

BEST PRACTICE GUIDE

Navigate the digital transformation without compromising on CX

**5 common pitfalls to avoid +
3 trends to adopt now**



service
management
group®



What's inside

To help you launch digital transformation efforts that enhance your customer and employee experiences, streamline operational efficiencies, and change business outcomes, we've laid out 5 common pitfalls to avoid + 3 trends to adopt now.

5 common digital transformation **pitfalls** to avoid:

- 1 True digital transformation means more than just ramping up IT investments
- 2 It's about reshaping experiences, not replacing them with novel touchpoints
- 3 Strategies that prioritize tools over talent will struggle with frontline execution
- 4 If customer feedback doesn't guide your efforts, expect disjointed brand experiences
- 5 Digital customers aren't just tech-savvy versions of your core customers

3 digital **trends** to adopt now:

- 1 A partnership-first approach to innovation can increase speed-to-market
- 2 AI may fuel personalization—but the onus is on brands to safeguard personal data
- 3 An API-led development strategy allows brands to proactively avoid data silos



What is digital transformation?

The process of integrating new, fast, and frequently changing digital technologies into all areas of the business to fundamentally change how you operate and deliver value to customers

The bad news:

The digital transformation has already happened—you're just playing catchup

If you take a hard, honest look at your customers, your competitors, and your industry, you'll see the age of digital transformation has reached a tipping point. Across all sectors and segments, digital native startups continue to disrupt markets so routinely, they've barely finished securing funding before household brands start feeling the effects.

No matter the scale or complexity, every routine task—from planning tonight's dinner to scheduling your annual checkup—can be accomplished with tools that didn't even exist a decade ago. This rapid evolution in consumer-facing technologies has left brands with a daunting ultimatum:

ADAPT +
TRANSFORM

your business

OR

STAND BY
+ WATCH

loyal customers transform

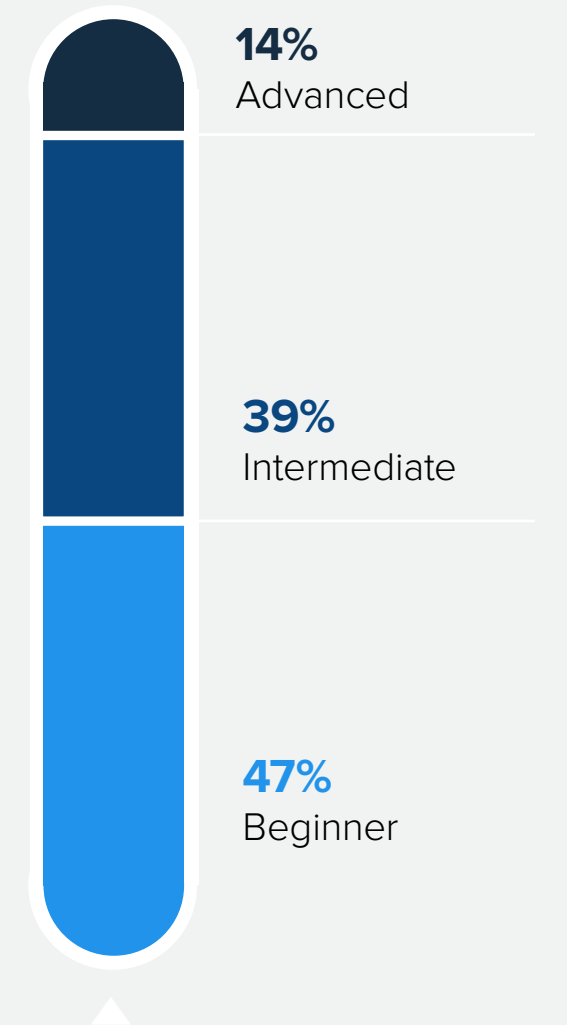
into lapsed customers

The good news: You're not as far behind the competition as you might think

No matter the starting point, everyone is aligned on the end goal of digital transformation. Why? Because digitally advanced brands operate with more agility, and 44% report year-over-year revenue growth of 10% or greater.¹

But it's not all untapped gains and lands of greenfield opportunity. A transformative overhaul of how you do business carries an inherent level of risk, and brands are right to approach with caution.

