelmingly aware of the lack of insight they have. Those in the middle two levels, however, may be unaware that their customer data may have serious flaws.

In addition to this lack of data and insight, more than one-third of organizations cite a host of other challenges when it comes to embracing digital transformation. These include things like poor planning and a lack of strategy, a lack of digital skills to execute strategy, a lack of senior management support, overwhelming technical complexity, and a lack of budget or resources.

The common theme throughout all these challenges has to do with strategy and the execution of that strategy. Before jumping into digital transformation projects, organizations should ensure their digital strategy is built upon a solid foundation.

Considering the number of obstacles holding back progress with digital transformation, perhaps the most significant hurdle businesses face is one that is not so readily apparent: data quality. According to our study, three out of four organizations (75%) say that poor data quality has made it challenging to achieve their digital transformation plans.

Bad data can result for a number of reasons, such as silos between data, unstandardized or duplicate data sets, and inaccurate information. In addition, many organizations are running on legacy mainframes that cannot handle today's data demands. In fact, 89 percent of the businesses we surveyed said that meeting their digital transformation plans will require a data migration of one or more of their systems.
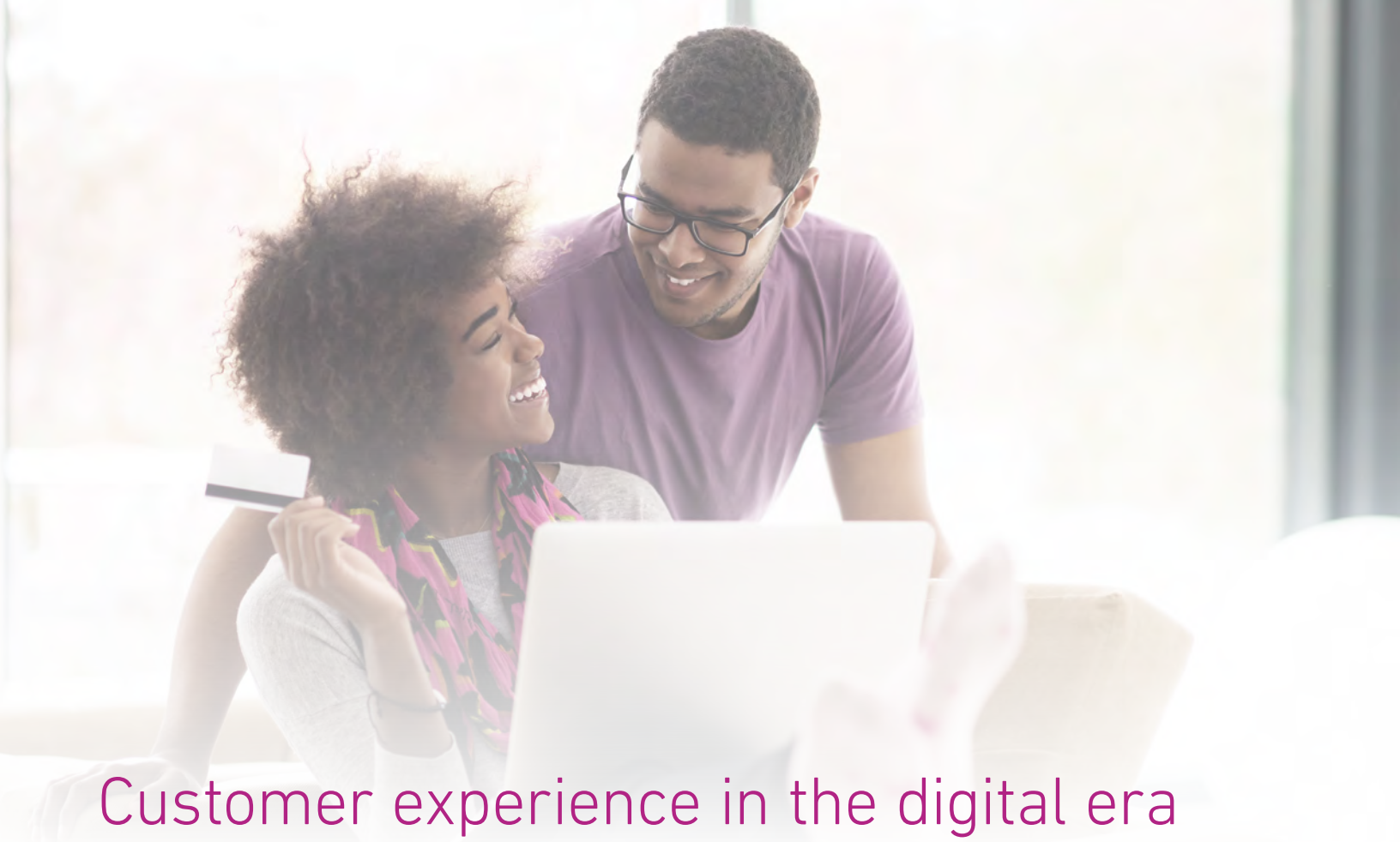
The point here is that embracing digital transformation is dependent on having access to data—but that data needs to be high-quality and ready for use. However, that's simply not the case today for three-quarters of businesses.

