

Digital Transformation In The Age Of The Customer: A Spotlight On B2C

RESULTS FOCUSING ON B2C FROM THE THOUGHT LEADERSHIP PAPER “DIGITAL TRANSFORMATION IN THE AGE OF THE CUSTOMER,” OCTOBER 2015

Introduction

The past five years have marked the beginning of the “Age of the Customer,” in which technology and economic forces have put customers in control of their interactions with businesses. These businesses, hoping to understand and serve customers in a global and digital economy, are almost universally undergoing digital transformation, which involves realigning and investing in new technology and business models with a specific focus on the customer experience.

In May 2015, Accenture Interactive commissioned Forrester Consulting to evaluate digital transformation among enterprises. The study, “Digital Transformation In The Age Of The Customer,” explored the hypotheses that firms are confused about what constitutes digital transformation (and who should drive it) and that many firms don’t have the required skills to transform into digitally mature organizations.

This spotlight focuses on specific findings and considerations for B2C enterprises. In conducting in-depth surveys with 193 enterprise business decision-makers, Forrester found that while B2C companies are actively working to transform their organization, processes, and technology in pursuit of a more effective digital business and a more satisfying customer experience, they still have a lot of room for continued development of their capabilities.

The Customer Experience Is At The Heart Of B2C Digital Transformation

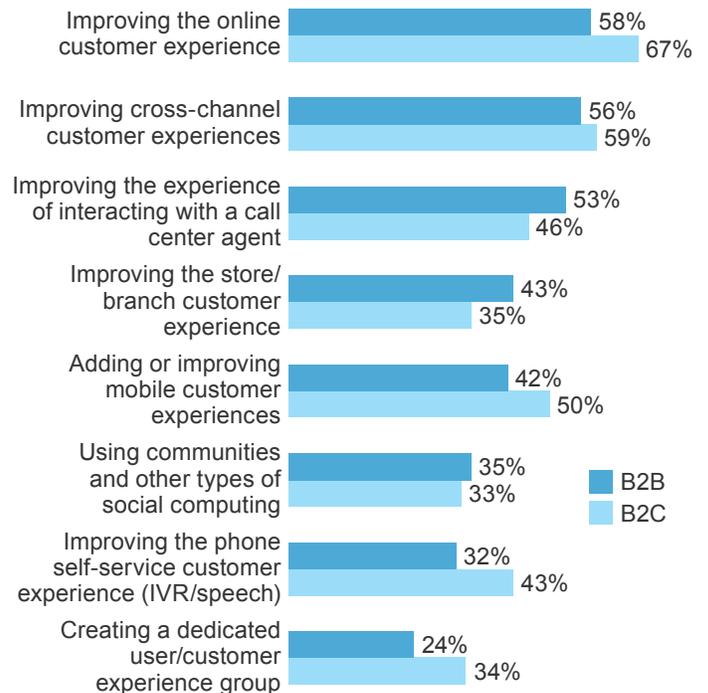
In the Age of the Customer, consumers expect ready access to content that is personally relevant in the context of what they are doing and accessible anytime, anywhere, and in the format and on the device of their choosing. Delivering this requires a concerted effort from across the business: The organizational structure, company culture, and business technology must all be aligned in service of customers. For this reason, digital and customer experience strategies are inexorably linked. Almost every change that organizations make to aid their digital transformation is also in pursuit of a better customer experience. Our study found that:

- › **Key drivers of digital transformation among B2C organizations are profitability, customer satisfaction, and increased speed-to-market.** While sales will always be important, our study found that *how* the sale is made is what matters. When we asked firms to rank their top drivers for digital transformation, B2B and B2C respondents ranked the options similarly: The most common responses were that they look to digital to help them sell profitably (56% of B2C respondents), quickly (53%), and with superior customer satisfaction (49%).
- › **Improving customer experience and differentiation are top strategic priorities.** When we asked B2C decision-makers about their broad strategic priorities over the next year, “improving the differentiation in the market” was the choice with the most No. 1 rankings, followed closely by improving customer experience and growing revenues. B2C firms focus more on differentiation than do their B2B counterparts, which ranked this as only their fifth most important criterion (based on No. 1 rankings) behind improving the customer experience, growing revenues, reducing costs, and improving sustainability.
- › **Online and cross-channel customer experiences will get the most attention in the next year.** Customers interact with businesses through a wide range of channels — often more than one channel in the same customer journey. When we asked B2C respondents how they plan to improve the experience of their customers, the top responses were improving the customer experience online (67%), across channels (59%), via mobile (50%), and in the call center (46%) (see Figure 1). B2C respondents are actively implementing and improving

more digital touchpoints than their B2B counterparts, whereas B2B organizations are putting more work into improving phone and in-person experiences.