Let's start by laying out the pitfalls.



**State of digital business
maturity for North American
+ EU enterprises¹**



5

common digital transformation pitfalls to avoid

PITFALL #1

True digital transformation means more than just ramping up IT investments

Too often, large-scale challenges are met with quick fixes centered around CapEx solutions. Digital transformation is more than a line item on your annual budget. It has to be the bedrock of every strategic initiative moving forward. That means 2 things:

1

The strategy must come from the top + be all-encompassing

It's hard to call something a transformative effort if it's not being led by the c-suite. In fact, Forrester reports 40% of digitally advanced companies say their CEO is held responsible for digital execution, and 81% report their most recent digital transformation effort was a companywide initiative.²

2

Every investment deserves a high level of scrutiny

When you're innovating on multiple fronts, you have to take a holistic approach to evaluating and procuring disparate digital solutions. Enterprise-level organizations must map out interdependencies across systems to avoid introducing friction to the cross-channel customer journey. That means every digital transformation initiative should:

- ▶ Consider the intersection of business operations + the customer experience
- ▶ Solicit input from cross-functional stakeholders to ensure system-wide compatibility
- ▶ Use the scope of your enterprise to A/B test options + land on the right solution

Takeaway

A top-to-bottom transformation has to come from the top and consider the potential impact on every functional area of the business.

85%

of enterprise decision-makers say they have a time frame of two years to make significant inroads into digital transformation or they will fall behind their competitors and suffer financially³

PITFALL #2

It's about reshaping experiences, not replacing them with novel touchpoints

To be clear: adding touchpoints \neq adding value. The gap between what brands think customers want and what customers will actually use is often filled with misplaced priorities and disappointing endeavors that fail to pay dividends. The smartphone revolution has led many brands to think they can simply introduce a mobile touchpoint that ultimately equates to doing business as usual in a novel way. That's why most mobile apps fail to deliver ROI.

Digital transformation efforts should aim to reshape customer interactions with true innovation. When building out your mobile strategy, consider the value you want to deliver to the customer and how you'll follow through on that promise. Once the strategy is set, ensure it gets executed by:

- ▶ Building an onboarding plan to coach new users on app functionality + features
- ▶ Driving ongoing usage with app-exclusive incentives + promotions
- ▶ Using in-app behavioral data to deliver hyper-personalized digital experiences

90% 

of branded apps
have fewer than
10,000 downloads⁴

23% 

of mobile apps are
used only once and
then abandoned⁵

Takeaway

To maximize investments, revisit how you conceptualize every point of interaction. It's about transforming how you engage with customers, not just increasing the number of engagements.

⁴ Sailthru | Why 90% of Branded Apps Have Fewer than 10,000 Downloads | 2019

⁵ Entrepreneur | Does Your Business Really Need a Mobile App? | April, 2018

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IN-PRACTICE EXAMPLE

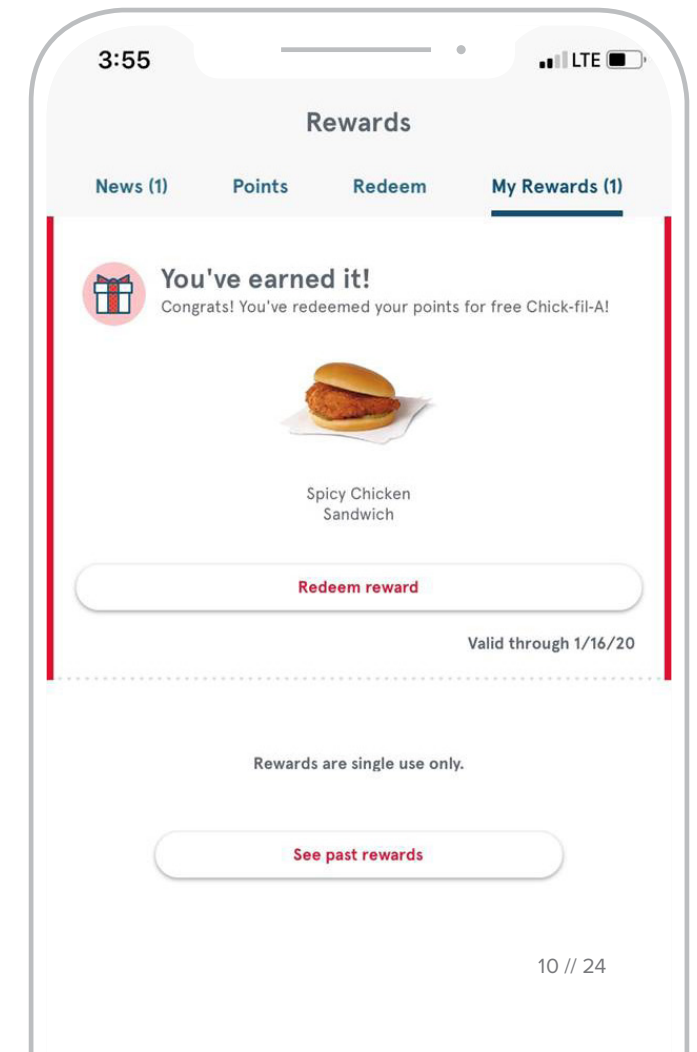
The difference between launching an app and being best-in-class:

Most branded apps fall flat because they:

- ▶ Lack table-stakes features like ordering ahead, loyalty programs, + personalized discounts
- ▶ Don't deliver significant value to be used every day
- ▶ Create a poor customer experience by being slow + unintuitive

Chick-fil-A got it right by optimizing their app to be:

- ▶ **Convenient:** Users can order ahead + bypass lines by tapping the “I’m here” button, with a multitude of mobile-wallet pay options
- ▶ **Rewarding:** Customers receive usage-based incentives for popular add-on items
- ▶ **Personalized:** Orders can be customized + saved for future visits, while users can automatically locate the closest restaurant based on location



PITFALL #3

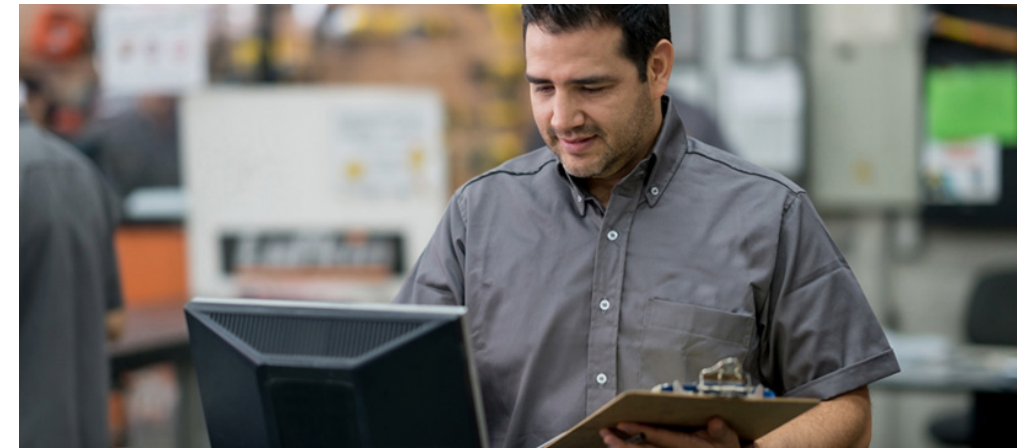
Strategies that prioritize tools over talent will struggle with frontline execution

One of the biggest mistakes brands make when digitizing their customer experience is forgetting who's tasked with delivering those experiences: the frontline employees. The fact is, burdening teams devoted to service delivery with undue operational complexity will likely lead to service taking a hit—meaning those digital transformation efforts are doing more harm than good.

Takeaway

Even though your digital transformation strategy should be built by the c-suite, its success hinges on effective execution on the front lines. Make sure you're setting them up for success.

When implementing new technologies, consider both sides of the register by building out effective training modules and updating existing processes. Beyond ensuring better customer experiences, incorporating every level of the organization in your implementation plans reiterates the digital transformation as a truly companywide initiative.



