

DIGITAL TRANSFORMATION

Why and How Companies are Investing in New Business
Models to Lead Digital Customer Experiences





*In an era of
“**DIGITAL DARWINISM**”
where technology, society,
and business models rapidly
evolve, customer experience
is often elusive.*

An aerial photograph of a modern city skyline, likely Dubai, featuring numerous skyscrapers and a complex highway interchange. The image is used as a background for the report cover, with a large blue rectangle overlaid on the left side containing the text.

EXECUTIVE SUMMARY

Customer is king. Yet, in an era of “Digital Darwinism” where technology, society, and business models rapidly evolve, customer experience is often elusive. Businesses are beginning to realize that, throughout their evolution, they must invest in change to keep up with and ultimately lead a new era of connected markets. As a result, businesses are now entering an era of “digital transformation” to integrate and improve the customer experience.

To do so begins with noting the considerable differences between traditional customer strategies and those required to engage and nurture relationships with digital customers. We found that understanding the digital customer experience is one of the primary catalysts for businesses placing substantial investment in digital transformation.

Our research details what digital transformation is, how companies are embracing change, and the challenges and opportunities that emerge throughout the process. Through a series of interviews with digital strategists and executives at some of the world’s leading brands, Altimeter explores the role of new customer behavior and disruptive technology in influencing how organizations evolve. Our findings represent important trends and goals in digital transformation that benefit all businesses seeking to adapt to digital markets in meaningful ways.

A woman with dark hair in a ponytail, wearing a red sweater, is looking down at her smartphone. A blue hexagonal graphic is overlaid on the right side of the image, containing text. A thin blue line connects the hexagon to the woman's hand holding the phone.

Digital Transformation
*is about to change
the way business
is done.*

KEY FINDINGS

1

Social, mobile, real-time, and other disruptive technologies are aligning to necessitate bigger changes than initially anticipated.

5

Digital transformation is driven partly by technology and also by the evolution of customer behavior.

2

Digital transformation is quickly becoming a priority for many leading organizations.

6

Three key elements form the compound upon which digital transformation efforts are built:

- *It is most effective with pointed vision and supportive leadership.*
- *Optimizing the digital customer experience becomes the initial objective.*
- *Change materializes through the formation of a digital transformation team.*

3

Mapping and understanding the customer experience is becoming critical in guiding transformation efforts.

7

A list of best practices will serve as a checklist to help strategists take the next steps to beginning digital transformation or optimizing current efforts.

4

While gaining momentum, digital transformation as a formal process is still in its infancy.

DIGITAL TRANSFORMATION IS NOT A FAD OR A TRENDY MONIKER

From CEOs to CMOs, to the new roles of Chief Digital Officer and Chief Experience Officer, companies are refocusing and reorganizing teams to modernize, optimize, and integrate digital touchpoints. This affects the roles and objectives of marketing, social media, web, mobile and customer service, as well as how these typically disparate groups work in harmony. The ambition is to make their businesses relevant in a digital era while growing

opportunities and profits, as well as scaling efficiently in the process.

Digital transformation is not a fad or a trendy moniker to signify rising investments in social and mobile. While other research around the topic may focus on technology investments to solve problems, we believe that digital transformation is bigger than that: Organizations are truly changing from the inside out.

DIGITAL TRANSFORMATION REPRESENTS THE QUEST TO UNDERSTAND HOW “**DISRUPTIVE TECHNOLOGY**” AFFECTS THE CUSTOMER EXPERIENCE

Digital transformation is a result of businesses seeking to adapt to this onslaught of disruptive technologies affecting customer and employee behavior. As technology becomes a permanent fixture in everyday life, organizations are faced with an increasing need to update legacy technology strategies and supporting methodologies to better reflect how the real world is evolving. The need to do so is becoming increasingly obligatory.

In this report, we do not tackle enterprise-wide digital transformation. Instead, we conducted our research through the lens of customer experience to learn how companies are adapting to new consumerism. The way today's consumers use screens and what they expect to accomplish does not mirror traditional customers of the past; their values are shifting, and how they make decisions no longer aligns with a traditional funnel model. Expectations are reshaping engagement and, ultimately, the way their relationships with companies unfold. From social and mobile, to customer insights and journey mapping, to IT and training, digital transformation improves how businesses see their customers and create value throughout their lifecycle.



Altimeter Group defines digital transformation as:

THE RE-ALIGNMENT OF, OR NEW INVESTMENT IN, TECHNOLOGY AND BUSINESS MODELS TO MORE EFFECTIVELY ENGAGE DIGITAL CONSUMERS AT EVERY TOUCHPOINT IN THE CUSTOMER EXPERIENCE LIFECYCLE.

While digital transformation means different things to different people, its concept becomes a mantra for earning relevance and establishing leadership in a digital economy. As companies begin to invest in digital transformation, they are realizing promising benefits (see Figure 1).

FIGURE 1:

BENEFITS OF DIGITAL TRANSFORMATION

Updated company vision		The company vision is modernized and humanized, which earns support from digital customers.
Thriving culture of innovation		This effort creates buzz within the organization and inspires a company culture of innovation and the ability to innovate in product and service development.
Improved customer journey		Customers continue naturally every step of the their journey, which improves conversions and outcomes.
Greater competitive advantage		Businesses build competitive advantage that executives recognize.
Increased internal collaboration		Collaboration significantly improves between business functions.
More empowered workforce		Leadership and employees feel empowered through education.
Improved efficiency		Decision-making and processes become more efficient across departments.
Deeper data analysis		Better understanding of what/where data is across the organization, which translates into the ability to infer insights and deepen customer analysis to prove ROI.
Increased customer conversion and loyalty		A true 360-degree, seamless customer experience contributes to increased conversions and customer loyalty.

CATALYSTS FOR DIGITAL TRANSFORMATION

In our research, we learned that there are many drivers of digital transformation — catalysts that draw organizations toward a new outlook on the customer experience. These catalysts are the sparks that light the fire under companies, forcing them to recognize that in order to remain competitive and retain their digitally evolving customers, they must undergo a significant transformation from the inside out.

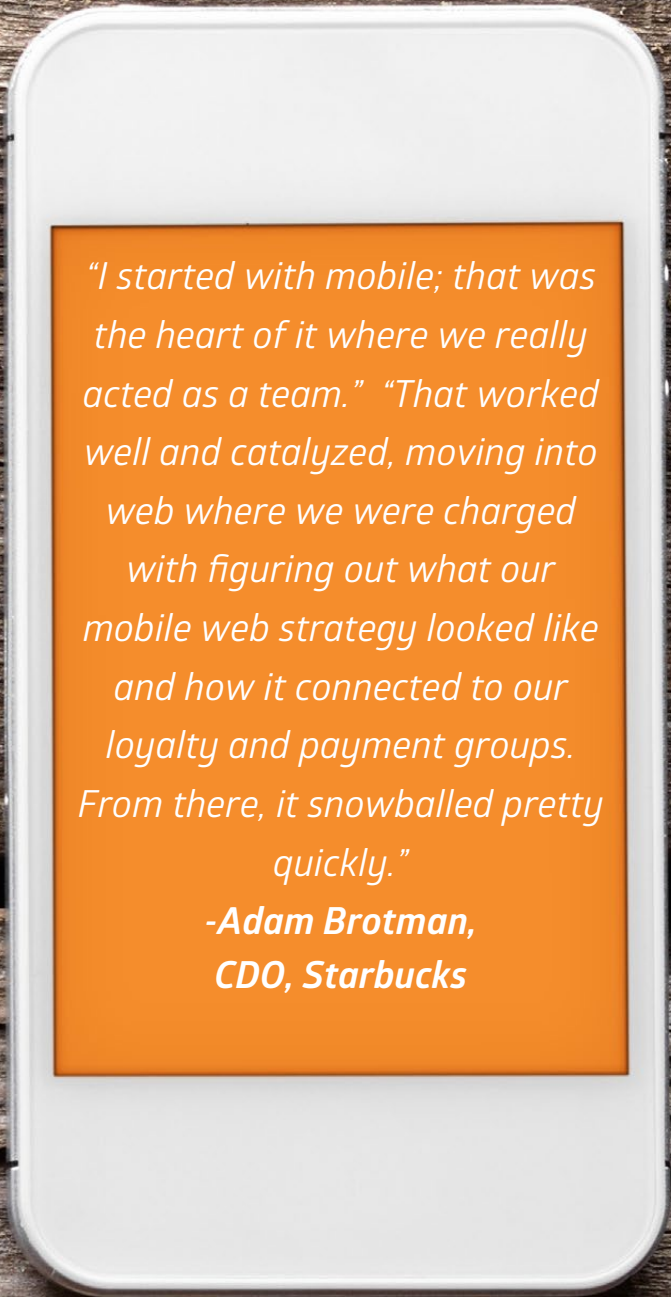
Years after its emergence, social media within businesses continues to evolve, as do its challenges in returning real business results. For the most part, social just hasn't made the case for broader transformation yet. In our previous research, *The Evolution of Social Business: Six Stages of Social Business Transformation*, Altimeter Group learned that social media's progress is most often hindered by the absence of a common vision for what's possible, as well as an enterprise-wide appreciation for its business impact. The difficulty of connecting business priorities and objectives to social media initiatives often leaves it stunted, with limited budget and resource allocation.



When social media struggles to prove its business impact alone, organizations focus efforts on the entire customer journey.

Another contributing factor is the ultra-specific social strategist role, focused only on external social media efforts and related goals. According to our research, these social strategists are largely unfamiliar with the entire customer journey. This traps social media into its own silo. According to Intuit's former Global Head of Social, Mobile, and Emerging Media, Adrian Parker (now with Patron Spirits Company), Intuit is finding less of a need for solely social roles. "It's more about merging someone who has digital expertise and can instill confidence in a team," he told Altimeter. "I'm not sure if we need the creation of a new role or just a new way to solve an ongoing problem. We need [someone] who can think about the end-to-end customer journey, bigger than social." Strategists with broader digital expertise are needed to align technology and business strategies across departments and teams.

This is critical, as social media may be distributed amongst up to 13 different business units across the enterprise. Ranging from marketing to customer support and digital to HR and beyond, not all is coordinated or collaborative. But, customers don't see departments; they see one brand. These new "digital strategists" serve to optimize the entire customer journey and aid in delivering real results against over-arching business goals. That's the essence of digital transformation.



"I started with mobile; that was the heart of it where we really acted as a team." "That worked well and catalyzed, moving into web where we were charged with figuring out what our mobile web strategy looked like and how it connected to our loyalty and payment groups. From there, it snowballed pretty quickly."