FIGURE 1
Digital Channels Are Key For The Customer Experience

“What actions is your organization taking to improve the experience of its customers in the coming year?”



Base: 144 B2C and 144 B2B digital experience decision-makers at the director level or higher at enterprises with 1,000 or more employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

Businesses Have A Ways To Go On Their Path To Digital Transformation

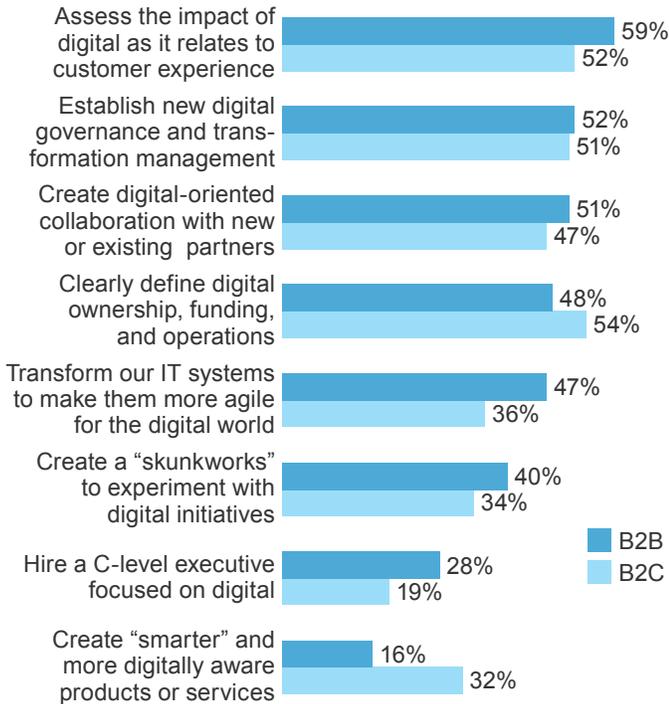
Given the constantly evolving nature of technology, digital transformation cannot be a large, one-time investment and initiative. Rather, to “digitally transform” means to put organizational, operational, and technological foundations in place that foster constant evolution and cross-functional collaboration. Our study found that most B2C organizations are actively working to develop their digital capabilities but are far from achieving digital mastery. We found that:

› **B2C companies focus on defining digital ownership and assessing digital experience.** B2C businesses are in various stages of addressing these facets of their digital strategy. In the coming year, 54% plan to clearly define digital ownership, funding, and operations; 52% plan to assess the impact of digital as it relates to the customer experience; 51% plan to establish new digital governance and transformation management; and 47% plan to create digital-oriented collaboration or joint ventures with business partners. This list is similar to that of B2B firms, although B2C firms focus more on product-oriented initiatives such as creating “smarter,” and more digitally connected products and services, whereas B2B firms focus more on transforming back-end technologies such as IT systems (see Figure 2).

› **Confusion over who should “own” digital leaves businesses unable to execute their digital strategies.** There is no clear consensus on who should own and drive the digital vision and strategy. At B2C companies, the CEO is most likely to be assigned digital ownership (41%), followed by the CIO (31%) and a mix of other senior leaders. B2B companies look similar, although they are more likely to have a CIO in charge. When asked who *should* own digital, the responses are just as muddled, although an increasing minority of B2C companies idealizes a chief digital officer or chief strategy officer (see Figure 3). Forrester believes that it doesn’t necessarily matter whether the digital leader is a CEO, CIO, or chief digital officer, but there needs to be a customer-focused leader to lead the charge in establishing a strategy to embed digital capabilities across the enterprise.¹

FIGURE 2
The Customer Experience Is A Top Digital Initiative

“What actions is your organization taking to address the impact of digital disruption on your business?”



Base: 90 B2C and 98 B2B digital experience decision-makers at the director level or higher at enterprises with 1,000 or more employees
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

FIGURE 3
Digital Vision And Strategy Are Most Frequently Led By A CEO Or CIO At B2C Organizations

“Who in your organization sets or should set the digital vision and strategy?”



