

The long road to digital transformation

We surveyed 200 marketing, IT and business leaders to gain insight into the state of digital transformation initiatives. Bottom-line: There is a long road ahead.



Digital Transformation Checklist

- Articulate a vision
- Get to know your current digital customers
- Map out the digital journey
- Look for deficiencies in digital channels

Introduction

Digital transformation is one of the hottest topics going today as companies seek to align their businesses to more fully meet the expectations of increasingly more digitally aware customers. As a supplier of technology that can help companies implement digital transformation strategies, we have a keen interest in learning more about digital transformation by talking directly to people who are in the thick of it – people like you. We had questions like:

- Why are companies pursuing digital transformation?
- Who is driving digital transformation programs?
- What are the expected benefits?
- What are the key challenges companies are facing?

To answer these questions and more, we surveyed nearly 200 marketing, IT and business managers from companies of all sizes about their digital transformation challenges.

What we learned, as presented in this report, is that digital transformation is a work in progress at most companies – and definitely not something that will be accomplished overnight.

The motivation for digital transformation is sometimes driven in part by fear – the need to keep pace with digital disruption – but, in the majority of cases, we found that companies are more aspirational, seeing digital transformation as a way to improve the experience for customers and to become more agile. The obstacles are many, in part due to the complexity

of the computing and software landscape along with the need to engage consistently with customers across a broad range of channels and languages. As might be expected given that most companies are still in the early stages of digital transformation, there is no clear consensus on the best way to move forward, although best-of-breed is emerging as the front runner.

This research report is just the beginning of the conversation. We look forward to having deeper discussions with you on your digital transformation needs and experiences.

Why digital transformation?

Before digging into our research findings, let's define what we mean by the term “digital transformation.” The best definition we have seen comes from the Altimeter Group and is defined through a customer-centric lens:

“The realignment of, or new investment in, technology and business models to more effectively engage digital customers at every touchpoint in the customer experience lifecycle.

To be sure every company has different needs, so the definition and the requirements needed to achieve digital transformation are different. But the core need to improve the digital experience for customers exists in virtually every organization today.

And, in fact, an overwhelming majority of companies ARE already engaged in digital transformation as shown in Figure 1. We asked survey respondents to detail the driving factors for digital transformation at their companies. Of the responses, only 12% indicated they did not have a digital transformation initiative. This means that 88% of the nearly 200 companies represented by the survey are at least in the planning stages of a digital transformation initiative. It is hard to imagine 200 companies in many different industries agreeing on much of anything at the same time, so this is a truly incredible outcome and consistent with findings by the Altimeter Group and other researchers. Digital transformation is real and happening now.

While fear of disruption or pressure from customers could be valid reasons for engaging in a digital transformation program, Figure 1 illustrates most companies are seeing digital transformation as an opportunity to improve the customer experience, become more agile and responsive, and improve efficiencies and lower operational costs. We are encouraged by these results because they indicate that digital transformation is not just a passing fad – it is part of a long-term effort to more fully embrace digital and to become better as an organization.

As the distinction between business strategy and digital strategy blurs – many argue that there should be no distinction – it is not too surprising that much of the



Motivations for digital transformation

We see an opportunity to improve the experience for our customers



Become more agile and responsive



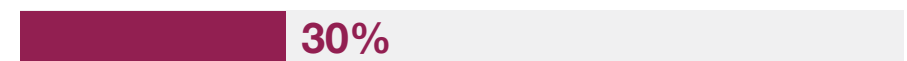
Improve efficiencies, lower operational costs



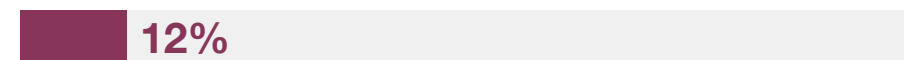
Our competitors are doing more with digital



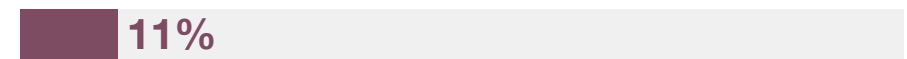
If we don't transform digitally, we will die



My company isn't currently involved in a digital transformation initiative



Customer pressure



Other

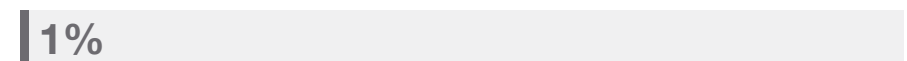


Figure 1. Digital transformation is for real with 88% of companies at least in the planning stage of a digital transformation initiative. Encouragingly, most companies see digital transformation as a way to improve the customer experience and to become more agile. Note: respondents were asked to select all the relevant drivers for their companies.

responsibility for digital transformation is shifting to the business side of the organization.