31%

of all frontline retail employees say they **do not receive** any formal workplace training

76%

of all frontline retail employees say **future-focused training** would make an employer more attractive⁶

IN-PRACTICE EXAMPLE

Factor in service when introducing new ordering options

After rolling out self-service order kiosks, an SMG restaurant client implemented a new role to greet + welcome guests, offer to help at the kiosk, and bring the food to the table.

RESULTS

+ **26**^{ppts}

Overall Satisfaction
for customers
assisted at kiosk

+ **34**^{ppts}

Overall Satisfaction
for customers that
received a table touch





IN-PRACTICE EXAMPLE

Find innovative ways to streamline operations on the busiest day of the year

Heading into Black Friday weekend, a national retailer was looking to improve the checkout experience, where customers ranked them slightly below industry average. With long lines, hard-to-find registers, and speed being the main issues, the client added checkout functionality to 8,000 handheld devices and trained employees on how and when to use them.

RESULTS

+2^{ppts}
Checkout
Experience

+2^{ppts}
Likelihood to
Recommend

YOY
Increase in Black
Friday sales + traffic

12_M
sales on handheld
devices for Black
Friday weekend

PITFALL #4

If customer feedback doesn't guide your efforts, expect disjointed brand experiences

Brands rushing to roll out new points of interaction run the risk of chasing shiny objects while letting the customer experience fall by the wayside. No matter how they interact with you, customers expect to get the same experience—but brands are struggling mightily to keep up with how quickly expectations are evolving across channels.

Each mode of customer engagement you introduce represents an intersection between your business operations and the customer experience.

If you don't have accompanying listening posts established at each of those touchpoints, you're making the fatal flaw of leaving the customer out of your digital transformation strategy. With each new touchpoint, be sure to:

- ▶ Collect + analyze customer feedback to gauge performance
- ▶ Compare cross-channel results to highlight differences in expectations
- ▶ Use ongoing insights to iterate processes, assess performance, + repeat

71% of consumers want a **consistent experience** across all channels



29% say they **actually get it**⁷



Takeaway

If you want your digital transformation efforts to pay off, a comprehensive + integrated customer experience management platform is mission-critical.

How other brands do it:
Focusing on touchpoints,
not experiences

After introducing a buy online, pickup in store (BOPIS) service, a national retailer was alarmed to see BOPIS customers were experiencing a problem at 4X the rate of traditional customers, due primarily to:

- ▶ Ease of Finding Pickup Location (lack of in-store signage + confusing store layouts)
- ▶ Speed of Pickup (no customer communication + disorganized fulfillment processes)

IN-PRACTICE EXAMPLE

How DICK'S Sporting Goods does it: Optimizing touchpoints by focusing on experiences



After rolling out their BOPIS service, DICK'S Sporting Goods ran an early key driver analysis to determine Speed of Pickup is the top key driver

while also identifying a 6-minute threshold before Overall Satisfaction drops significantly. The team quickly:

- ▶ Created field communications + training materials to educate frontline teams on the six-minute target
- ▶ Updated store notification processes to streamline order fulfillment
- ▶ Implemented speed timers + internal reporting
- ▶ Moved BOPIS stations to front of store to make the service more convenient

RESULTS

+4^{ppts}
Overall Satisfaction
for BOPIS customers

+4^{ppts}
Speed of Pickup
for BOPIS customers

+9^{ppts}
Likelihood to
Reuse BOPIS

+20%
improvement on orders
fulfilled in under 6 minutes

PITFALL #5

Digital customers aren't just tech-savvy versions of your core customers

If you're expecting your current customer strategy to carry over across your digital transformation efforts, think again. Key drivers vary significantly across touchpoints to match the different priorities of the customers who use them. For experiences with a tech component, you'll likely see Ease of Experience + Speed of Service rise to the top because those customers crave convenience.

Takeaway

Customers experience brands, not channels. If you introduce touchpoints that detract from the customer experience more than they add to it, your brand reputation is at risk.

While it's no easy task, brands that can right-size their strategies to meet varying expectations have much to gain.

Even the most loyal customers will defect when they run into disjointed channels that fail to facilitate their touchpoint-specific needs and preferences. Every innovation included in your digital transformation strategy should be held to the same high level of scrutiny as your core means of doing business.