Compounding the issue is a lack of skilled employees who can enable digital transformation. Consequently, 73 percent of the businesses we surveyed say that their organization lacks the necessary talent today to drive their digital transformation plans. This can be a major problem for those looking to maneuver their organizations though the digital economy. Without the necessary staff and tools in place to govern, analyze, and operationalize data assets, most digital transformation plans will never make it past the boardroom.

75% of organizations say that poor data quality has made it challenging to achieve digital transformation plans.

Start building a business case for data quality today. Download our white paper to learn how!

Tell me more

Customer experience in the digital era

In the digital economy, customer experience is critically important, and it's something that nearly every business is focused on. Our study found that 91 percent of U.S. organizations say they want to provide the best customer experience in their markets, and embracing digital channels is quickly becoming a big part of that mission. In fact, customer experience is increasingly the primary objective for driving digital transformation efforts, as shown through our research. Nearly all the businesses we surveyed (90%) say that embracing digital transformation is critical to their ability to provide an excellent customer experience.

It is not surprising that when it comes to bringing customer experience into the modern era, business leaders are looking to their data for the answers. Our study revealed that nearly all businesses today (99%) use data to improve the digital customer experience in one way or another. This data can come from a number of sources, including data that is provided by the consumer, data that is created by employees, data that is acquired from a third party, and more. Today, most organizations use some combination of their own and third-party data to improve their customer experience.

90% of organizations say that embracing digital transformation is critical to their ability to provide an excellent customer experience.

Acquiring customers in the digital era

How exactly are organizations using their data for customer experience initiatives? Let's start at the beginning because, in the digital era, the first impression you make may very well be your last. That's why organizations are paying more attention to their customer acquisition and on-boarding strategies.

It's well known that getting new customers in the virtual door can be expensive and time consuming. Accordingly, almost every company (96%) experiences challenges with digital customer acquisition. More than one-third of organizations say they face issues with: customer information that is spread across the business, the quality of information coming from the customer, the speed of fulfillment, and issues in validating individuals' identities.

In the digital era, many organizations rely on online forms or applications to acquire new customers—a particularly prevalent tactic used in financial services. Yet, 28 percent of businesses cite application or form abandonment as a challenge to acquiring new customers. In fact, organizations estimate that more
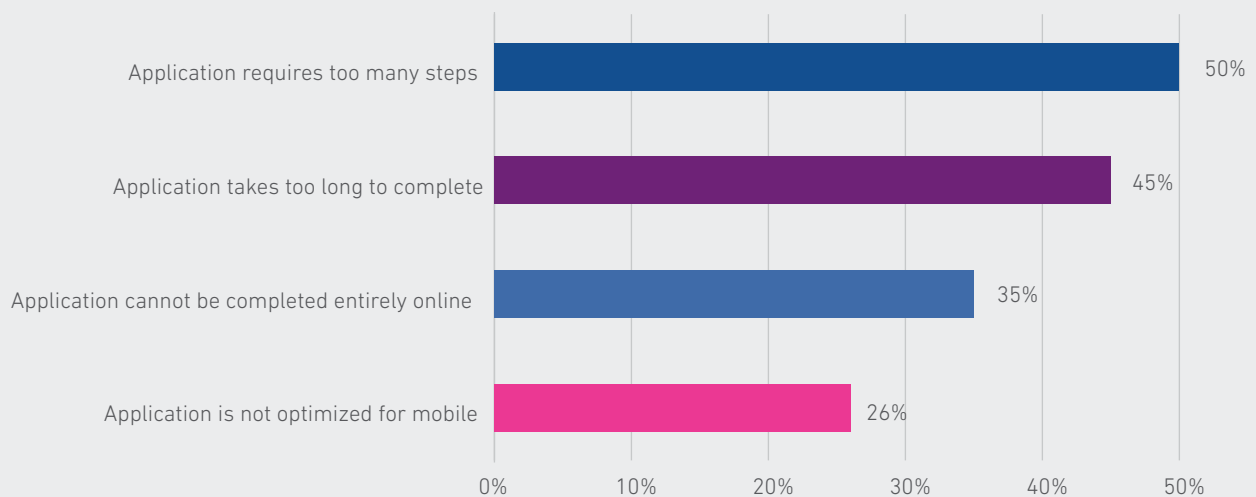
than a third of people (35 percent) who start an online application abandon them, on average.