**-Adam Brotman,
CDO, Starbucks**

MOBILE AND REAL-TIME MARKETING JOIN SOCIAL IN DISRUPTING BUSINESS MODELS THAT **CANNOT KEEP UP WITH MORE CONNECTED, NIMBLE, AND INFORMED CUSTOMERS.**

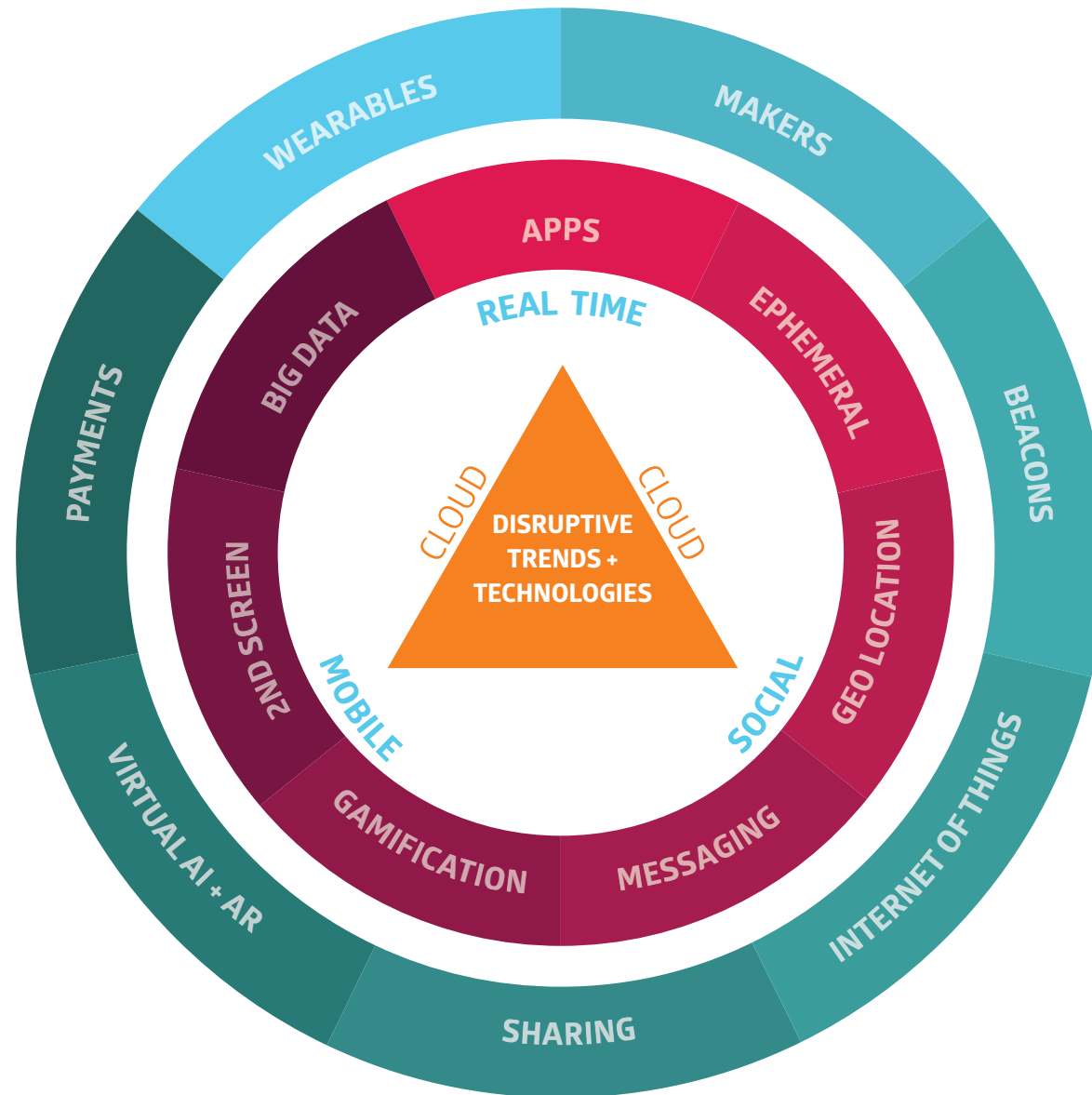
Social isn't the only technology with the potential to catalyze digital transformation. Currently, several disruptive technologies are converging to form what venture capitalist Fred Wilson calls a Golden Triangle of Disruption (**see Figure 2**). It's defined by 1) real-time, 2) social media, and 3) mobile technology trends. The result of this intersection is completely altering how people connect, communicate, and discover information, which, in turn, affects the entire customer journey and lifecycle.

Companies we interviewed have experienced social and mobile triggering further digital transformation within the organization. **At Harvard, Chief Digital Officer Perry Hewitt** observed that mobile and real-time are altering student expectations. As a result, Harvard is assessing student behaviors and needs to adopt disruptive technology to get as close to real-time as possible. As Hewitt observes, "Mobile revolution will be led by students, but we plan to be at the barricades right alongside them."

Starbucks Chief Digital Officer and EVP, Digital Ventures, Adam Brotman, also used mobile as a catalyst for larger digital transformation efforts. He previously led a cross-functional mobile team at Starbucks that brought together people from multiple departments to craft the company's mobile vision and strategize against mutually beneficial global objectives. "I started with mobile; that was the heart of it where we really acted as a team," he said. "That worked well and catalyzed, moving into web where we were charged with figuring out what our mobile web strategy looked like and how it connected to our loyalty and payment groups. From there, it snowballed pretty quickly." Using mobile as an initial catalyst to spark cross-functional working groups, Brotman was able to create the momentum needed to begin refocusing the company around a unified digital approach.

FIGURE 2:

THE WHEEL OF DISRUPTION



Within the Wheel of Disruption, the “Golden Triangle” is encircled by other emergent technologies and sectors affected by mobile, social, and real-time, such as big data, geo-location, cloud, and more.

CUSTOMER JOURNEY MAPPING YIELDS A NEW UNDERSTANDING THAT CONSUMER HABITS AND EXPECTATIONS ARE **OUTPACING CURRENT ORGANIZATIONAL FRACTURES.**

Digital transformation isn't an end goal; it's a continuous journey. It's the result of learning more about the relationship between technology and customer behavior to earn relevance among them. The companies we interviewed are consistently undergoing journey-mapping exercises to help find answers to these important questions.

Businesses are now faced with connecting all existing data to understand behavior, map customer journeys, and redefine them to create not only delightful experiences but also seamless and native to the screen and the context of the engagement. This sparks the need for digital transformation that uses technology to connect with consumers and equally amends or introduces new processes and systems to successfully compete.

- *What uniquely defines the persona of our customers?*
- *What is different about their customer journey?*
- *What are the touchpoints they frequent, how do they use them, and with what devices?*
- *What are their expectations, what do they value, and how do they define success?*
- *How are they influenced, and by whom? How and whom do they in turn influence?*

Intuit studies the relationship between customer technology usage and path to purchase. The Intuit team starts with a simple but integral question, “Based on technology adoption, what is our customer’s path to purchase?” To be successful, the team looks beyond demographics and invests in psychographics (i.e., shared behaviors and interests) to create accurate buyer personas and better understand the new customer journey. The result is to deliver a more natural and meaningful experience.

Although technology isn’t the only catalyst for digital transformation, companies see new tech adoption as a form of progress to deliver better customer experiences. As such, technology investments are expressions of experimentation. Nestlé’s Global Head of Digital and Social, Pete Blackshaw, embraces innovation and experimenting along the way to ultimate transformation.

Although Blackshaw believes Nestlé is still in the process of becoming “transformed,” the company is setting out to answer difficult questions to understand and optimize the customer experience. It’s a journey that has introduced new challenges, urges departmental and process reorganization, and inspires a company culture of innovation. This is done to leverage diverse market potential and create exponential value. To lead transformation, Nestlé formed an innovation acceleration team and opened an innovation outpost in Silicon Valley, California to “deepen relationships with consumers online and in social media.” The company is seeking strategic partnerships with innovative companies to better understand consumers’ needs and respond to them more quickly.



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DIGITALLY SAVVY EXECUTIVES RECOGNIZE THE NEED FOR DIGITAL TRANSFORMATION.

Experienced C-suite executives invest in strategies, programs, and departments that deliver true business value. After recognizing that their customers are changing through journey mapping and customer experience initiatives, many senior executives take top-down approaches to assigning a leader or innovation team to spearhead cross-functional digital transformation efforts.

Starbucks first Chief Digital Officer, Adam Brotman, was ordained by CEO Howard Schultz to start building a more digital business based on current and future trends. Initially, vice president of digital ventures, Brotman now has a team of more than 100 employees under him. At the behest of Schultz, Brotman also works with CIO Curt Garner to offer new products and build an infrastructure to cater to digital customers and identify opportunities with maximum impact.

While Schultz initially made the call, Brotman and Garner put egos aside to demonstrate how well the CDO/CIO alliance worked together. In 2011, Starbucks realized major strides on mobile, mobile payment, loyalty, social, and e-gifting. By 2012, the teams were already working as one larger cross-functional team operating in unison toward common goals and objectives.