73%

of consumers use
more than one
channel during their
shopping journey

Omnichannel customers
outspend single-channel
customers by:

4%

in-store



10%

online⁸



The background of the slide is a blue-tinted photograph. It shows a person's hands in the foreground, gesturing as if in a meeting or presentation. The hands are positioned over a desk. On the desk, there is a laptop, a smartphone, and some papers. The overall scene suggests a professional or educational setting.

3

digital trends
to adopt now

TREND #1

A partnership-first approach to innovation can increase speed-to-market

One of the primary barriers to digital transformation is the misconception that every innovation requires updating unwieldy legacy systems or building platforms from the ground up. With a plethora of point solutions available, brands can streamline their digital transformation efforts through strategic partnerships with existing players.

Digitally advanced firms are

2.5x

more likely than those in beginner's stage to focus on transforming their partner/reseller/distributor processes as part of their digital transformation⁹



TREND #2

AI may fuel personalization—but the onus is on brands to safeguard personal data:



In the age of big data and AI-powered analytics, there's no question customers expect more personalized brand experiences—but there's an implicit level of trust from customers (and risk for brands). If AI and personalization initiatives are big-rock items on your to-do list, data security must receive equal billing.

75%

of consumers are more likely to make a purchase from a company that knows their name + purchase history and recommends products based on their preferences¹⁰

\$4.2M

average cost of lost business following a data breach for U.S. organizations¹¹

¹⁰ Accenture | Consumers Welcome Personalized Offerings but Businesses are Struggling to Deliver | October 2016

¹¹ IBM | Hidden Costs of Data Breaches Increase Expenses for Businesses | July 2018

TREND #3

An API-led development strategy allows brands to proactively avoid silos

Even brands that digitize the customer experience and put systems in place to track performance may not be doing enough. If those systems aren't configured to put datasets in dialogue with one another, you're confining the customer experience to individual departments instead of elevating your strategy to the enterprise level.

83% of IT decision-makers report data silos create business challenges in their organization¹²





Defining digital transformation + charting the path for your brand

For perhaps the first time in history, enterprise-level organizations face an inherent disadvantage when fending off industry newcomers. The consumer-side digital transformation has lowered barriers to entry across markets, allowing digital native startups to:

- ▶ Pilot new initiatives with relatively low risk
- ▶ Course-correct with agility when strategies prove faulty
- ▶ Scale effective solutions across their systems more quickly

So where does that leave enterprise-level organizations?

With the starting-line position varying so greatly across industries and organizations, it's hard to land on a one-size-fits-all approach to digital transformation.

At a fundamental level, a **digitally transformed** business:

Does:

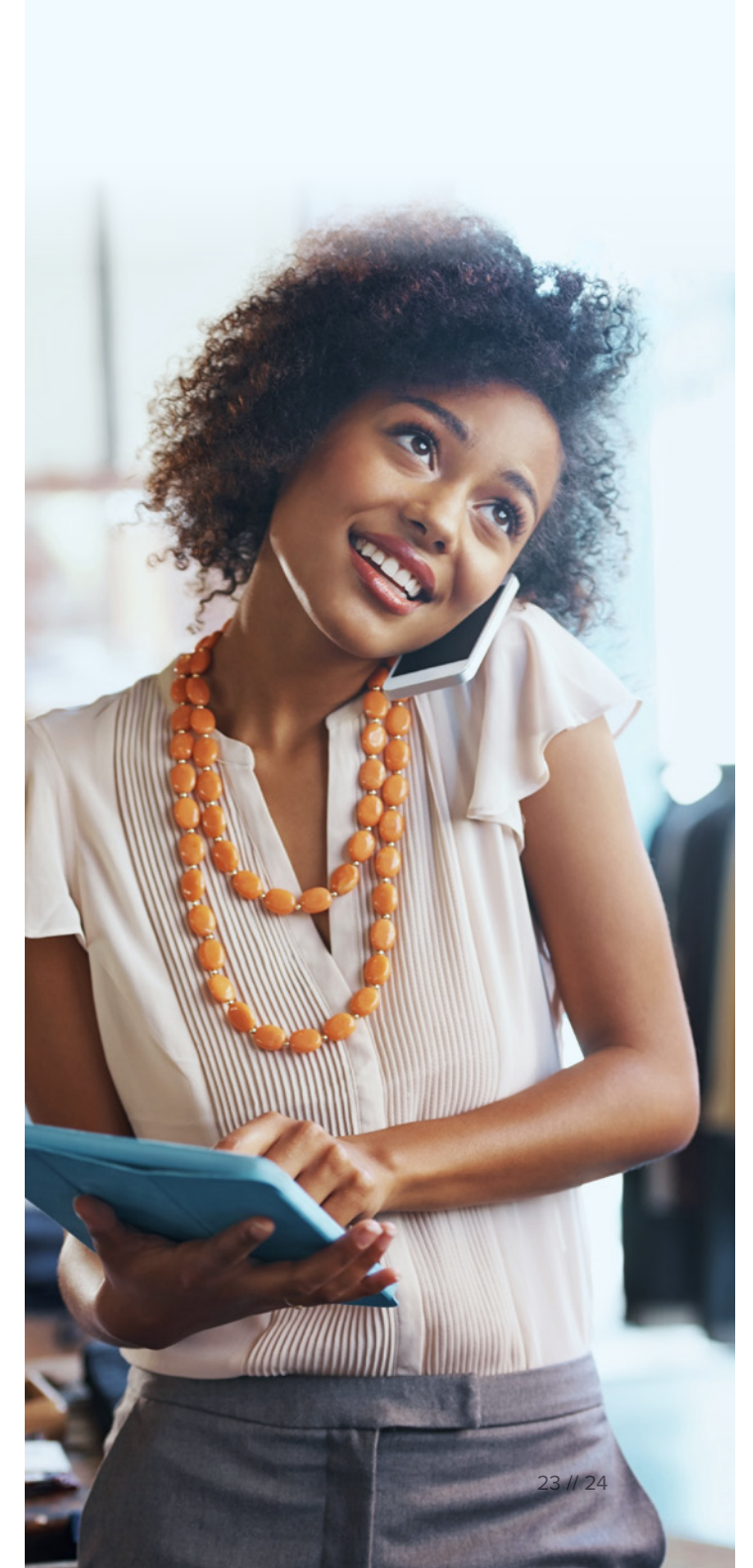
- ✓ Embed the digital strategy as the starting point of future-focused innovations
- ✓ Put systems in place to ensure an integrated, cross-channel approach to improving the customer experience
- ✓ Train employees on effective execution + anticipate operational complexity

Does not:

- ✗ Layer on digital components to existing touchpoints as an afterthought
- ✗ Allow touchpoints to operate in a vacuum with no consideration of how one channel impacts the others
- ✗ Introduce touchpoints with no regard to how frontline teams can maximize the effort

See the difference?

Digital transformation begins by understanding your customers and tailoring your technology to meet their needs. SMG helps clients accelerate their efforts by establishing listening posts at each touchpoint, testing + assessing disparate tech solutions, and interpreting results to chart the best path forward.



Change the way you do business

No matter where you are in your digital transformation journey, here's a quick recap of major to-dos that will keep your enterprise heading in the right direction:

- Gather c-level leaders from all functional areas of the business to define your brand's digital transformation strategy + set budgets accordingly
- Map out the omnichannel customer journey + where it intersects with business operations to ensure technology is embedded into—not layered on top of—every point of interaction
- Solicit input from department-level stakeholders to identify existing tech gaps + legacy systems needing to be updated (or replaced)
- Task IT teams with sourcing point solutions, developing in-house platforms where needed, and establishing APIs + connectors to ensure compatibility across systems
- Update training modules + internal processes to equip field teams with everything they need for successful rollout + ongoing execution
- Partner with your CEM provider to set up listening posts at every touchpoint, analyze results, + surface insights that drive future iterations

About Service Management Group

SMG inspires experiences that improve people's lives. We are a catalyst for change, providing actionable customer, patient, and employee insights that boost loyalty and drive business outcomes. Our unique model puts a dual focus on platform technology and professional services—making it easier to collect, analyze, and share feedback and behavioral data across the enterprise. To learn more about our customer experience management, employee experience, and brand research solutions, visit www.smg.com.

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