Accenture Interactive – Point of View Series

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Organizing for Success
How the most effective organizations are using digital to grow and achieve business goals
Introduction

Digital experience has become an essential ingredient for driving customer delight, loyalty and growth.

Traditionally, the focus has been on creating rich user interfaces leveraging ever-evolving front-end technologies. While this allows for differentiated success in the short-term, long-term, sustained success requires a more balanced focus on all elements of delivering a holistic experience – people, process, technology and data. More specifically, it requires a greater understanding of how these elements are orchestrated in an organization.

To examine how this shift is impacting companies today, Accenture Interactive surveyed more than 200 digital executives in the United States, at companies ranging from $1 billion to more than $75 billion in revenue. Our survey respondents included CMO, CDO, CIO, SVP, VP, and senior digital executives at companies spanning the consumer-packaged goods, manufacturing, retail, financial services, communications, media and technology, SaaS, healthcare, hospitality and travel industries. Most organizations surveyed had more than 1,000 full-time employees (80 percent), with approximately 25 percent having more than 10,000 full time employees.

This paper outlines a summary of responses we received and our insights from these responses around the following key areas:

- How organizations across industries are addressing their organizational structures
- How organizations are accounting for the people and process aspects to get their jobs done successfully
- The role of third parties to achieve business goals
- A perspective on objectives, goals and measurements inside successful organizations
- Market trends that drive organizational considerations and how organizations are better optimizing their digital strategies
Over the past several years, there has been a push for companies across all industries and business sectors to invest in digital strategies, and the data shows that their investments are starting to pay dividends.

**Digital is becoming a large source of B2B revenue**

Approximately one in four survey respondents said more than half of their revenue flows through digital channels.

Large organizations (more than $25 billion in revenue) are seeing a greater share of revenue from digital commerce, compared to their peers. These companies are counting programs such as marketplaces and EDI (electronic data interchange) in their digital numbers – and rightly so.

Our findings also suggest that B2B organizations are not yet seeing high amounts of digital revenue, compared to digital organizations providing B2C or both B2B and B2C services.

Nearly half (40 percent) of B2B businesses earn less than 10 percent of their revenue from digital. By contrast, only 18 percent of B2C companies and 22 percent of B2B/B2C hybrid companies report the same. Eight percent of businesses operating in both B2B and B2C markets see more than 90 percent of revenue coming via digital, the highest of the three categories.

Clearly, B2B organizations have a significant upside potential for revenue growth through digital. B2B companies that can give procurement officers the digital content they need to make an online buying decision are likely to succeed in growing their digital revenue streams.

Large, mature companies have much larger digital organizations

Most digital organizations (teams dedicated to driving the companies digital agenda) were founded within the last four years (64 percent). Not surprisingly, mature corporations with more than $25 billion in annual revenue tend to have much larger digital organizations. However, the size of the digital organizations in the largest companies can vary, from teams of a few people to departments with hundreds of employees.

A 2014 Accenture Interactive study found that 68 percent of B2B buyers were making online purchases – compared to 57 percent in 2013 – but only 48 percent were making online purchases directly from suppliers. Further, 46 percent reported that their companies were expected to increase online purchasing in the next year. It is clear that suppliers are missing a significant opportunity to capture these buyers online.
Business Goals

What Are Digital Organizations Trying to Achieve?

Across all business sectors, survey respondents recognize the need to measure and track the performance of their digital strategies. The majority report that they track revenue (61 percent), followed by the second most popular key performance indicator (KPI), digital traffic (40 percent).

It’s interesting to note that digital measures varied slightly based on digital revenue. Organizations with less digital revenue tended to track fewer KPIs than organizations that earn a higher share of revenue from digital.

In the same way that organizations operating in both B2B and B2C markets were most likely to report more than 90 percent of revenue coming from digital, companies servicing both B2B and B2C markets reported having more digital KPIs in place than their peers.

Which of the following are key performance indicators (KPIs) measured in your digital organization? Please select all that apply.