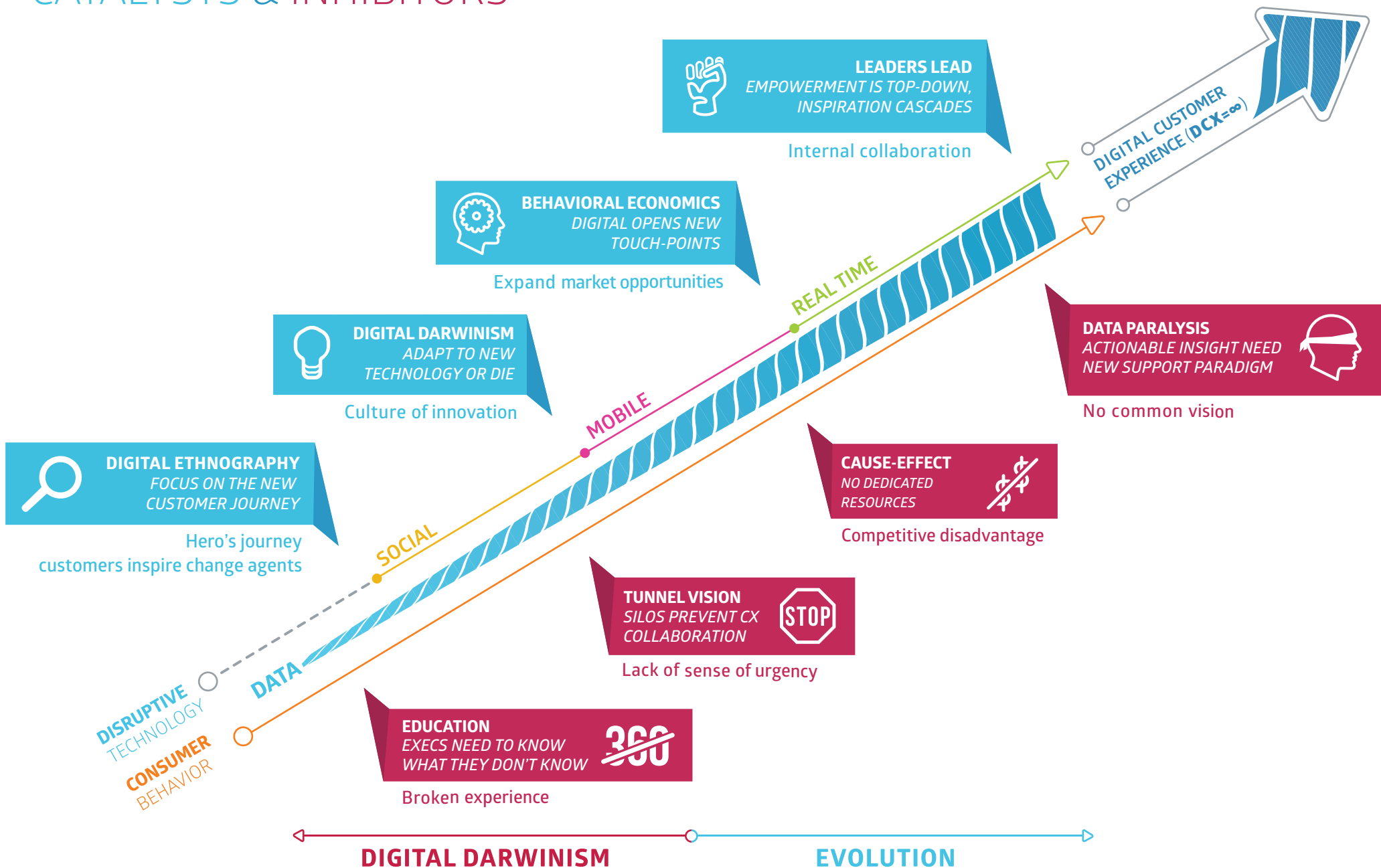
Many chief executives take top-down approaches to assigning a leader or innovation team to spearhead cross-functional digital transformation efforts.

DIGITAL TRANSFORMATION **INHIBITORS**

Once efforts are catalyzed, digital transformation is rife with inhibitors for organizations **(see Figure 3)**. Improving the digital customer experience takes collaboration, resources, leadership, and an understanding of its business value. In organizing for — or, in some cases, reorganizing for — digital transformation, companies must approach challenges head-on in order to come together and create a seamless digital experience that meets consumer expectations along every touchpoint.

FIGURE 3:

DIGITAL TRANSFORMATION: CATALYSTS & INHIBITORS



CX STRATEGIES OPERATE IN SILOS, INTRODUCING FISSION INTO THE CUSTOMER JOURNEY.

From web to social and ecommerce to email, today's customer journey is linear in design, with each step managed by different groups that may or may not collaborate with one another. This causes problems when disparate groups are expected to come together in unison to charge toward a seamless customer experience.

EACH DEPARTMENT OFTEN ACTS AS ITS OWN FIEFDOM, DESIGNING AND MANAGING THEIR RESPECTIVE TOUCHPOINTS DIFFERENTLY AND ADHERING TO DIFFERING STANDARDS AND METRICS.

These behaviors and the politics that often surround them create barriers that obstruct or delay the case for change. Without a sanctioned lead, identifying and uniting experts to collaborate and contribute to a unified approach of optimizing the digital customer experience is nearly impossible. The result is a disjointed customer experience that causes friction and frustrates customers, with many abandoning the journey before they can complete the desired task. Over time, this digital chafing fails to deliver against expectations, diversifies the brand in each channel, and sends customers to other companies that “get it.”

DIGITAL TRANSFORMATION THREATENS HOW THINGS ARE DONE TODAY AND PROVOKES A SELF-DEFENSE MECHANISM THAT PUSHES BACK AGAINST CHANGE.

We learned that it's natural for managers to move into a mode of self-preservation to protect their role and that of the team at large. According to one of our interviewees who works for a large pharmaceutical company, “Business units concentrate on their own priorities when they don't have a holistic view of enterprise goals. ... Unfortunately, when individual agendas conflict with the company agenda, theirs wins out every time.”

THE DISTRIBUTION OF ROLES ASSOCIATED WITH CUSTOMER JOURNEY MANAGEMENT CAUSES CHALLENGES IN OWNERSHIP, RESPONSIBILITIES, AND PROVING ROI.

Social, web, mobile, et al., are each experimenting with new technologies and strategies in their own way. The effects are often not communicated beyond individual teams, nor are they united in their vision and goals for experimentation. As a result, ROI becomes difficult to identify. Moreover, the expertise required to lead successful digital engagements is distributed across the organization.

MOBILE DOESN'T ALWAYS HAVE A CHAMPION OR A DEDICATED TEAM TO DEFINE ITS ROLE AND LEAD THE OVERALL MOBILE STRATEGY IN EACH TOUCHPOINT.

In our study, we noticed that mobile is strewn across multiple teams and not centralized to produce an integrated approach or experience. The need to rethink websites, apps, and ecommerce from a mobile-first perspective is often lost in process or lower in priority than other initiatives like social media. But, as customers become mobile-first, companies that do not engage and lead intuitive journeys and enable seamless transactions on the small screen will lose to competitors who cater to the proverbial “second screen.”

BUDGET AND RESOURCES ARE NOT OFFICIALLY ALLOCATED TO **DIGITAL TRANSFORMATION**, REQUIRING CHANGE AGENTS TO MAKE THE CASE FOR SUPPORT.

While we found that mapping the new customer journey is a best practice, we learned that the number of touchpoints can complicate matters when it comes to allocating appropriate resources. To earn executive support requires someone to make the business case for funding. But, information to make the business case to map the journey is often elusive. Executives understand that a percentage of the balance sheet goes to new investments to grow opportunities, while at the same time change agents are put on the line to show tangible outcomes for these budding ventures.

This can prove to be difficult because one of the first questions any executive asks is, “Can you show me other companies that are doing this and what

ROI they are seeing?” Making the case can become a classic “chicken and egg” scenario where the need to change and the ability to show that others are successful may not coexist.

Intuit’s change agents recognize the need to make the case to executives while also communicating business value for transformation. They’re investing in a social-to-digital succession plan to expand their transformation effort, create a dedicated digital role, and work with leaders to put budget and resources behind it all. By planting the seed with social — where budgets and outcomes already exist — Intuit is able to make a more seamless transition into funded digital transformation efforts.



EMPOWERING AND EDUCATING EXISTING TEAMS ON THE VALUE OF **DIGITAL TRANSFORMATION PROVES DIFFICULT** WHEN EVERYONE IS NOT ON THE SAME DIGITAL PAGE.

As digital transformation is a constant evolution, its path does not benefit from a general playbook to follow toward success. For most businesses, this is brand new, and the desire or recognition to change often exceeds the ability to do so. It takes more than a party of one to bring about change, so with digital expertise in high demand, the best way to scale is to empower and educate existing teams.

Doing so is difficult when a scattering of digital prowess exists throughout the organization. There's frequently a disconnect between older generations and the Millennials pervading the workforce, with managers feeling that younger generations have unrealistic expectations and lack certain disciplines that define traditional productivity. At the same time, younger generations can't understand why others just don't take the time to better understand their "day in the life." Innovative companies such as GE promote "reverse mentoring" to foster understanding, create mutual empathy, and promote collaboration between disparate generations of team members. **The goal is to unite the digital natives and the digital novices to create a more capable team.** As such, each team will be qualified to reconstruct digital touchpoints and invest in new strategies and technologies because they fundamentally comprehend the new journey and how to captivate and lead customer experiences.

BUDGET AND RESOURCES ARE NOT OFFICIALLY ALLOCATED TO DIGITAL TRANSFORMATION, REQUIRING CHANGE AGENTS TO MAKE THE CASE FOR SUPPORT.

Tony Hudnell is an Associate Director at Procter & Gamble (P&G) who oversees all global technical development related to consumer relationship management. Hudnell is leading an effort to create a globally scaled CRM platform to enable P&G's brands to engage with consumers through meaningful digital experiences. Hudnell recognizes that fostering relevant, value-driven 1:1 consumer relationships represents a significant competitive advantage for P&G. Hudnell notes, however, that achieving enterprise-wide alignment represents a significant challenge for a company with dozens of leadership brands that vary in their understanding of digital transformation and what it takes to achieve success. He states, "We need to work with each brand to help them understand how to utilize our new platform to drive digital transformation and build new, meaningful consumer experiences. What we don't want to do is spend time and money relearning things across brands."

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-Tony Hudnell, Associate Director at Procter & Gamble

EDUCATION INTRODUCES OPPORTUNITIES FOR EXECUTIVES TO SEE WHERE CHANGE CAN BE BEST APPLIED AND PRIORITIZED.

Without seeing new possibilities, executives tend to manage the customer experience rather than discover new ways to lead customers. Change takes leadership supported by internal champions to visualize what to do and carry out a systematic implementation of everything required to bring change about. But, without vision and someone to lead, and without the ability to articulate direction and offer a convincing glimpse of “the promised land,” employees in general will follow a course of business as usual.

Plain and simple, organizations need champions who can think about the entire digital customer journey and educate executives on what needs to be done and why.

These opportunities require translation from technology to business benefits since many executives do not live the digital lifestyle they need to solve for. Westfield’s Director of Shopping Centre Management and Marketing, Andy Hedges sees a chasm between champions and executives. “We’ve got a lot of traditional, successful business leaders in our business,” he notes. “The consequence of that is that they’re very much keeping things in digital space at a bit of an arm’s length, not embracing it. One of our challenges is how we help them come along on this digital journey rather than have it dismissed as a fringe conversation.” He believes the key to transformation is to invest time and effort in helping leadership fully understand the implications of the structural shift happening around its customers right now.

ELEMENTS OF DIGITAL TRANSFORMATION: THE INGREDIENTS THAT COMBINE TO FORM DIGITAL CUSTOMER EXPERIENCES

The path toward digital transformation is not prescribed. As we learned in our research, every business subscribes to this movement as one that is long-term but without an end in sight. No companies we interviewed claimed to have “figured this out,” nor does any organization believe it has successfully undergone digital transformation.