As shown in **Chart 5**, online applications are typically abandoned for a number of reasons, including: applications that require too many steps, application processes that take too long to complete, applications that cannot be completed entirely online, or forms that are not optimized for mobile. To win more customers in the digital era, organizations need to improve the online application process to be faster and simpler all around.

We can help remove friction from your online applications and increase your conversion rate!

Tell me more

Chart 5
Extent and reasons for online application form abandonment

Reason	Percentage
Application requires too many steps	50%
Application takes too long to complete	45%
Application cannot be completed entirely online	35%
Application is not optimized for mobile	26%

Measuring the customer experience

Using data to improve customer experience is both an art and a science. It requires a deep understanding of your customers' behaviors and preferences, and it also requires a certain finesse to deliver truly humanized experiences.

When it comes to the science of improving the customer experience, almost all organizations (98%) say that they routinely use data to monitor and measure customer experience in some way. For instance, more than half of organizations (54%) say that they analyze customer transactional data or collect survey data (51%) to improve their experiences. Many businesses also use social media (49%) to gain insight on their customer experience.
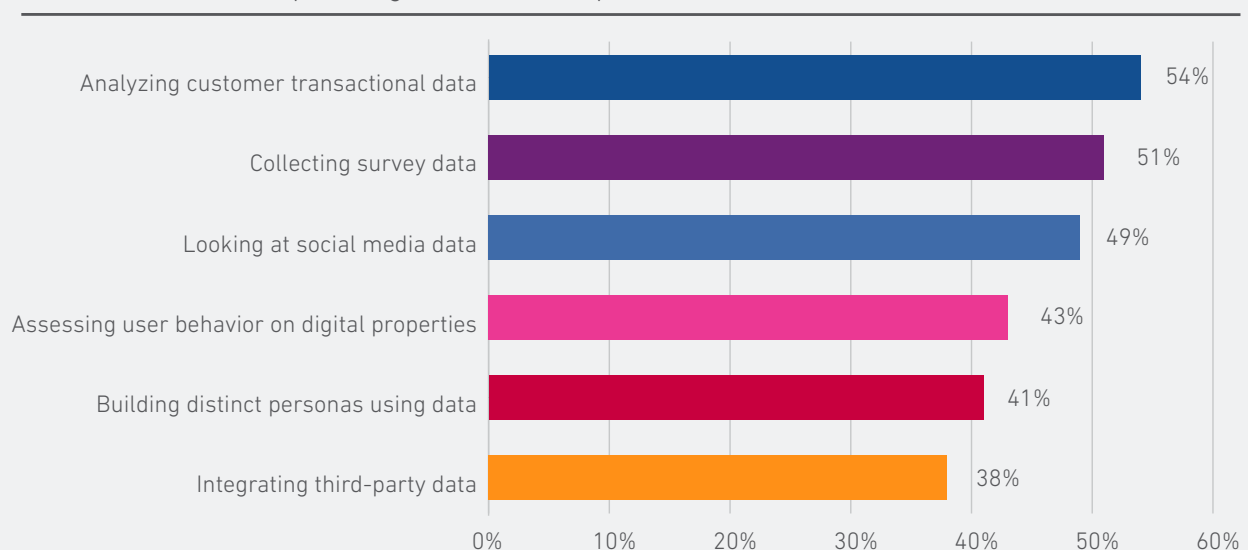
Chart 6 shows the other ways in which data is being used to improve the digital customer experience. It is worth noting that businesses in the strategic stage are around 10 percent more likely to report using these tactics.