- Digital traffic: 40%
- Revenues: 61%
- Units sold: 30%
- Average order value (AOV): 28%
- Customer lifetime value (CLV): 26%
- Share of market: 32%
- Time customer spends on site: 29%
- Percentage of total revenue attributed to online purchases: 23%
- Time to market: 31%
- Funnel-based conversion rates: 14%
- Execution efficiency: 34%
- Percent of repeat customers: 30%
- Increased online engagement: 26%
- Increased revenue or sales: 37%
- Customer satisfaction (qualitative): 37%
- Other (please list): 0%
Revenue is the leading digital KPI metric for market leaders

When ranked by order of importance, the top digital KPIs of market leaders in digital (i.e., companies earning more than half their revenue from digital) emphasize the influence digital has on business outcomes, with revenue receiving a greater priority than other metrics:

1. Revenues (58%)
2. Digital traffic (52%)
3. Average order value (AOV) (37%)
4. Increased revenue or sales (37%)
5. Units sold (35%)
6. Customer lifetime value (CLV) (35%)
7. Percent of repeat customers (35%)
8. Execution efficiency (35%)

Funnel-based conversation rates rated as the least-tracked metric (14%). Why? It could be because many firms don’t fully understand this metric and are unclear about how to attribute the revenue passing through the funnel.

Companies with higher overall revenues were less likely to use revenue as a digital KPI metric:

- $1-$5 billion (67%)
- $5-$25 billion (62%)
- $25-$75 billion (50%)
- More than $75 billion (52%)

This may mean that their ‘exception’ is offline revenue – with online revenue being the ‘rule’. Therefore, revenue as reported is digital.

These KPIs seem to align favorably with organizational goals identified as priorities with consistency across both B2B and B2C:

1. Customer experience
2. Operational processes
3. Speed to market
4. Competitive differentiation
5. Entirety of digital organization
6. Digital revenue
7. Cost containment
Market Trends

What Are the Challenges Faced by Digital Organizations?

Although the implementation of digital strategies has resulted in net benefits to businesses of all shapes and sizes, organizations continue to face a daunting array of internal and external challenges that threaten the achievement of digital goals.

Customer retention (37 percent) and acquisition (36 percent) were reported as the most critical challenges, suggesting that many organizations struggle with high customer turnover rates.

Internal staffing is also an issue for organizations, especially when it comes to skills. Twenty-seven percent of respondents indicated that staff skill sets were a problem, compared to just 15 percent who identified staffing levels (understaffing) as a key challenge.

Additionally, organizations listed governance and control (36 percent), and processes (37 percent) as obstacles, suggesting that many companies are wrestling with process challenges in their digital programs. Interestingly, B2B organizations were nearly twice as likely (37 percent) as B2C organizations to identify processes as a challenge.

Nearly all organizations believe their digital strategies are competitive

When asked to identify their position in relation to the competition, most survey respondents indicated confidence that their digital strategies make them competitive with other organizations in their industries.

The majority of organizations said they were either on par with sector leaders (42 percent) or claimed to be the sector leader (27 percent). Only 7 percent of respondents said that they had fallen behind the leaders in their sectors.

Governance and control are key challenges for market leaders

Governance concerns are especially relevant for market leaders in digital – companies that earn more than half of their revenue online. The list of challenges identified by these businesses included:

1. Governance and control (42%)
2. Customers' digital understanding (41%)
3. Customer retention (39%)
4. Skills/experience of staff (27%)
5. New customer acquisition (27%)
6. Organizational structure/alignment (23%)

How do your digital capabilities rank relative to your major competitors?

- We are the sector leader 27%
- We are on par with the sector leaders 42%
- We are in the middle of the pack 24%
- We trail behind the majority of our competitors 7%

“The identification of governance and control as a leading challenge may indicate that market leaders are becoming more sophisticated in their approach to digital. Having conquered the top-line challenge of converting digital into increased revenue, these organizations are now focused on improving internal processes that impact their companies’ bottom lines.”

Bob Barr, Managing Director, Accenture Interactive
Successful digital organizations aren't accidental – they're intentionally structured to enable the company to achieve key business goals. From operating models to investment priorities, there are several variables that impact the effectiveness of today's leading digital organizations.