All hope is not lost, however! Businesses are making progress and demonstrating early success toward digitally transforming the customer experience. The changes that they’re driving are focused externally (customer-facing) and also internally (collaboration, process, technology, etc.) to build a scalable infrastructure for the digital economy. We learned that it takes the opposite of guesswork; it takes reorganization and resilience. A futuristic vision, empowering leadership, and ample resources must support digital transformation efforts in order to achieve meaningful success. Based on our research, we have identified three elements that, when combined, react to form the base for digital transformation **(see Figure 4).**

THE THREE ELEMENTS OF DIGITAL TRANSFORMATION





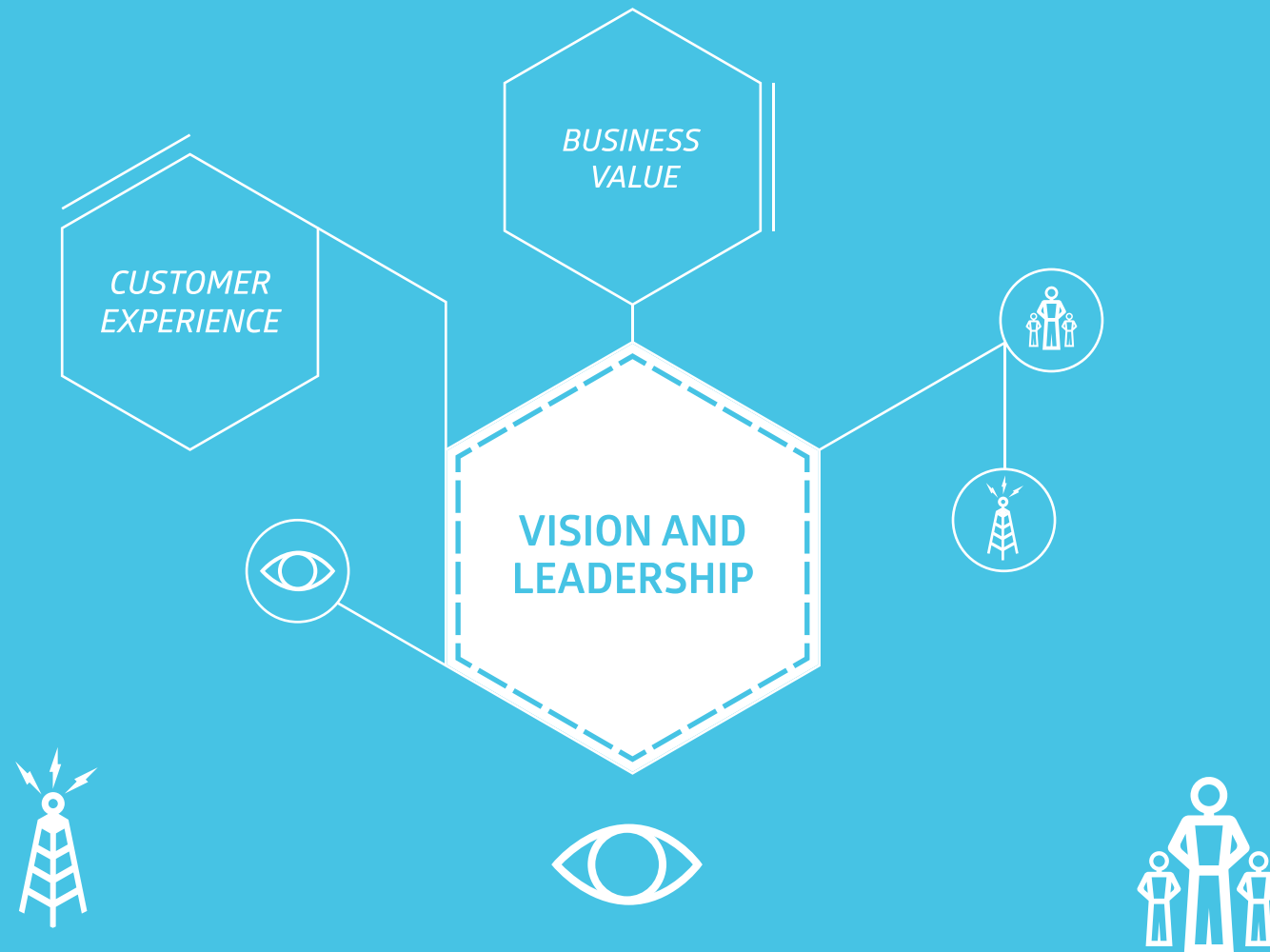
ELEMENT 1 VISION AND LEADERSHIP

Digital transformation is an emergent movement and not yet recognized as a formal priority or effort by most businesses. This requires those leading or attempting to get a digital transformation program in motion to make the business case. But, the business case needs more than evidence or anecdotes; it needs a story and a vision for what it looks like and what it delivers. Change doesn't just appear, and in very few cases is digital transformation something that comes from the top down. We found that in most cases, a change agent rises to the challenge.

This section details what digital transformation strategists must consider in relation to vision and leadership **(see Figure 5).**

FIGURE 5:

VISION AND LEADERSHIP CONSIDERATIONS FOR STRATEGISTS



ROLE OF THE CHANGE AGENT

In the absence of digital leadership, this is a time for change agents to rise, unite with one another, and partner with executives to collaborate to organize for change.

UPDATED VISION

For digital transformation to mean something to everyone involved, a vision must be articulated to explain why change is necessary, what it looks like, and its value to customers and employees.

EXECUTIVE SUPPORT

Strategists must first make the case and create a sense of urgency to gain executive sponsorship and support.

DIGITAL TRANSFORMATION BEGINS WITH A VISION WHERE **BUSINESS VALUE AND CUSTOMER EXPERIENCE** CONVEENE TO DELIVER **MUTUAL BENEFITS.**

Whether it's running under the banner of customer experience, convergence, omni-channel, or another moniker, a customer-centric culture is the compass that guides businesses on the uncharted path of digital transformation.

It takes vision to earn executive sponsorship and rally teams in new directions. We learned that traditional vision statements typically aren't specific enough to communicate what's different about digital transformation or why it's important. Often, it takes a renewed focus on the customer to better communicate a vision centered on digital transformation.

Executive Director of Customer Experience at General Motors David Mingle shares GM's process in revising its vision to better connect to the values, intentions, benefits, and overall "why" of digital transformation. After initially forming its CX group, GM went back to the beginning and revised its vision and values to emphasize, "customer as its compass." Mingle explained that it's now part of the GM culture, embraced fully by the C-suite. "We listened to customer needs and learned how we could provide expertise, transparency, convenience, and appreciation for their business. These insights were referenced in a lot of meetings to influence our culture and to change how we make decisions." He goes on: "Our CEO embraces and enforces it. More importantly, leaders are rewarded for demonstrating it."

THE EXTENT AND ULTIMATE IMPACT OF DIGITAL TRANSFORMATION IS COMPLETELY DEPENDENT ON THE LEVEL AND BREADTH OF EXECUTIVE SUPPORT.

In regard to his company undergoing digital transformation efforts, one of our interviewees remarked, “At some point, someone has to make decisions, and decisions about transformation have to come from the top.” While it might seem logical or perhaps common sense, strategists have admitted to investing in technology first to force transformation without initially defining a common vision for change. This approach limits the influence or lifespan of digital transformation. In order to bring about real change, executives must support and continuously sell the vision for digital transformation internally. Then, investments will follow.

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TRADITIONAL CULTURES CAN BE SLOW TO **EMBRACE CHANGE**, ESPECIALLY WHEN NOT PRESENTED WITH A BUSINESS CASE.

Recently, MIT Sloan and Capgemini found that many business leaders lack a sense of urgency or fail to share a vision for how technology can change the business. Nestlé's Pete Blackshaw observed that old habits do indeed die hard and that shifting to new realities takes time. It takes proof and a connection to business-caliber results to get executives on board.

To make headway requires strategists to deliver proof by speaking the language of the C-suite and conveying "big picture" impact.

Scott Monty, global head of social media for Ford, recognizes that executives see the bigger picture and, therefore, so must strategists. It starts with becoming part of the conversations and internal networks that carry influence. "This is about inserting yourself into every conversation," he shares. "It's about finding the common ground, being true to your brand, and helping execs understand how this all plays out. It's our job to help them understand how digital transformation fits into [or enables] the larger picture — this isn't the picture alone." One way to help them visualize change is by "telling the story with data," Monty believes. "Take data from social spaces and turn it into insights. That's where executive value lies."



IN MOST CASES, **DIGITAL TRANSFORMATION TAKES AN INTERNAL CHANGE AGENT TO SPARK A BURNING SENSE OF URGENCY, GAIN SUPPORT, AND PAVE THE WAY FOR A MORE FORMAL, COLLABORATIVE APPROACH TO CHANGE.**

In most cases, digital transformation takes an internal change agent to spark a burning sense of urgency, gain support, and pave the way for a more formal, collaborative approach to change.

As discussed earlier in this report, an internal champion often rises to the occasion (or, is given authority) to officially lead transformation and cross-departmental integration. This is a role that's either assumed by individuals who take it upon themselves to become a change agent and/or a formal role that's filled to lead the way. In either case, digital transformation can't happen without a leader who stirs the pot and rallies stakeholders toward action.

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"In a large company, it's very difficult because people automatically get siloed, and they only see the view of their own business units," an interviewee observed. "What's interesting about digital customer experience is that it cuts across the entire company."

This company-wide vantage point is hard to come by when many businesses focus on their respective silos. Strategists now need to actively think about the importance and role of change agents in the transformation process.

CHANGE AGENTS CAN GET THE BALL ROLLING ON DIGITAL TRANSFORMATION BEFORE IT BECOMES A FORMAL MOVEMENT.

As LEGO's Lars Silberbauer, Global Director of Social Media and Search, notes, **"It's about finding those people in different departments who are willing to risk things to be a lead within the company. There are a lot of people who want to take a company forward."** Digital leaders must open the door for passionate employees throughout the company who have the energy, passion, and experience to champion change.

CHANGES AGENTS SHOULD ACTIVELY SEEK PARTNERSHIPS WITH STAKEHOLDERS WILLING TO TEST AND LEARN THROUGH SAFE PILOT PROGRAMS

“You can use leadership to your advantage to see who the players and influencers are within the company who can help move the needle,” a source who requested anonymity advised. “The key is to find an executive or stakeholder that believes in power of what digital can do and make them the focus of the pilot.” In our research, change agents often band together collectively to form a cross-functional taskforce that aims to solve for digital customer experience at both the local level and holistically, enterprise-wide. However, we also learned that digital transformation efforts that are led from the top down also arrive at a similar point. Cross-functional teams are uniform among businesses that are effectively embroiled in change.

CHANGE AGENTS FIND THAT, **WITHOUT HELP**, THIS ROLE CAN QUICKLY **LEAD TO BURNOUT OR DEFEATISM**.

It’s imperative that this person finds other like-minded individuals at different levels throughout the organization to achieve progress and sustain energy. In order to bring about change and stay upbeat, change agents needed to form strategic alliances as well, seeking out others who are passionate about change. “It’s so important to connect with other change agents in the organization — at your level and higher, ensuring engagement with senior-level change agents. It’s extraordinarily critical to gain momentum without burning yourself out quickly,” one of our interviewees detailed.



