

F R O S T & S U L L I V A N



Market
Insight

Digital Transformation Meets the Contact Center

What Companies Need to Know to Survive in a Digital World

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Introduction

On the heels of the push to provide omnichannel customer care, we are witnessing an upsurge of business transformation unheard of five years ago. The focus is on growth, and in order to grow companies must embrace the change occurring in numerous technology segments. Amongst these are the Internet of Things (IoT), Big Data, artificial intelligence and machine learning, mobility and social networking. Enter Digital Transformation (DT); a confluence of technology advancements that drives changes in the consumer base, ignites rapid technology adoption, and opens the door to new business models. DT has the power to completely disrupt the way that goods and services are delivered. This onrush of change is challenging customer service and support organizations unlike anything that has preceded it.

After years of belt tightening and consolidation, companies have woken up to find themselves in a new competitive environment of disrupted business models. New technology and a changing more empowered and knowledgeable consumer base is pressuring companies to closely look at the way they transact business. For CEOs this new reality is to embrace digital transformation or die trying. This market insight will examine the changes that digital transformation is having on customer care, technology providers, and the steps that forward thinking companies need to take to fully embrace it.

Digital Transformation and Customer Care

Frost & Sullivan defines Digital Transformation as the strategy and execution of harnessing digital assets and information across an organization, bringing all areas of the business into alignment with the needs of all stakeholders, including employees, customers, prospects, suppliers, distributors and partners. It is as much a mindset as it is a change in technology and its use. This is an age where customer loyalty increasingly is in question. Nowadays, consumers associate the brand with the experience forcing companies to innovate on how they engage, nurture, and retain customers. It requires a new way of thinking and the sometimes destruction of the status quo to create new models of engagement. On a basic level this means understanding what a customer is really trying to achieve and make it easier for them to

do so, but also anticipate what they might need beyond that. On an organizational level it means understanding how every touch-point can be used together to deliver faster and better results and deeper more engaging customer interactions.

How does this apply to customer care? A comparison can be drawn organizationally between the evolutions that have been occurring within the contact center and digital assets across an organization. In essence, digital transformation is to digital channels the way omnichannel is to all channels. Omnichannel customer care evolved from the maturation of multichannel customer engagement, in which the biggest challenge was tying together disparate interaction channels and silos of data to support a seamless customer journey. Digital transformation includes a broader perspective in order to:

- Improve customer and business experience
- Foster innovation within the business
- Add value to all stakeholders out of combined assets
- Create new experiences to foster deeper customer relationships

Digital transformation and omnichannel delivery also share something else as well. The second biggest challenge with omnichannel is gaining cross organizational support to make it happen. Too often newer channels, such as web or social, aren't initiated from within the contact center. Creating an omnichannel strategy therefore entails getting buy in, support, and skill set from different owners to ensure all channels can work in concert for seamless customer journeys. It also involves taking resulting data from those journeys to analyze and provide continuous feedback for improvement. The same goes for digital transformation.

The Digital Connection

Digital Transformation is not easy and it can be uncomfortable. It involves understanding the needs of prospects and customers, as well as the needs of different customer segments. What are they trying to achieve? Are customers young and tech savvy, older generation digital immigrants trying to embrace change – or not? Or are they a mix of both? Consumers want to know who they are doing business with. They want to know where products are sourced from, who businesses are partnering with and what they bring to the party. In essence they want to know why they should do business with you.

Understanding the different profiles and needs of customers is even more important as the population ages, grows more digitally savvy and uses digital assets to bridge work and non-work time. Frost & Sullivan's 2015-2016 Megatrends series on "The Future of Work" shows that by 2025 Millennials (1981-2000) will comprise 48.3% of the workforce. Generation Z (2001-2015), who grew up as digital natives, will comprise 15% of the labor force. These populations work and play differently than prior generations. They are always on and socially aware. They blur the lines between work and non-work time, and increasingly are digital nomads - working from anywhere. Therefore, finding ways to connect with them as they move throughout their day is a crucial part of this transformation.

Transformation of the Customer Experience Starts at the Top

The rising base of post Baby Boomers (Millennials, Gen X, Y, Z, etc.) consumes technology and services faster than any prior generation in history. Unlike prior generations, they grew up surrounded by increasingly complex technology. The most eye-opening difference is the relationship that has developed between consumers and their devices. While Baby Boomers were amazed by punch cards and Cray computers, computing power and applications now can be found on any wrist, or in every pocket or purse. New ways of accessing and consuming information has become the norm. These newer consumers instantly research any question or issue, often from mobile devices, and tend to troubleshoot before seeking help. They also eagerly discuss their issues and findings on social networks.

However, it's not just Gen X, Y and Z that is changing. As customers of all generations have become more informed, they also have become less patient and demand quick resolution to their issues. They seek transparency from the enterprises they do business with, and demand to know more about the relevancy and value of what companies are offering.