**Operating Models**

Thirty-percent of all survey respondents and a third of market leaders in digital reported operating with a **Digital Center of Excellence (DCoE)** model – a model that provides expertise and standards, and supports strategy development for focus areas. However, our experience also shows that DCoEs require a long-term approach to achieve success in making sure digital standards become core to the organization.

The second most common model was the **Centralized** model (28 percent), which offers a single, centralized unit for experience strategy and execution. This unit may reside in other functions such as marketing, shared-services, IT or corporate communications.

The least likely operating model was a **Fully Integrated** model (8 percent) in which all functions are digitally enabled and the experience is managed holistically across touch points. The low adoption rate for this model is likely because many organizations lack the structure and management abilities to fully integrate.

The digital organizations of most market leaders have been in place for five or more years (39 percent) or three to five years (31 percent). Only a quarter of all digital organizations have existed for more than five years (24 percent), while a third (33 percent) have been in place 1-2 years and 31 percent have been in place 3-5 years.

B2B organizations arrived later to the digital game than their B2C counterparts. A quarter of B2B digital organizations have existed less than a year, compared to just 3 percent of B2C digital organizations.

The data suggests that the most successful digital organizations have learned important lessons over time. The DCoE model has done its job in establishing standards and providing expertise. Now, it may be time for these organizations to transition to a model in which the digital center not only provides thought expertise, but also delivers execution excellence.

"A transition from DCoE to fully integrated is not dependent on digital skill-sets alone, it requires digital skill-sets at scale. Our experience shows that this is a steep hill most organizations are unable to climb on their own."

Saty Chawla, Managing Director, Digital Strategy, Accenture Interactive
Leadership

One in four survey respondents said that the CMO is responsible for the growth of the digital organization, followed by the CDO (15 percent). In general, digital responsibility was split fairly evenly among a wide range of job titles, suggesting a lack of common structure.

Among market leaders in digital (those firms earning more than half of their revenue through digital), a third of respondents indicated that the CMO is in charge of the company’s digital organization, followed by the CDO (15 percent) and a senior digital executive (12 percent).

When it comes to decision-making, approximately half of all survey respondents (48 percent) say decisions are made hierarchically, compared to 37 percent of market leaders in digital. On the other hand, 37 percent of all survey respondents reported consensus-based decision-making, slightly lower than market leaders in digital (42 percent).

The study findings indicate a lack of clear consensus on digital leadership. More importantly, the data highlights the need for organizations across all sectors to better clarify leadership roles and decision-making in their digital programs.

Who in your company is responsible for growth of the digital organization?

- Chief Marketing Officer (CMO) 24%
- Chief Digital Officer (CDO) 15%
- Chief Experience Officer (CXO) 7%
- Senior digital executive 14%
- Direct reports to the senior digital executive 5%
- SVP 11%
- VP 5%
- Director 6%
- IT 10%
- Marketing 1%
- Other (please list) 2%

Which of the following most closely describes the way decisions are made in your organization? Please select one.

- Consensus 37%
- Hierarchical 48%
- Individual accountability/responsibility 16%
Talents and Skills

Although many digital organizations have already made significant investments in staffing, there is a widespread recognition that more talent acquisition will be necessary to meet growth expectations.

Nearly a third of respondents (31 percent) say they are not satisfied with the skill sets of employees in their digital organizations. However, while only 19 percent of respondents say their digital organizations require no additional hiring, they also report a preference for hiring new employees with the right skill sets (44 percent) over training existing employees (41 percent).

The most common roles organizations report the need to hire for include digital marketing (28 percent) and digital strategy (27 percent). Seventeen percent report the need to hire for IT. Thirteen percent plan to hire for content development.

When it comes to near-term hiring, more than a quarter of all respondents (28 percent) say they plan to add marketing roles in the next year, followed by digital strategy (28 percent), analytics (26 percent) and customer experience (24 percent).

Current market leaders in digital, on the other hand, are inclined to add roles in digital strategy (40 percent), digital marketing (37 percent) and customer experience (33 percent). The slightly higher weighting towards digital strategy may illustrate that the market leaders are starting to shift focus to long-term, as opposed to more short-term and transactional parts of their digital orchestration.