The background features a series of overlapping hexagons. The first hexagon on the left is labeled 'DIGITAL CUSTOMER EXPERIENCE' and has a dashed border. The second hexagon is labeled 'DISRUPTIVE TECHNOLOGY'. The third hexagon is labeled 'DATA'. The fourth hexagon is labeled 'CUSTOMER BEHAVIOR'. There are also several circular icons: a head with gears at the top left, a crosshair at the bottom left, and a circular arrow at the bottom center.

ELEMENT 2

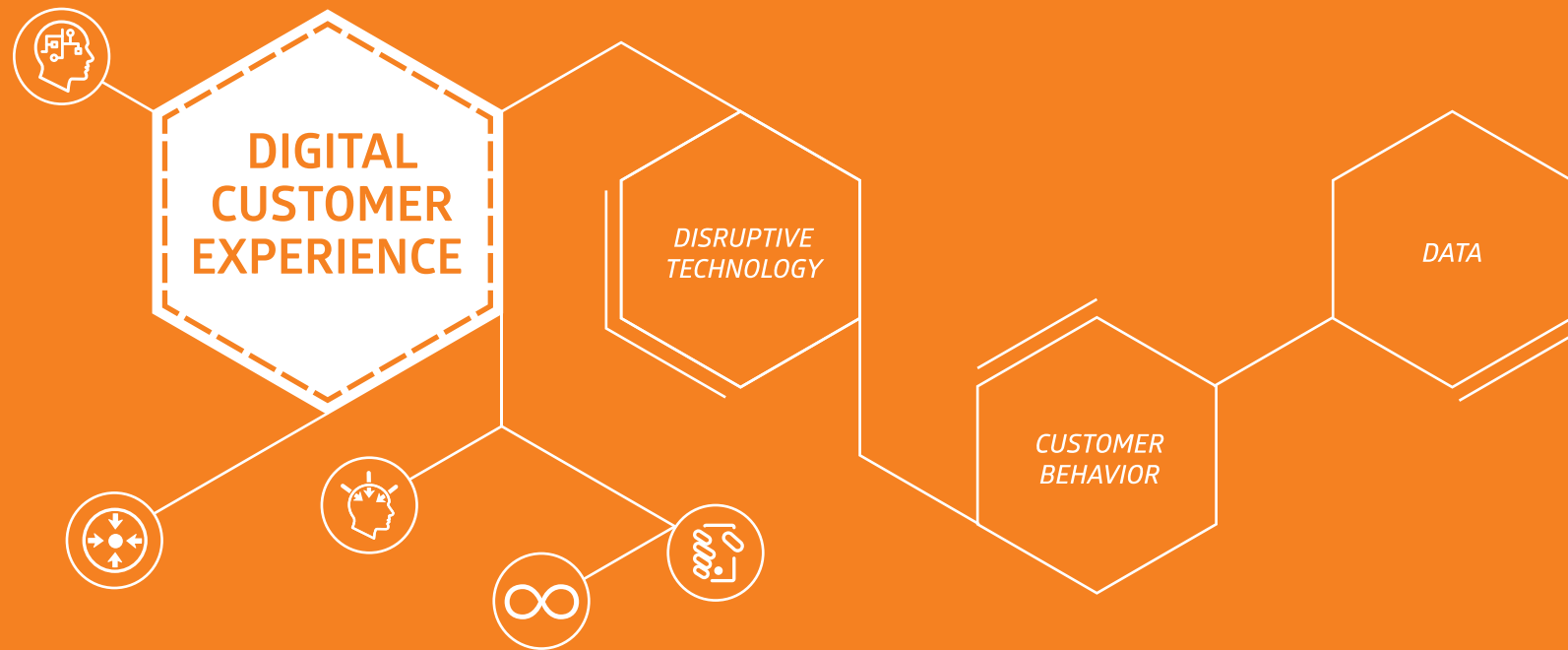
DIGITAL CUSTOMER EXPERIENCE

DCX is something that already affects organizations today. Customers are using technology their way, regardless of if your customer experience strategy aligns with their journey. Digital customer experience begins with research, not guesswork, to study personas, behaviors, and expectations throughout every stage of the customer lifecycle. Once armed with information, digital transformation takes shape by specifically aligning people, processes, and technologies against goals and milestones to map a new and effective journey for digital customers.

This section details what digital transformation strategists must consider in relation to the digital customer experience **(see Figure 6).**

FIGURE 6:

DIGITAL CUSTOMER EXPERIENCE CONSIDERATIONS FOR STRATEGISTS



HOLISTIC CX FOCUS

Companies must move beyond social, mobile, or a trendy technology focus and rethink the entire customer journey and experience.



CULTURE OF INNOVATION

Journey mapping can lead to unplanned product or service innovations that reflect new customer needs and behaviors.



DATA INTEGRATION

Technology and new roles are needed to analyze data, connect it to respective business groups, and present it in ways that are meaningful and actionable.



INTERNAL COLLABORATION

Mapping the existing customer journey leads to insights on where departments can work together to improve it from the inside out.



“DIGITAL-FIRST” MINDSET

Evolving from a mobile-first, to digital-first, to an ultimate CX approach is necessary to bring about meaningful transformation. It's a philosophy that sets out to see and solve for sweeping trends and opportunities throughout the entire digital customer lifecycle.

TO IMPROVE THE OVERALL CUSTOMER JOURNEY REQUIRES AN UNDERSTANDING OF THE DIGITAL CUSTOMER JOURNEY AND THE EXPERIENCE IT DELIVERS TODAY.

In our research, we learned that customer journey mapping is referenced in two different ways:

1. Journey mapping is the act of outlining the customer journey through physical and digital touchpoints. This may or may not be informed by research.
2. Journey mapping is the act of researching and charting the customer journey based on digital customer behavior and trends.


The two aren't always related, but they should be. A best practice is to combine the two: Invest time in researching physical and digital journeys AND how customer behaviors and expectations play a role at each touchpoint.

THE INSIGHTS THAT EMERGE FROM JOURNEY MAPPING OFTEN **INSPIRE THE DEVELOPMENT OF BOTH A DIRECT CUSTOMER JOURNEY AND ALSO THE JOURNEYS OF THOSE WHO INFLUENCE CUSTOMERS.**

For LEGO, this is exactly the case. The company has mapped two customer journeys, one for children and one for parents. They focus on developing touchpoints within each journey while also ensuring synergy and intersection between them. Lars Silberbauer, Global Director of Social Media and Search at LEGO, shared the advantages of the company's approach. "Shoppers are not the same as consumers. Consumers are usually kids without the ability to buy things. At the same time, we want them to tell their parents, and we want their parents to have a good experience as they shop. As a result, there are two different consumer journeys here."

COMPREHENSIVE, RESEARCH-BASED JOURNEY MAPPING INFORMS THE OUTLINE DEVELOPMENT FOR A **MODERNIZED CUSTOMER JOURNEY AND DIGITAL CUSTOMER EXPERIENCE (DCX).**

Motorola Solutions has invested significantly in journey mapping, from awareness through advocacy, to learn how to optimize the customer's digital experience. Motorola Solution's leader for Systems of Engagement Grant Ferguson explains, "We have experience to build on, but we continue journey mapping to help us focus on improving experiences at every customer stage."



"We're constantly surveying and watching what clients are doing to use different technology in-store, online, and on mobile."

- Bridget Dolan, VP Interactive Media, Sephora

JOURNEY MAPPING MAY REVEAL A COMPLICATED, TECH-LADEN PATH WHERE CUSTOMERS CONTINUOUSLY HOP FROM ONE ROUTE TO THE NEXT.

Bridget Dolan, Vice President of Interactive Media at Sephora, seconds LEGO's work in multiple journey mapping. But in the case of Sephora, the company is learning that technology outlines a complicated path where customers may or may not follow any one route. For this reason, Dolan believes that journey mapping is something necessary for every new project. "Sephora is such a multifaceted experience that there's not one path or map you could create. We think of it as optimizing experience by experience. We look at each piece and how it interrelates." She continues, "We're constantly surveying and watching what clients are doing to use different technology in-store, online, and on mobile." As Sephora reveals, **mapping the customer journey is a journey in and of itself.** This is key, because it implies that research is ongoing and also that business models must also be adaptive to take action against new insights.

CUSTOMER DATA AND JOURNEY MAPPING CAN LEAD TO INSIGHTS THAT CONTRIBUTE TO SERENDIPITOUS PRODUCT AND SERVICE INNOVATION.

Customer experience extends beyond customer engagement before, during, and after transactions. It encompasses how someone relates to products and services throughout the lifecycle — from awareness to loyalty. But, there's more to the customer journey than touchpoints, technology, and creativity. As some companies learned, customer journey mapping can lead to unplanned product innovations.

In our discussions, we found that studying customer expressions along with journey mapping revealed common customer questions, interesting ideas, beneficial product opinions, and competitive sentiment. The insights that emerge from this work can spark ideas to improve, end the life of, or invent products and services.

Discover invested in journey mapping to visualize the customer lifecycle and to learn where customers go, how they choose to pay for goods, when they borrow money, and more. In the process, they discovered an opportunity. “We’re proud of the exercise because the result was coming up with a product that is now entering the market in a louder way. Our new Discover it® card was born from customer decision journey work we did that uncovered how people online behaved differently. Now, this new product speaks to the digital needs of our customers,” representatives from the company shared. This finding shows that optimizing the digital customer experience also improves how a company competes for its business.



*We found that
studying customer expressions
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TO TRULY DELIVER A **360-DEGREE CUSTOMER EXPERIENCE**, BUSINESSES MUST INTEGRATE THE DATA IN MARKETING AND CRM SYSTEMS TO **CONNECT THE DOTS BETWEEN TOUCHPOINTS, BUSINESS UNITS, AND CUSTOMER EXPECTATIONS.**

We heard that customer data exists in multiple locations and is usually tied to specific touchpoints in the customer journey. Prior to transformation, those managing each touchpoint would essentially manage their respective data sets to optimize customer experiences in that particular moment. Strategists must now pull in data from new touchpoints and devices and convert them into actionable insights to always stay ahead of the digital customer. Digital transformation changes how people work, opening the door for collaboration and data sharing to unite the customer experience in each moment of truth.

For example, customer service teams usually don't have access to customer loyalty statistics. Depending on which group they talk to, they are only exposed to a sliver of what a company could offer to them. Add to the mix new data signals, such as mobile and social in each touchpoint, and these separate data protocols make tracking the customer experience a formidable task. Complications arise in not only matching social data to owned customer data, but also to disparate data sources with international brands. We heard several times that China was a particular point of interest. The technology that's popular among customers in China and how they use it tends to be very specific to the country, whereas other networks and apps are more global in nature.