More than ever technology change and innovation needs to be delivered from the top down. The chief customer experience officer of 2014 needs to become the chief digital transformation officer, chief innovation officer or chief innovation strategist of 2016. Innovation not supported financially, culturally, and organizationally, by the top, is doomed to stagnate. Innovation and hence, digital transformation were top of mind in 2015. For instance, in KPMG's CEO Outlook for 2015 Innovation was in the top five most critical challenges for CEOs, along with financial growth (30%), focus on operational excellence (27%), strengthening of brand (26%), expanding geographically (26%) and innovation (25%), and was again in the top five for strategic priorities in the next three years as well.

New Ways, New Business Models

New Business Models

Creation of transformational business models that use digital assets can have a huge impact on customer service. It requires cross organizational support to go beyond that of omnichannel to address unmet customer needs and create new customer experiences. While small changes can create new customer experiences, large changes can create disruptive business models that radically change the way a business service is offered.

For instance, Uber and Lyft revolutionized transportation, creating an amazingly different Customer Experience than consumers were accustomed to. Both companies disrupted an age-old business model in the process. Airbnb has done the same for the hospitality industry. Self-driving cars with full-service dashboards, including virtual assistant capabilities, show the promise of transforming the automotive industry. In each of these cases, the new models provide a radically different user experience than before by anticipating customer needs. They are engaging. They address consumer pain points, such as the need for ease and convenience. Moreover, in some cases they decrease costs to the consumer.

Perhaps as interesting, is that the companies creating these applications have elevated consumers into the business model themselves with no start-up costs. Suddenly you or I could be a taxi driver or B&B owner, with no overhead and no education or experience. Market disruption, of course, is not without its downside. New models that lack regulation, can give unfair advantage to the disrupter. For instance, ride sharing app companies have skirted the city licensing requirements that taxis endure. These advantages can leave a traditional market caught unaware, driving companies out of a market. Despite this, DT within these markets is driving meteoric adoption unlike anything previously seen.

New Ways

Digital transformation doesn't have to start with some brilliant idea on how to completely revolutionize an industry. It can be the rethinking of service delivery models, and can simply start as rethinking an existing channel and expanding from there. Refreshing Interactive Voice Response (IVR) provides a good example. This perennial front door to the contact center has been repeatedly upgraded over the years, from speech-driven user interfaces, to integration with other contact channels. But truly transforming the IVR experience involves integration on all levels with other digital assets involved with customer contact.

For instance, tying information input into an IVR with context and data from interactions on other channels can net a deeper understanding of what the customer is trying to achieve by going through the IVR. Seamlessly blending IVR in with other interaction channels, such as outbound dialing and the web, or even in-store experiences, can broaden the Customer Experience. Bringing in other digital assets such as video or chat, and applying predictive and prescriptive analytics, also can completely transform the experience for the customer..

Summary

Digital transformation is a journey, but one that companies need to embark on if they are to survive not just the onslaught of traditional competition, but new market entrants. It is also a necessary component in keeping pace with the rapidly changing consumer base. While there are too many developing technology components to delve into in this insight, the following areas should be on the radar of any company starting on the digital transformation path:

- **Movement to the Cloud.** The benefits of moving applications and infrastructure to the cloud has been well documented, as it provides an easier path to eliminating data silos, and smoothing customer journeys.
- **Emergence of the Internet of Things (IoT).** Companies need to investigate the impact that device connectivity, cloud computing, and advanced analytics can have on changing the Customer Experience.
- **Security.** Companies should keep abreast and plan for the ongoing security threats to digital assets.
- **Big Data.** As explained in Frost & Sullivan's recent market insight "The Contact Center is Rich with Data – Why Add More?" Big Data is moving beyond the realms of data projects and into enriching what companies know about customers.
- **Advanced Analytics.** Companies are well advised to investigate how to make use of advancements in analytics. Understanding customer wants, needs, and behavior and predicting outcomes is key to owning the Customer Experience. Areas to investigate

include advancements in artificial intelligence, machine learning, and speech and text analytics.

- Virtual Assistants, Intelligent Personal Assistants and Robotic Process Automation. Customers prefer to self-serve before contacting a business. Embellishing self-service options from the growing ranks of digital personal assistants can help differentiate and transform customer interaction.
- Mobility. Companies need to meet customers where they live and that is on mobile devices. Extending business access to the device of choice for the consumer is key in changing the Customer Experience and cementing brand loyalty.

Developing a holistic digital transformation strategy involves the blending of technology assets with a deep understanding of how consumers work and play. It involves not just the elimination of data silos to create seamless customer journeys, but in enriching those journeys. This can involve creating simply creating proactive rather than reactive customer interactions. Or it can go beyond to encompass data and interaction capabilities that hook in third party suppliers, partners or other participants to create entirely new Customer Experiences.

Rethink service delivery. For instance, allowing a customer to place and order and click on a package tracking link to check on delivery is great. Providing video status of a car repair, or rewarding a customer of a concert ticket order with a free download of the artist's song from a partner service, is better. Transforming the way a business thinks will transform the Customer Experience.

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Frost & Sullivan

3211 Scott Blvd., Suite 203

Santa Clara, CA 95054

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