Go Digital by Design

To some executives 'going digital' means it's all about new technologies, driving down costs, increasing efficiencies and ultimately, driving the bottom-line. For others, digital clearly means a new way of engaging with customers, whilst for others, digital represents a significant revolution; a totally new way of doing business or, for that matter, simply staying in business.

Whilst none of these views is necessarily incorrect, such diverse interpretations in the executive suite leads to fragmented vision and all too frequently to the development and deployment of haphazardly and poorly conceived interventions. One of the obvious consequences of such misaligned boardroom perspectives is that 'going digital' is either seriously delayed or even totally shelved as a consequence of 'digital disillusionment'.

In the McKinsey white paper 'What Digital' Really Means'[1], authors Karel Döner and David Edelman stress that: *"Being digital requires being open to re-examining your entire way of doing business and understanding where the new frontiers of value are. For some companies, capturing new frontiers may be about developing entirely new businesses in adjacent categories; for others, it may be about identifying and going after new value pools in existing sectors."*

Creating New or Enhanced Value in Core Business. The logical starting point for most organisations embarking on their digital journey will be to seek out new or incremental value in the existing core business operations. It stands to reason that significant quick-wins can be achieved by rethinking and reengineering how 'digital' can deliver new and enhanced capabilities to significantly improve how customers are served. It's about relooking at all the touchpoints along the way in the context of the customer's purchasing and usage journey – irrespective of channel – and crafting innovative ways in which digital can deliver the best possible experience whilst simultaneously fueling the organisation's economic engine.

Understanding the Economic Engine. In his 2001 book "Good to Great"[2], Jim Collins states that one of the keys to developing a winning organisation is to have deep and profound insights and to know and fully understand the forces that drive the economic engine of the organization.

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[1] Credit/Source: McKinsey & Company "What Digital really means". Published in McKinsey Digital July 2015

[2] 'Good to Great' by Jim Collins published in 2001 by Random House Business Books ISBN 8780712676090

Collins goes further to suggest that these insights should be expressed in terms of a single economic denominator; that this ideally ties to the strategy and is formulated to measure strategic progress and success. In a typical business, this could be expressed as "profit per process or profit per unit etc.". The search for this denominator forces the organisation to uncover a deeper understanding of the key drivers of the economic engine.

Based on these findings, the organisation will be infinitely better equipped to seek out those products, services or activities that will most benefit from the early stages of a rational roll-out of the digital journey. Given that managing the customer experience is widely recognized as the number one organizational priority, it stands to reason that this is the area where tangible and measurable 'quick wins' can be realized.

Understanding the Economics of The Customer Experience. Irrespective of the strategic intent emanating from the boardroom, the reality is that in the final analysis, the decision-making process to support and provide adequate resources to the digitization process will be won or lost based on the age-old maxim; *'Show me the Money!'*, or ROI. That said, it will be wise to examine some of the basic economic tenets relating to Customer Experience or Cx.

In his recent keynote **'*Ask not what you can do for your customer – But what your customer can do for you*',** widely recognized subject matter expert in the field of Customer Experience Measurement and Customer Engagement, Professor André Schreuder[3] shares several profound realisms; realties that command attention in virtually any boardroom, anywhere in the world.

According to Schreuder's research, a 1% increase in appropriately measured Customer Engagement will correlate directly to a 2.37% increase in organizational profit. His findings also reflect that when customer Behavioral Loyalty is tracked and measured, for each 2% of Customer Retention, an equivalent of a 10% operational cost saving will be realized.

In support of these principles Schreuder identifies four behaviors of highly engaged customers.

They Buy More. *They Recommend More*. *They Respond More*. *They Commit More*.

[3] André Schreuder. Founder and CEO of Consulta Research and the SA Customer Service Index in partnership with The American Customer Satisfaction Index (ACSI)

It is also well worth noting the measures of Customer Loyalty used by Schreuder and his associates to support and to build rational ROI models.

Retention	The likelihood to remain a customer	
Repurchase	The likelihood to	- use or renew a product or services - repurchase a product or service - increase usage
Referral	The likelihood to Recommend	
Share of Customer	SOW - Share of Wallet SOP - Share of Purchase SOV - Share of Visits	
Customer Worth (or Value)	PCV - Past Customer Value RFM - Recency. Frequency. Monetary Value CLV - Customer Lifetime Value	

"Customer Engagement is an Outcome of Customer Experience[4] "

That said, the astute organisation intent on driving enhanced performance and competitive advantage through digital leadership will concentrate significant resources to analyzing existing customer journeys; to understanding customer-perceived limitations; to unlock new value pools; to develop innovative capabilities and to craft seamless, digitally enabled, omni-channel platforms to optimize 'The Art of The Possible' and service as a primary differentiator.

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930 Words

[4] Source: Bruce Temkin. Founder and CEO of Temkin Group   www.temkingroup.com