When it comes to measuring customer experience, most organizations report using customer surveys like net promoter scores, looking at repeat customer visits, checking social media, monitoring additional revenue by client, and performing win/loss analyses.

Once again, organizations that are at the strategic level of digital transformation are more likely to measure these areas. With that said, only 73 percent of businesses say that they have the ability to take actions to improve the customer experience based on the metrics they measure.

While there are a number of reasons why businesses struggle to take action based on their findings, many times it is a result of simple information overload. In fact, 22 percent of those we surveyed agree that it is often too difficult to prioritize the projects they should focus on.

Chart 6
How data is used to improve digital customer experience

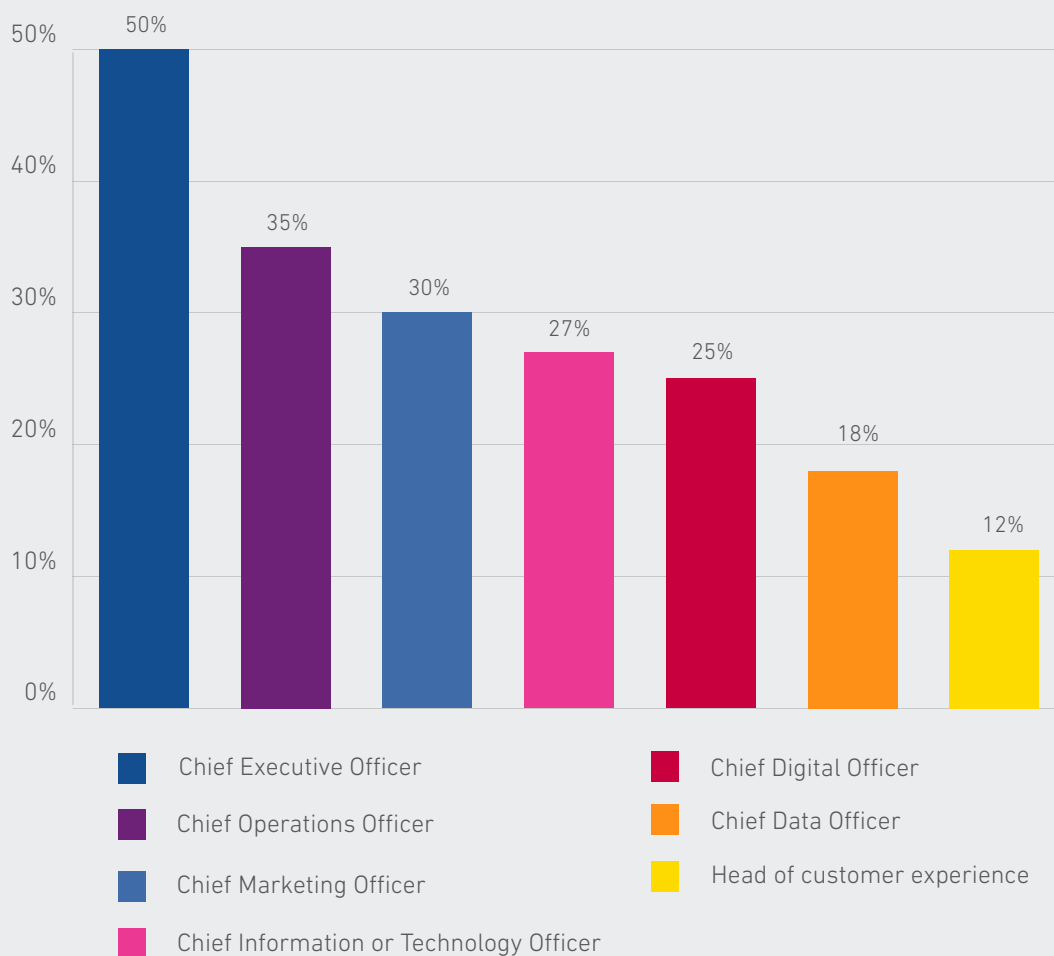| Category	Percentage
Analyzing customer transactional data	54%
Collecting survey data	51%
Looking at social media data	49%
Assessing user behavior on digital properties	43%
Building distinct personas using data	41%
Integrating third-party data	38%

Influencing the customer experience

While the responsibility for customer experience traditionally fell under the purview of the CEO, it is now something that many might argue should be the responsibility of marketing or operations. According to those we surveyed, half of organizations today (50%) still say that the CEO has the largest influence over customer experience efforts; however, roles like the chief operations officer and chief marketing officer are gaining significant traction, as shown in **Chart 7**.