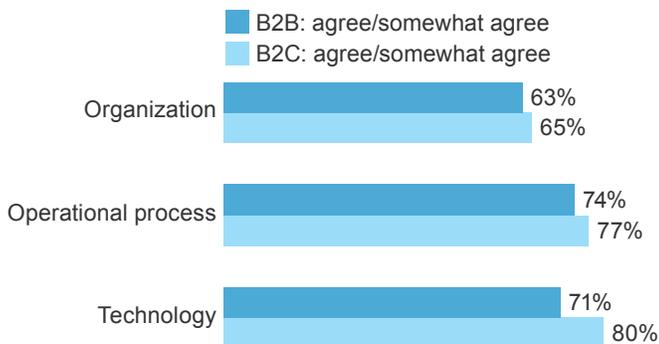
Base: 193 digital experience decision-makers at the director level or higher at B2C enterprises with 1,000 or more employees (percentages may not total 100 because of rounding)
Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

› **Businesses do not have a complete understanding of digital.** Unsurprisingly, respondents listed “organization” as the dimension of their business least ready to execute digital strategy when compared with technology and operational processes (see Figure 4). Across all three of these dimensions, B2C organizations are on the path to execution, with the majority at least somewhat agreeing that their company is ready to execute their digital strategies. Consumer businesses are surpassing their B2B counterparts across the board and are more likely to understand online consumer behavior for their category or space as well as how digital strategy and tactics can drive success. However, B2C organizations have room to continue to transform, as a minority of respondents completely agree that they have the technology (34%), operational processes (30%), and organization (25%) in place to execute their digital strategies effectively.

FIGURE 4

Organizational Readiness Lags Behind Technology And Operational Process

“Across the following dimensions, to what extent do you agree that your company is ready to execute its digital strategy?”



Base: 193 B2C and 203 B2B digital experience decision-makers at the director level or higher at enterprises with 1,000 or more employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

Third-Party Solution Providers Plug The Gaps And Drive Transformation

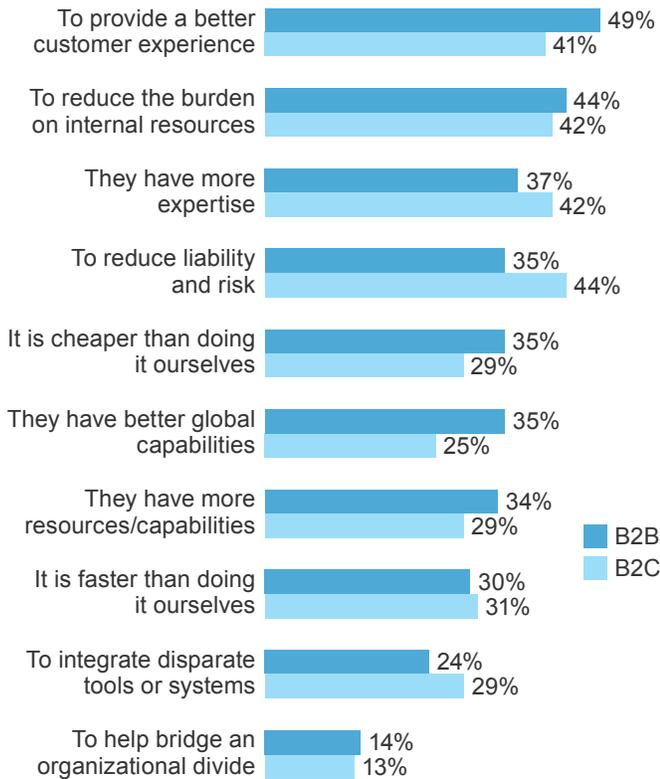
With customer satisfaction on the line, most B2C businesses leverage the resources and expertise of third-party solution providers and partners for at least some components of their digital strategy to help overcome deficiencies and increase speed-to-market. As digital transformation pervades all areas of the business, decision-makers increasingly look for their vendors to serve as ongoing strategic partners rather than simple implementers of point solutions. Our study found that:

› **Ninety percent of B2C firms use a third-party solution provider for at least one component of their digital transformation.** The processes that B2C firms most frequently outsource to vendors are performance analytics and reporting (44%); implementation of front-end (35%) and back-end (36%) applications; web/user experience design (34%); managed services (32%); and digital organization and operations (30%). B2C companies are more likely to use partners for analytics and measurement than are their B2B counterparts.

› **Businesses work with third parties in order to reduce risk and gain expertise.** We asked respondents why they contract third-party solution providers for help with their digital transformation and found that vendors offer a range of benefits to companies that choose to engage them. B2C organizations use third-party vendors in order to reduce liability (44%), gain access to expertise (42%) and global capabilities (25%), and generally to improve the customer experience (41%). In some cases, B2C companies feel that their vendors can perform tasks cheaper (29%) or faster (31%) or can reduce the burden on internal resources (42%). A few of these factors were more important to B2C organizations than their B2B counterparts, including reducing liability and risk, more access to expertise, and the need for help with integrating disparate systems (see Figure 5).