But, as Hard Rock Café's Kim Matlock, Senior Director of Digital Marketing and CRM, observes, "The worst offense of all is approaching this challenge as a technology challenge. No tool will 'solve' this

problem without fully defined expectations (what are we trying to solve for?) and proper process integration between marketing, ecommerce, customer service, and internal communications." Thus, technology is only part of the story. Strategists must first identify what the problem or opportunity is and then use technology to solve for it.

With the integration of marketing, CRM, and other disparate systems, companies can get both a holistic view and also provide an integrated experience regardless of where engagement takes place in the customer journey or lifecycle. P&G sees the need to build "1, Consumer Place," a global platform focused on managing consumer data and integrating all of the different systems that gather consumer data.

"We wanted to create a scaled platform to talk to consumers directly and keep track of consumers in a consistent way across brands, across the company," Hudnell highlighted. "We designed a central hub for all individual consumer relationships with P&G across brands. This allows us to understand what brands consumers are engaging with, how they're engaging, and also look across brands to improve our consumer understanding through common metrics and analytics."

P&G's vision required a new approach to CRM. "We tore down what a CRM is and built it back up in a scaled model and have had good success in Asia, the Americas, and now we're expanding into Europe."

ALONG THE PATH OF DIGITAL TRANSFORMATION, **COMPANIES DISCOVER AREAS FOR INTERNAL COLLABORATION** TO OPTIMIZE THE CUSTOMER JOURNEY FROM THE INSIDE OUT.

While part of journey mapping work is to uncover what's new and also what's irrelevant, businesses are also finding that there's work to do internally to optimize customer experience externally.

DIGITAL TRANSFORMATION IS MOST EFFECTIVE WHEN DCX BECOMES A SHARED EFFORT, AND LEAST EFFECTIVE WHEN CONFINED TO ANY ONE GIVEN SILO.

In rethinking the entire journey, any group that touches the customer during the lifecycle must collaborate to align transformation with the digital customer experience. Whether it's social, mobile, print, kiosk, online, in-person, or through a myriad of other marketing, sales, service, and loyalty channels, many of these touchpoints are not necessarily integrated internally. Yet, customers only see one brand, and, whenever there's friction in the digital transformation process, it's largely found in the seams of how each team works together today.

DIGITAL TRANSFORMATION DEPENDS ON A SEAMLESS, HOLISTIC JOURNEY BETWEEN PHYSICAL, DIGITAL, AND MOBILE — BOTH INTERNALLY AND EXTERNALLY.

Because digital transformation requires understanding the holistic journey, internal silos also need to be broken down, and once-siloed teams must now collaborate. This allows teams to work together in uniting the digital journey to improve engagement; deliver a holistic experience; and eliminate friction, gaps, and overlap. Starbucks Chief Digital Officer, Adam Brotman, spends a lot of his time studying the customer journey and its evolution. He shares, “We learned that the customer has one unified relationship with the company — digital and physical, in and out of store. We also uncovered nine different areas of our work-stream that are, by default, connected because of the customer’s journey. We found an important flywheel effect of connectivity that affects all platforms.” Brotman points to the business impact of integrating experiences through internal collaboration. “As one flywheel got stronger, it made another stronger. It was necessary that we connected these findings to a business perspective too, as each work-stream is layered upon another.” Once Starbucks recognized that multiple touchpoints were connected in the same customer journey, the company modified inter-departmental workflow and collaboration processes to maintain alignment.

COMPANIES BENEFIT FROM LEADERS WHO SHARE THEIR VISION AND DEFINE A ROADMAP FOR INTERDEPARTMENTAL INTEGRATION.

This creates cross-organizational authority for adoption and allows for rewarding those employees who work toward it. It doesn’t hurt either when the CEO is the one driving digital transformation. For example, at Starbucks, Howard Schultz appointed Adam Brotman to bring his vision for a holistic customer experience to life.

“We learned that the customer has one unified relationship with the company — digital and physical, in and out of store. We also uncovered nine different areas of our work-stream that are, by default, connected because of the customer’s journey. We found an important flywheel effect of connectivity that affects all platforms.”

-Starbucks Chief Digital Officer, Adam Brotman

“DIGITAL FIRST” OR “BORN DIGITAL” ARE NOW THE PREVAILING MANTRAS LEADING DIGITAL TRANSFORMATION BECAUSE THEY GET STAKEHOLDERS TO THINK ABOUT DIGITAL CUSTOMERS AND THE ENTIRE DIGITAL CUSTOMER JOURNEY FROM THE BEGINNING.

It was resounding in our interviews: The case for digital customer experience as it stands today was born through the rapid rise of social media and pervasive adoption of smartphones. As social and mobile media gained momentum over the past decade, early adopters with large enterprises set out to lead the charge for developing initiatives that focused on mobile and social first, rather than adding or “bolting” them onto programs later. By thinking about social and mobile customers from the onset, strategies would appear more thoughtful and organic rather than as awkward, desperate, or trendy.

In our research, we found that social and mobile-first efforts have paved the way for something bigger — what has now become a “digital first” or “born digital” modus operandi. A broader digital perspective was needed to expand focus to all disruptive technologies to unite and scale disparate efforts around digital customers as they evolve. Doing so helps prioritize initiatives to bring about holistic change across lines of business and supporting functions.

“DIGITAL FIRST” MEANS THAT STRATEGIES FOR CUSTOMER EXPERIENCE CONSIDER TECHNOLOGY’S EFFECT ON BEHAVIOR AND EXPECTATIONS, NOT JUST THE TECHNOLOGY IN AND OF ITSELF.

“Digital first” means that strategies for customer experience consider technology’s effect on behavior and expectations, not just the technology in and of itself.

Companies that invest in a digital-first approach are looking at more than digital. In most cases, these companies are exploring technologies as a platform and how each network or platform functions at a native level. For example, companies look at the context or state of mind of consumers, how they use screens in each state, and also the associated behaviors across all screens to understand what’s happening and how to improve the customer journey. Companies such as Sephora see “digital first” as a quest to consistently improve the digital customer experience. This work suggests that over time a best practice could constitute the ongoing pursuit of an “ultimate” customer journey — that is, understanding and solving for the evolving digital customer journey as needs, expectations, and demands of customers develop. As businesses invest in digital transformation, this becomes the root of why it is a journey and not a destination that’s specific to their customer behavior, expectations, and trends. By broadening focus beyond technology to customer behavior and improving the digital customer journey, strategists learn how to design a roadmap that’s targeted and meaningful. Continuing this work constantly informs and evolves digital transformation efforts, getting businesses ever closer to an ultimate journey.

**EACH CUSTOMER TOUCHPOINT REQUIRES
CONSISTENT UPDATING AND INTEGRATION, ON ITS
OWN AND IN CONCERT WITH ONE ANOTHER, TO
ENSURE A SEAMLESS AND HOLISTIC EXPERIENCE.**

This is where “mobile-first” thinking shifts to embody a larger “digital-first” school of thought. “Digital-first” considers the relationship between each touchpoint and its role in the overall journey, the variety of screens and the capabilities of each, and also customer expectations in every touchpoint and what they hope to accomplish on each screen. Ford’s Scott Monty shared Ford’s perspective. “Our CMO, Jim Farley, is encouraging the company to think of digital first in its marketing rather than adding a ‘rubber stamp’ after traditional media and marketing considerations.”

**COMPANIES MUST RE-PRIORITIZE THEIR
INVESTMENTS IN TRADITIONAL MEDIA IN LIGHT OF
THE EVOLVING DIGITAL CUSTOMER JOURNEY.**

We found that businesses often remodel or bolt on mobile, social, and digital functionality to an aging offline/online infrastructure that is counterintuitive to customer behavior. Monty explained that at Ford, like many businesses, decision makers came up in a different era of engagement. “For a long time, we’ve been based in TV and print, and digital extension was just a microcosm of the traditional campaign. Farley is challenging the teams now to think digitally first.” Digital-first requires that strategists re-imagine the entire journey where digital is not only first, it is fundamental. Efforts are most meaningful when they consider the broader picture of customer behavior in an attempt to answer the question, “What would my digital customer do?”

*What
would my
digital
customer
do?*



DIGITAL-FIRST STRATEGIES BEGIN WITH AWARENESS AND DISCOVERY AND CONTINUE THROUGHOUT THE ENTIRE LIFECYCLE.

This is the Zero Moment of Truth (ZMOT), as Google refers to it: the moment when someone takes to digital channels to learn more about businesses, products, services, etc., to inform decision-making. In a discussion with P&G's Associate Director of Consumer Relationship Management, Tony Hudnell, digital transformation begins by changing how customers begin their journey. "The Zero Moment of Truth is where digital comes in," Hudnell explained.

But, the ZMOT is certainly not where digital transformation ends. In fact, P&G, among other businesses we interviewed, believes that digital is the way business will be done. Instead of "digital-first," P&G is currently embracing a culture of "Digital Back." Speaking at Dmexco, P&G's Global Brand Building Officer, Marc Pritchard, stated that "digital marketing" as a focus on channels and technologies is "dead." While controversial, his vision reflects a grander perspective of the evolving customer ecosystem. He believes that companies can't embrace a strategy toward digital transformation based on the tools and trends. "Try to resist thinking about digital in terms of the tools, the platforms, the QR codes, and all of the technology coming next. Instead, start in the digital world and build your way back to the rest of the marketing mix. It's an approach that is building our brand equities, our sales, and our profits."

Businesses that study customer behavior and make investments based on that research will design a digital customer experience that naturally meets or exceeds expectations of digital and traditional customers. In the end, digital transformation is really about putting people and relationships back into focus. It elicits a more customer-centric philosophy where DCX contributes to the development of more meaningful customer engagement and relationships at every step of both the digital and real-world journey.

Whether it's digital-first or digital back, bringing about meaningful transformation depends on understanding the needs and expectations of digital customers to inform your next steps.