While the CEO is more likely to be involved in customer experience initiatives at organizations that fall into the novice stage, companies that are strategic around digital transformation are more likely to have a chief data officer involved in their customer experience efforts. This means that data-driven roles, like the chief data officer, have much more influence over customer experience initiatives at organizations with advanced digital maturity levels.

Chart 7
Most influential roles for driving customer experience efforts

- ■ Chief Executive Officer — 50%
- ■ Chief Operations Officer — 35%
- ■ Chief Marketing Officer — 30%
- ■ Chief Information or Technology Officer — 27%
- ■ Chief Digital Officer — 25%
- ■ Chief Data Officer — 18%
- ■ Head of customer experience — 12%

Addressing customer experience challenges

While most organizations today recognize the importance of customer experience to their overall success, our study revealed that nearly every business today (97%) experiences challenges in providing an excellent customer experience.

Chart 8 shows the top challenges most businesses face when it comes to their digital customer experience. As you can see, many organizations (39%) say they lack the customer insight and data required to provide excellent customer experiences. While a lack of data is certainly an issue, we believe a lack of visibility and integrations between existing data sets is compounding the issue.
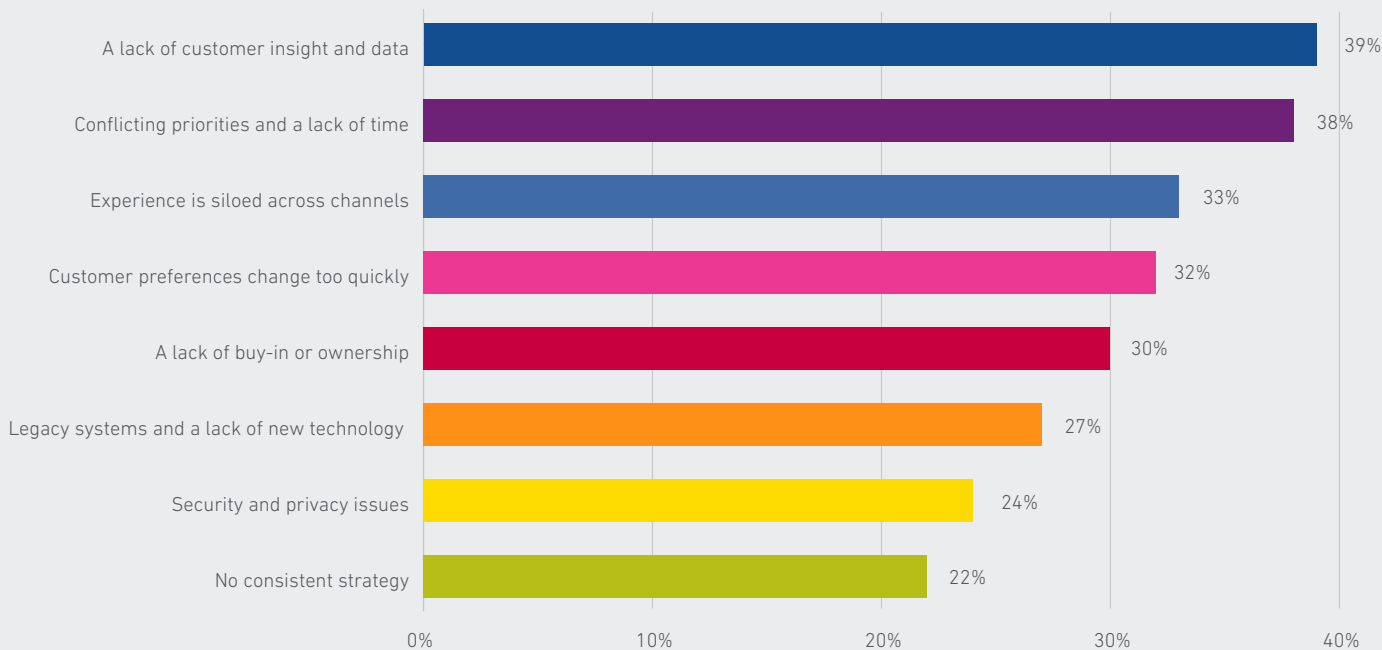
More than one-third of organizations say the customer experience is siloed across many channels, which