FIGURE 5
B2C Companies Engage Third-Party Solution Providers For A Range Of Reasons

“Why does your organization engage third-party vendors to support its digital transformation?”



Base: 173 B2C and 178 B2B digital experience decision-makers at the director level or higher at enterprises with 1,000 or more employees

Source: A commissioned study conducted by Forrester Consulting on behalf of Accenture Interactive, June 2015

› **Existing vendor relationships are not structured optimally.** Very few (2%) of the B2C organizations that we surveyed were outright dissatisfied with their third-party digital vendors, but only 36% reported being very satisfied, leaving room for improvement. Interviewees commonly cited communication and post-project support as areas where vendors were lacking, although their experiences varied among the vendors that they were using. These types of issues may be symptomatic of the fixed-contract structure of many vendor relationships. Our study found that only 34% of B2C companies have vendors as full-service partners, whereas the rest outsource work in a lesser capacity. Contractors responsible for point implementations are the most common (40%), and agencies are the least common (29%). We found that time and materials is the most common contract. For something as strategic and iterative as digital transformation, organizations should consider challenging their partners to bring more than just time and materials contracts to the table and instead engage in an end-to-end partnership in which the vendor assumes some responsibility for the success of the initiatives.

Key Recommendations

Digital transformation is a complex process that fills many business leaders with uncertainty. It is critical that leaders fight through that uncertainty and take steps to implement the culture, processes, and technology that will enable their business to compete in the modern marketplace. As a decision-maker seeking to drive the digital transformation of your business, you should:

- › **Advocate digital transformation and the customer experience at the executive level.** Digital transformation can only succeed as a companywide initiative, which requires strong collaboration and evangelism from company leaders. No one person can drive all of the changes that are required for an organization to operate as a customer experience machine. Our study found that the company culture and organization lag behind process and technology when it comes to digital readiness; this has to be fixed in order for companies to mature effectively. Therefore, don't downplay the cultural change and educational aspects of transformation; instead, make them a highlight of your plan.
- › **Execute change within the context of an end vision.** A clear vision for the end state is absolutely critical to making sure that everyone in your organization is moving in the same direction. Even if that vision is a moving target, leaders need to always have goals in mind to ensure that they are not making changes in isolation. Standardizing on a core set of technologies that the business can build around is a great way to accelerate change and keep the organization connected.
- › **Be willing to take risks and learn from mistakes.** As digital touchpoints continue to evolve and proliferate, companies will need to take risks and develop Agile processes in order to keep up. In a digitally mature company, not every change should require traditional approvals and a detailed business case; if new functionality is in the spirit of digital transformation and the customer experience, give it a try, solicit feedback, and then iterate on it. This Agile approach helps to ease capital expenditures as well, and third-party solution providers may be willing to help phase investments as you implement new capabilities over time.
- › **Find partners whose capabilities complement your own.** Even digitally mature companies will have new gaps in capabilities as the technology continues to evolve. Enlisting third-party solution providers to help navigate change and implement new strategies is often cheaper and faster than building those capabilities internally. Find partners that understand your broader strategies and have specific strengths in the functions and areas that your company lacks.

Methodology

In this study, Forrester conducted an online survey of 193 B2C organizations in the US, Canada, the UK, Germany, France, China, India, Japan, Brazil, and Mexico to evaluate their digital and customer experience strategies. Forrester also conducted several phone interviews with respondents of the same profile to gather additional in-depth insights. Survey participants included director-level or higher decision-makers with responsibility for customer experience strategy and/or digital initiatives at businesses with a primarily consumer focus. Respondents were offered a small incentive as a thank-you for time spent on the survey. The study began in May 2015 and was completed in June 2015.

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Supplemental Material

RELATED FORRESTER RESEARCH

"Brief: Audit Your Digital Transformation Efforts To Ensure Successful Delivery," Forrester Research, Inc., March 26, 2015

"Use Customer-Centric Metrics To Benchmark Your Digital Success," Forrester Research, Inc., February 5, 2015

"Digital Business Transformation: Lessons From The Pros," Forrester Research, Inc., December 11, 2014

["Customer Desires Vs. Retailer Capabilities: Minding The Omni-Channel Commerce Gap,"](#) Forrester Consulting, January 2014

["Building The B2B Omni-Channel Commerce Platform Of The Future,"](#) Forrester Consulting, November 2014

RELATED ACCENTURE INTERACTIVE MATERIAL

["Digital Transformation: Re-imagine from the Outside-in,"](#) Accenture Interactive, 2014

Endnotes

¹ Source: "The Chief Digital Officer: Fad Or Future?" Forrester Research, Inc., October 31, 2013.