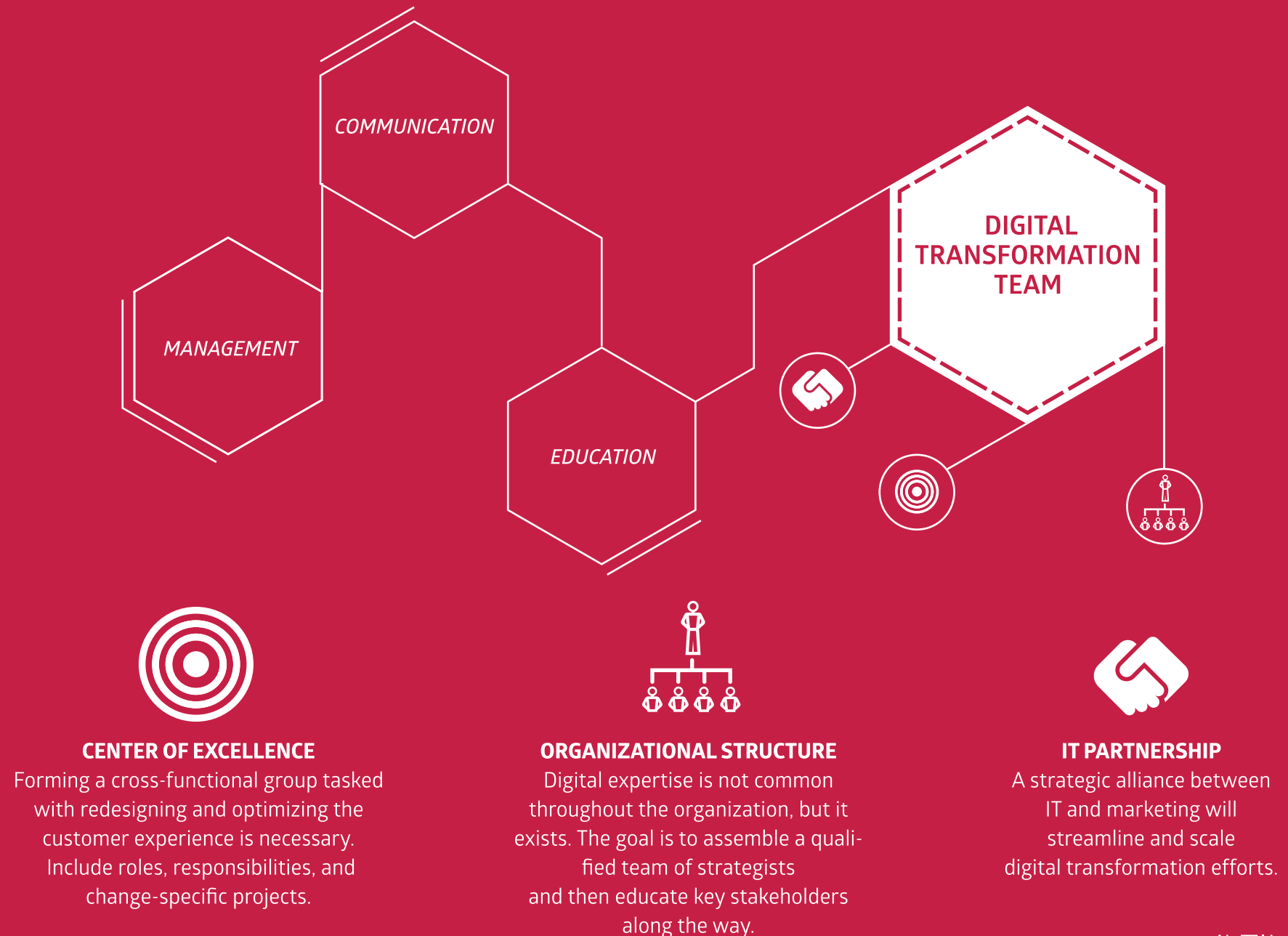
ELEMENT 3 THE DIGITAL TRANSFORMATION TEAM

While digital transformation has a beginning, it doesn't necessarily have an end. As such, digital transformation initiatives become a journey in and of themselves. The steps a business takes are often informed by the findings resulting from the customer journey research and their relationship to strategic company priorities and objectives. From there, businesses are forming specialized organizational bodies to lead digital transformation efforts.

From defining roadmaps to prioritizing initiatives, these teams manage programs and communicate progress and learnings to the C-suite. Businesses undergoing digital transformation are also changing how departments work today by breaking down silos and forming new teams to more effectively manage the customer journey in real time.

This section details what digital transformation strategists must consider in relation to digital transformation teams (see Figure 7).

FIGURE 7:
DIGITAL TRANSFORMATION TEAM CONSIDERATIONS FOR STRATEGISTS



SPECIAL WORKGROUPS ARE FORMING TO EXPLORE AND EXPEDITE TRANSFORMATION.

Before change can begin, questions must be answered, opportunities must be discovered, and challenges must be reviewed. In many cases, we learned that organizations form special teams to bring people together to start talking and put change into motion. These teams go by many names: digital circles, Centers of Excellence (CoE), rapid innovation teams, digital acceleration teams, and more.

Nestlé's Pete Blackshaw joined the company as its Global Head of Digital Marketing and Social Media in February 2011. Soon after, he created a Digital Acceleration Team (DAT), bringing together digital leadership training and to also serve as a skunk-works for digital marketing projects. Each DAT "class" includes 12 members who represent digital expertise from various locations internationally. They work on short-term projects that Nestlé units apply for and then return to their respective units to bring value back with what Blackshaw calls "digital vitamins." These vitamins equate to expertise that can be used to further digital transformation in the graduate's home unit.

"We were inspired by hackathon culture," Blackshaw shared in an interview with MIT and reinforced in our interviews. "One of the first things I did was take executives out to Google, Facebook, and Salesforce.com, companies with rapid innovation cycles, solving problems really fast, and leveraging digital vitamins along the way. It was very inspirational to us. Our first thought was: Could we graft some of that onto our headquarters?"

Other organizations create the team with a more organic approach. At a large pharmaceutical company we spoke with, they formed multiple “circles,” working groups that aimed to understand and solve for problems and opportunities around mobile, social, and digital. Eventually, those circles united under digital to create a dedicated team, responsible for bringing about digital transformation across the enterprise to each line of business and all functions.

Our interviewee and internal champion at the pharmaceutical company asked, “Who owns the customer experience?” The answer is everyone. “At [our company], everything falls under legal. But, digital, social, and mobile change agents come together, bringing to this group all key initiatives and customer perspective. Deliverables from this team are frameworks that the company adopts globally while minimizing risk and still making use of these technologies.”

In both cases, there is a clearly identified group that is tasked with and accountable for digital transformation. The existence of this digital transformation group was a consistent “must have” across all companies we interviewed for this report.

EXECUTIVE SUPPORT BRINGS PEOPLE TOGETHER FROM DIFFERENT GROUPS TO COLLABORATE ON SOLUTIONS.

In some cases, a change agent rises to earn an executive role to lead digital transformation. Julie Bornstein, Chief Digital Officer at Sephora, is one such example. In other cases, an executive creates a special role to formally lead digital change, as illustrated with the hire of Pete Blackshaw as Nestlé’s Global Digital Chief. In most cases though, digital transformation accountability falls on more than one person, with an executive champion bringing together many key stakeholders in collaboration to support a holistic DCX approach.

Each path shares several goals: Understand the digital customer journey; invest in leading technologies, systems, and processes to optimize the online and real-world journey; and collaborate with key stakeholders to support a holistic DCX approach. They also share the ability to earn executive support and bring people together even if they’re from different groups to collaborate on solutions.




*“Who owns the customer experience?”
The answer is everyone.*

DIRECT EXECUTIVE ACCESS ENSURES THAT ISSUES AND BARRIERS RAISED BY THE TEAM ARE HEARD AND PROMPTLY ADDRESSED.

Discover has an “experience management” layer that sits at the very top among C-suite executives. This specialized “ebusiness” group meets with executives regularly to discuss the voice of the customer (VOC), their aspirations, and the unique needs and attributes of Discover’s digital customers and also of its competitors. In our interview with Discover’s Head of Digital, Mike Boush, and Director of E-business and Customer Experience, Dan Gingiss, we learned that the experience management team has a direct line to the company’s president and the executive committee. “The team is looking for more than updates or reports,” they explained. “The CEO and everyone at board level want to understand what it is like to be a digital customer with us and with our competitors. This is a very systemic and ongoing process. It’s designed to permeate the entire company from the top down.”

ORGANIZATIONS THAT RECOGNIZE THE PROMINENCE OF DCX ARE COMBINING DEPARTMENTS RESPONSIBLE FOR DIFFERENT FACETS OF THE CUSTOMER JOURNEY.

Global beauty retailer Sephora has spent years understanding the evolution of customer behavior and digital’s role in influencing expectations and decision-making. Beyond online, mobile, and social, the Sephora team recognized the importance of DCX and, like Starbucks, placed Julie Bornstein into Chief Digital Officer role and CMO role. Bridget Dolan, Vice President of Interactive Media at Sephora, shared Bornstein’s vision. “She transcends marketing in-store and also digital, mobile, and store digital. Over time, Julie united digital with stores, including social, mobile, search, and email. Together, it’s quite seamless for us now.”



“The CEO and everyone at board level want to understand what it is like to be a digital customer with us and with our competitors.”

**Dan Gingiss, Director of
E-business and Customer
Experience, Discover**

FACILITATING CROSS-FUNCTIONAL ENGAGEMENT STARTS WITH **PUTTING EGOS ASIDE AND WORKING TOWARD THE COMMON GOOD** OF THE CUSTOMER EXPERIENCE.

According to Starbucks' Adam Brotman, "Part of what made digital transformation work was to bring together a cross-functional team with a very deliberate approach to become leaders and 'intrapreneurs' together. We didn't need to own everything to accomplish this. We wanted to lead by example and show how we could work together. Then everyone saw how well it worked, and by 2012, we were officially working as one team." To work together and avoid typical politics associated with ownership, blame, and egos, teams are defining formal roles and responsibilities for each person within the group.

TEAM MEMBERS WANT TO **FEEL EMPOWERED TO DO THE WORK** THAT'S NECESSARY WHILE **FEELING A SENSE OF OWNERSHIP IN THE PROCESS.**

It's a fine balance, but flourishing companies are formalizing the group's charter, goals, and the role each person plays every step of the way. Harvard's CDO, Perry Hewitt, shared her experience. "It's important to make everyone feel they have 'skin in the game' for digital transformation to work across departments. We use RASCI to organize roles and define how we share different assets in disparate channels to stay well integrated."

"It's important to make everyone feel they have 'skin in the game' for digital transformation to work across departments."

**Perry Hewitt, CDO,
Harvard University**

IT IS AN IDEAL ALLY TO CHANGE AGENTS AND DCX TEAMS IN **IMPACTING THE CUSTOMER JOURNEY AND STREAMLINING DIGITAL TRANSFORMATION.**

In 2012, Gartner predicted that by 2017, CMOs would spend more on IT than their CIO counterparts. At the heart of every digital transformation movement is technology, and behind technology are budgets, resources, and training required to enliven digital strategies that facilitate new business opportunities.

Unfortunately, we uncovered that some CIOs don't get it. This causes digital transformation teams to bypass IT in order to execute. We heard that some CIOs are fighting for their role, too. In one such interview with a global consumer brand, we heard that the CIO is losing his share of decision-making power in the company and, "There's definitely a shift in power toward marketing." We found organizations deploying the following strategies to keep IT engaged and involved in digital transformation efforts.

COMPANIES MAKING PROGRESS UNANIMOUSLY AGREE THAT **PARTNERING** WITH **IT** THROUGHOUT THE DIGITAL TRANSFORMATION PROCESS, AND SPECIFICALLY BRINGING THEM IN FROM THE BEGINNING, IS **ESSENTIAL**.