makes it difficult to manage. That's why organizations should bring together their customer data from all channels and areas of the business into a single source of truth.

Another 38 percent of businesses simply do not have the time, or other priorities take precedence. With so much riding on customer experience nowadays, a lack of priority should never be allowed to get in the way. Organizations should take a page from industry leaders in customer experience and create dedicated customer success or advocacy teams that can drive the strategy forward and measure progress.

Lastly, the ways in which customers want to interact changes too frequently to provide a consistent and scalable experience for 32 percent of businesses.

Chart 8
Biggest challenges in delivering excellent customer experience

Challenge	Percentage
A lack of customer insight and data	39%
Conflicting priorities and a lack of time	38%
Experience is siloed across channels	33%
Customer preferences change too quickly	32%
A lack of buy-in or ownership	30%
Legacy systems and a lack of new technology	27%
Security and privacy issues	24%
No consistent strategy	22%

Reliable customer insight

Succeeding in the digital economy requires a consolidated view of consumer data. While many organizations recognize the importance of having reliable customer insight, just two-thirds of businesses today (66%) say they already have a single customer view. Another 29 percent are planning to establish one over the next 12 months.

While the number of organizations saying they have a single customer view is encouraging, their definitions of what that means can vary significantly. Many might not actually have a single source of truth across multiple domains. To that end, we found that at organizations where there is a single customer view today, nearly 30 percent do not have a view across all channels (including digital and brick-and-mortar).
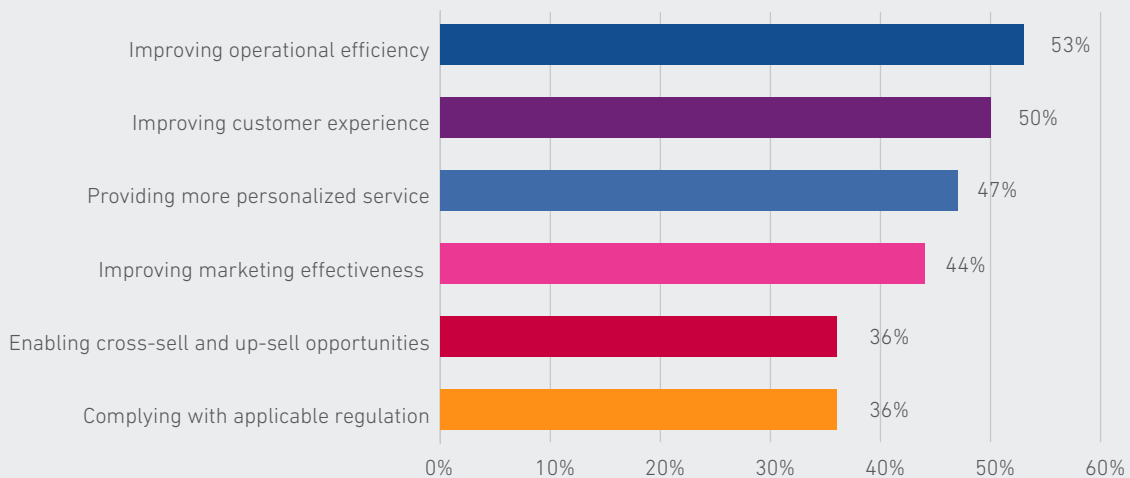
While it is certainly a positive sign to see most organizations trending in the right direction, far too many are creating their single customer views in departmental silos. These businesses will want to expand their single customer view to not only include data from other departments and digital channels, but also from physical channels.

Knowing more about your customers is generally a good business practice, and having reliable customer insight is shown to support digital transformation efforts in a number of ways, as shown in **Chart 9**. For the most part, organizations say that having a single customer view helps them to increase operational efficiency and improve the customer experience—a key driver we have discussed at length for digital transformation efforts.