Furthermore, hiring the right talent may not be as straightforward as it seems. In many cases, the available talent pool and fluctuations in regional job markets can present serious challenges for digital recruiting and retention.

Vendors and Agencies

One of the ways digital organizations compensate for gaps in skills and talents is by enlisting the help of vendors or agencies. But the willingness to hire vendors or agencies varies, based on the size of the organization and the share of revenue attributed to digital.

While the vast majority of all digital organizations (84 percent) outsource less than half of their digital work to external partners, market leaders are more willing to tap into external expertise. Two-in-five market leaders in digital have 50 percent or more of their work completed by vendors and agencies.

Additionally, respondents were somewhat evenly split when asked to identify the reporting structure for vendors and agencies. While 45 percent said that vendors and agencies work for a centralized digital organization, 43 percent reported that external partners work for distributed business units. This likely deserves further investigation as a variety of agencies and vendors distributed across the organization likely means inefficiencies and inconsistencies a DCoE is designed to reconcile and rationalize.

Most survey respondents work with vendors and agencies for at least a portion of their digital work. But the data shows that companies earning more than half of their revenue from digital are more likely to work with vendors and agencies for a larger share of their digital work – a fact that may be partially attributable to the sophistication of their digital strategies and the need to tap into specialized digital skill sets.

Are you currently satisfied with the skills sets of the employees within the digital organization?

Yes: 69%
No: 31%

What percentage of your digital client work do outside partners perform?

- Less than 10%: 28%
- 10%-25%: 32%
- 26%-50%: 24%
- 51%-75%: 9%
- 76%-90%: 4%
- More than 90%: 3%
Priorities and Investment

As companies become more comfortable with the idea of a digital strategy, priorities are shifting as digital leaders look to invest in organizational growth and expansion. Overall, digital organizations are currently engaged in the following activities:

1. Content-based marketing (51%)
2. Developing an eCommerce/digital strategy (50%)
3. eCommerce re-platforming (44%)
4. Mobile commerce (41%)
5. Enabling new digital customer self-service capabilities (38%)
6. Social commerce (38%)
7. Digital data warehousing (38%)
8. Content curation and enrichment (38%)

Over the next 12 months, the average digital organization plans to invest in the following areas, demonstrating a slightly different set of digital priorities:

1. Digital organization expansion (30%)
2. Enabling new digital customer self-service capabilities (30%)
3. Content curation and enrichment (30%)
4. Personalized experience and offers (28%)
5. Digital data warehousing (27%)
6. Omni-channel (27%)
7. Mobile commerce (26%)
8. Social commerce (24%)

Although the current activities of market leaders are similar to those of all survey respondents, the mix of priorities demonstrates the maturity of the leaders’ digital programs. Firms that earn more than half of revenue from digital are most likely to have the following components in place:

1. Content-based marketing (60%)
2. eCommerce re-platforming (58%)
3. Enabling new digital customer self-service capabilities (58%)
4. Developing an eCommerce/digital strategy (56%)
5. Social commerce (56%)
6. Personalized experience and offers (54%)
7. Digital data warehousing (54%)
8. Content curation and enrichment (50%)

Market leaders’ investment priorities over the next 12 months reflect the investments these organizations have already made and the push for increased sophistication in mobile and other channels:

1. Omni-channel (39%)
2. Digital organization expansion (37%)
3. Mobile commerce (31%)
4. Personalized experience and offers (29%)
5. eCommerce re-platforming (27%)
6. Social commerce (23%)
7. Enabling new digital customer self-service capabilities (22%)
8. Content-based marketing (21%)
Preparing for Digital Growth

It’s clear that digital has become a top of mind concern for B2B and B2C organizations of all shapes and sizes.

Organizations that have established a solid digital foundation are taking their strategies to the next level and leveraging digital for revenue improvement, while companies that are already earning more than half their revenue from digital (market leaders in digital) are looking to fine-tune their organizations for even better results.

Most digital organizations recognize the internal and external challenges they face, and are pursuing additional investments to address key obstacles to growth. Among market leaders, there is an acute awareness of the need for investments in digital strategy and other areas that can help the organization resolve governance and process issues as well as customer-facing concerns.
To learn more about how to use digital to grow and achieve business goals, contact:

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