In any digital transformation initiative, CMOs and CIOs share ownership of goals and outcomes. By creating a strategic partnership, IT and marketing can expedite change while accelerating initiatives that optimize digital customer journeys and experiences. Without doing so, digital transformation efforts become ad hoc, get stuck in silos, lessen enterprise-wide impact, and prevent true scale.

DIGITAL STRATEGISTS AGREE THAT **FORGING A STRONGER RELATIONSHIP WITH IT EQUALS GREATER IT SUPPORT OF DIGITAL TRANSFORMATION INITIATIVES**.

As such, digital and IT are partners, forming a symbiotic relationship from the beginning, not just at the end to execute. Sephora's Bridget Dolan offered insight into its partnership with IT. "Digital and IT have to be in lock-step. What goes out the window is finger pointing, and hand holding comes in. IT participates in every meeting to understand goals and objectives and to provide inventive but realistic solutions, timelines, and costs."

*This is key
as culture
evolves to
empower people
to work together
instead of against
one another.*

IT, TOO, NEEDS TO TAKE A PROACTIVE ROLE TO ENSURE ITS PART IN DIGITAL TRANSFORMATION.

According to Intuit, its IT team realized that, to impact the customer journey, they have to be stewards of the overall technology solution and not just the internal solution. At Prudential, IT is taking charge by reaching out to business units, marketing teams, and key functions to learn how to help them achieve long- and short-term business goals. This has sparked dialogue that aids in expediting digital transformation and advancing business outcomes.

At Motorola Solutions, the partnership between IT and marketing was elevated to an entirely formal level. Dubbed the

“MIT Group,” Marketing and IT formed an official alliance to focus on an integrated approach to digital customer experience and change. Grant Ferguson at Motorola explained the importance of the alliance, “These two functions have tremendous ability to impact customer experience through change. **Marketing defines the vision of the company and value proposition for our customers, while IT touches and enables every part of our business and is the ultimate orchestrator of change.** Combining these two functions allows us to more effectively align our strategy and execution to become a more customer solutions-driven business.”

THE CHANGE AGENT'S AGENDA: DIGITAL TRANSFORMATION CHECKLIST

The road to digital transformation is far from easy, but it carries great rewards for businesses and customers alike. It takes a village to bring about change, and it also takes the spark and perseverance of one person to spot important trends and create a sense of urgency around new possibilities.

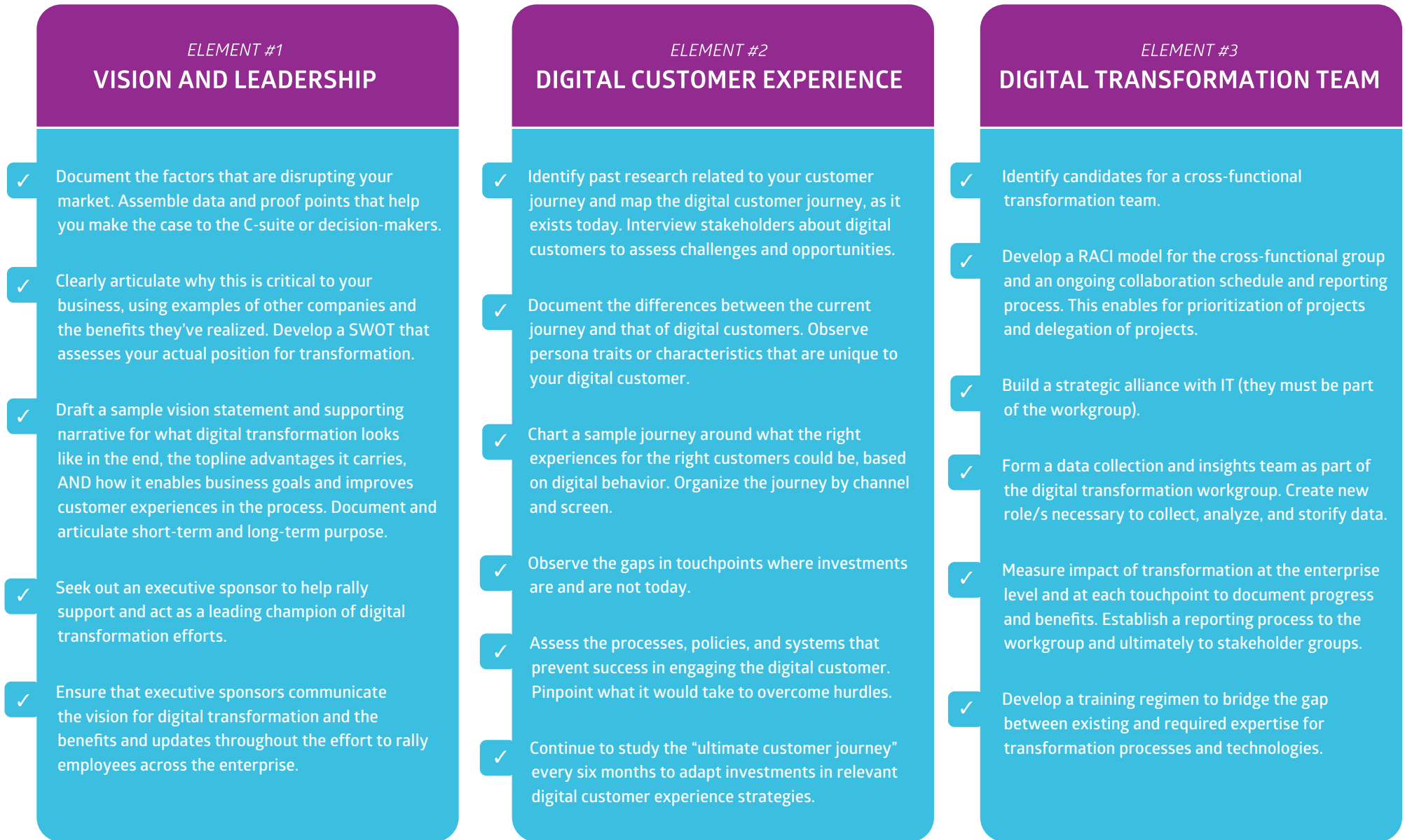
While digital transformation and DCX approaches are developing, there are many roles needed to manage how businesses recognize the opportunities to change and also help lead the efforts to do so. Companies will need the support of executives, strategists, change agents, and trusted external partners to learn, collaborate, and lead.

To help, we've developed a checklist (**see Figure 8**) based on the best practices that surfaced in our research. This list becomes the change agent's agenda to make the case, plan, gain momentum, and push digital transformation efforts forward in an informed, scalable, and meaningful way:



FIGURE 8:


THE CHANGE AGENT'S AGENDA: DIGITAL TRANSFORMATION CHECKLIST



A man with curly hair, wearing a light blue suit, a light blue shirt, and a purple striped tie, is standing in a city street at dusk. He is holding a phone to his ear with his right hand and looking off to the side. The background shows city buildings and streetlights, creating a blurred bokeh effect. A semi-transparent blue banner is overlaid across the middle of the image, containing the word 'SUMMARY' in large white letters and a paragraph of text below it.

SUMMARY

Altimeter Group set out to learn how digital technologies are impacting customer behavior and how businesses are responding to these changes. We learned about the **human side of business transformation**, the catalysts for heading on a new journey, the challenges these companies face, and the benefits they are starting to realize.



While early in its evolution, digital transformation represents the next big thing in customer experience and, ultimately, how business is done. Those companies that “get it” and invest more in learning about their digital customers’ behaviors, preferences, and expectations will carry a significant competitive advantage over those that figure it out later (if at all).

In its own way, digital transformation is making businesses more human. As such, digital transformation is not a destination. Instead, it’s a journey that continually seeks out how to use technology in ways that improve customer experiences and relationships. Digital transformation also represents an effort that introduces new models for business and, equally, creates a way of staying in business as customers become increasingly digital. The elements set forth in this report will help brands adapt as technology continues to disrupt traditional philosophies, systems, processes, and investments.

ALTIMETER

METHODOLOGY

Altimeter Group conducted qualitative research and analysis through a series of interviews with digital strategists and executives at organizations undergoing digital transformation efforts. ***From September 2013 through February 2014, we interviewed 20 executives and social strategists at 14 companies about their experiences in adapting to the new digital customer experience.***

ECOSYSTEM INPUT

This report includes input from market influencers who were interviewed by Altimeter Group during the course of this research. Not all interviewees are included in this list, due to request for anonymity. Input into this document does not represent a complete endorsement of the report by the companies listed below.

- *David Mingle, Executive Director, Customer Experience, General Motors*
- *Rebecca Harris, Social Media Strategist, General Motors*
- *Kim Matlock, Senior Director of Digital Marketing and CRM, Hard Rock Hotels and Restaurants*
- *Sebastian Quinn, Digital Marketing Manager, Hard Rock Hotels and Restaurants*
- *Perry Hewitt, Chief Digital Officer, Harvard University*
- *Adrian Parker, Global Head of Social, Mobile, and Emerging Media, Intuit (Ntow with Patron Spirits Company)*
- *Lars Silberbauer, Global Director of Social Media, LEGO*
- *Grant Ferguson, Leader for Systems of Engagement, Motorola Solutions*
- *Pete Blackshaw, Global Head of Digital & Social, Nestle*
- *Tony Hudnell, Associate Director of Consumer Relationship Management, Procter & Gamble*
- *Bridget Dolan, Vice President of Interactive Media, Sephora*
- *Adam Brotman, Chief Digital Officer and EVP, Digital Ventures, Starbucks*
- *Andy Hedges, Director Shopping Centre Management and Marketing, Westfield Shopping Centres*

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ABOUT ALTIMETER GROUP

Altimeter is a research and consulting firm that helps companies understand and act on disruption. We give business leaders the insight and confidence to transform their companies in the face of disruption. In addition to publishing research, Altimeter Group analysts speak and provide strategy consulting on trends in digital transformation, social business, data disruption and content marketing strategy. Contact Leslie Candy at leslie@altimetergroup.com or 617-448-4769.

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ENDNOTES

- I.** Solis, Brian and Charlene Li, *The Evolution of Social Business: Six Stages of Social Business Transformation*. Altimeter Group, 2013. Research for this report revealed that the allure of social media can spread quickly through an organization, with many different departments — and goals — competing for the attention of the same social customers. Moreover, while most social media teams reside in Marketing or Corporate Communications, many of those organizations have at least one FTE in another department.
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- VII.** Google Think Insights, “*Zero Moment of Truth (ZMOT)*.” 2012. According to Google, the ZMOT is defined as the moment when, after hearing about you, consumers turn to their laptops, smartphones, and tablets to learn more — to see if you meet their needs. Their research may include reviews, coupons, videos, blogs, and social networks where they learn more about your brand.
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