Beyond that, having a single view of customers can help to provide more personalized service (47%) and improve marketing effectiveness (44%). Lastly, for 36 percent of organizations, a single customer view can help comply with applicable regulations.

Chart 9
How a consolidated view of customer data supports digital transformation

Category	Percentage
Improving operational efficiency	53%
Improving customer experience	50%
Providing more personalized service	47%
Improving marketing effectiveness	44%
Enabling cross-sell and up-sell opportunities	36%
Complying with applicable regulation	36%

In perspective

Governing data in the digital world

Kevin McCarthy, Director of Product Marketing, Experian

Data governance seems to be the darling of IT topics lately. As nearly every large organization tries to leverage their data for one reason or another, they are realizing that their information assets need to be managed and governed appropriately to unlock their true potential—and to protect the business from risky decision-making. For this reason, data governance has become a cornerstone of most enterprise data management programs. Our study finds that more than half of businesses today (62%) have a full data governance strategy in place, and another 29 percent have data governance in parts of their business.

It goes without saying that data governance and digital transformation go hand-in-hand. In fact, we found that if an organization is at the strategic level of digital transformation, they are more likely to have a full data governance strategy in place (81%). And that's good news for our customer-centric strategies, as 86 percent of organizations believe the ability to govern data directly affects customer experience.

Data privacy and data ethics should be carefully considered when developing a digital transformation strategy. Almost three-quarters of the businesses we spoke to (73%) strongly believe their customers would switch to another vendor because of privacy concerns about their data. With so much on the line, maintaining the trust of your consumers is essential, and a good governance program should help you achieve this goal.

Technological advances are driving the need for improved data governance in the digital economy. Areas where this is most likely to be seen are around digital customer collection, cloud integration, self-service data analytics, and digital channel operations. Still prevalent, but to a lesser extent, are areas like artificial intelligence and machine learning, the Internet of Things, monetization of data assets, and blockchain.

Despite these growing needs, governing data can also be quite challenging. In fact, 90 percent of organizations tell us that they face significant obstacles when trying to govern their data. The biggest one happens to be data that is siloed across the business. Often these silos can make it nearly impossible to get a handle on all the data an organization manages. Further compounding data silos are competing department-level processes for using data and a lack of relevant technology.

Succeeding in the digital era requires trusted data, and that means data governance will need to be an integral part of the organization. It's not easy work, however. It's a challenging endeavor often encumbered by bureaucracy and internal silos. But anyone who has implemented a governance team at their organization will tell you it's well worth the effort.

86% of organizations believe the ability to govern data directly affects their customer experience.

Conclusion

Digital transformation is ushering in a new wave of product innovation and customer-centric strategies that are reshaping the way industries do business. And, if that isn't enough, the pace of change is increasing by the day. Organizations are facing mounting pressure from more digitally savvy competitors that are not only chipping away at their profit margins, but also taking loyal customers with them.

For businesses that are serious about success, however, digital transformation is not a roadblock; it's an opportunity. Shifting customer expectations for real-time services and mobile-optimized experiences are forcing businesses to modernize their product portfolios—or go the way of the fax machine.

At the heart of digital transformation is the data used to power many of these objectives. However, as noted in this paper, the quality of that data can make the difference between a successful digital strategy and, well, a not-so-successful one. That's why we see so many organizations working to develop trusted data sources for reliable customer insight.

When a business can trust the data it is working with and align that to a scalable digital strategy, achieving digital transformation goals becomes a lot more attainable. At the end of the day, that can mean improved customer experiences, increased operational efficiencies, and higher revenue generation.

Quality data is the fuel for digital transformation and customer experience initiatives. We can help you trust your information assets and power the best data-driven outcomes!

Get started

About Experian Data Quality

Experian Data Quality enables organizations to unlock the power of data. We focus on the quality of our clients' information so they can explore the meaningful ways they can use it. Whether optimizing data for better customer experiences or preparing data for improved business intelligence, we empower our clients to manage their data with confidence.

We have the data, expertise, and proven technology to help our customers quickly turn information into insight. We're investing in new, innovative solutions to power opportunities for our people, clients, and communities. To learn more, visit www.edq.com.

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