The degree to which this is occurring can be seen in Figure 2. Of the C-level titles, the CMO is most often cited as driving digital transformation. However, in contrast to some reports where digital transformation is being portrayed as a marketing-driven effort, it is apparent that companies are seeing digital transformation more broadly. For a notable 19% of all companies – and 27% of companies with less than 1,000 employees – the CEO is personally driving the digital transformation effort. This is a clear indication of just how important getting digital transformation right is being viewed in many organizations.

Size of company also seems to play a role in who is driving digital transformation. For instance, 34% of companies with 1,000 to 5,000 employees have a non-C-level manager in charge of digital transformation compared to just 9% at companies with 10,000 to 25,000 employees. When companies in the 1,000-5,000 range do have a C-level executive in charge of digital transformation, it is more likely to be the CIO (38%) than at either larger or smaller companies. Ultimately, these results make the case that digital transformation is not just marketing or just technology – it is about business and business survival.



Who's driving digital transformation?

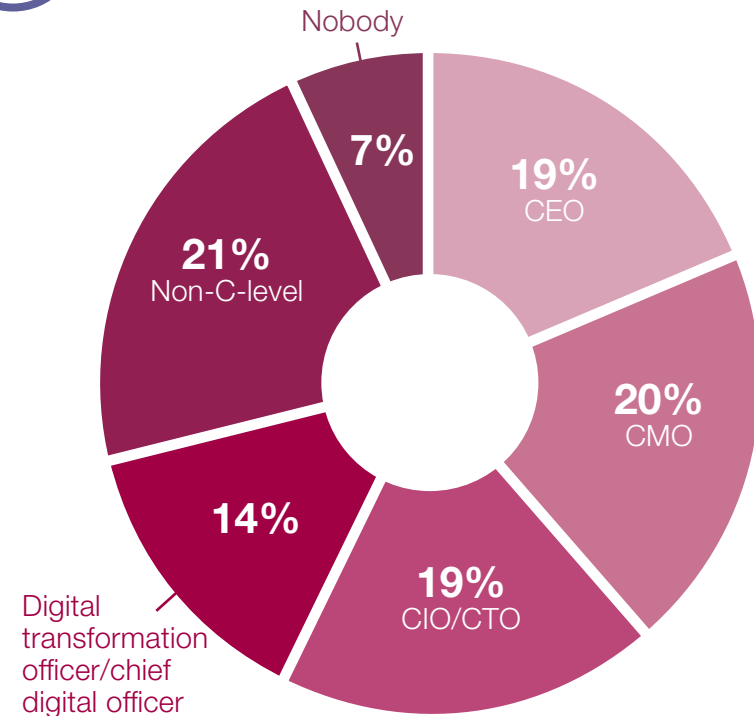


Figure 2. C-level executives are the typical drivers of digital transformation initiatives.

Key findings

- Digital transformation is real and happening now
- Most organizations see digital transformation as an opportunity
- C-level executives are the primary drivers

Digital transformation challenges

As the name implies, digital transformation involves change – lots of change across the entire company. The move from a primarily analog organization to a fast and nimble digital one requires far-reaching changes in technology, the way technology is used and, in many cases, new processes and organizational structures. It also takes new skills and new expertise.

For a smaller or younger company – just like millennials and digital natives – it is easy to start out with a complete set of digital services and systems in place. For more established enterprises, knitting together people, processes and platforms to deliver a consistent experience to customers can be a complex undertaking. How complex? To get a deeper sense of what companies are facing, we asked our survey participants to first quantify the complexity of their current infrastructure and then to subjectively assess the maturity of their infrastructure based on how well the systems work together. The premise here is that the more systems, the more databases and the more channels that must be transformed, the more complex the problem.

For digital transformation to move forward, the enterprise must look at the technology pieces of its digital business strategy and find ways to integrate them into a combined transformation and growth strategy that will enhance the

experience in the way that matters most to customers and leads to the most competitive advantage. This involves proactive support for the entire customer journey along all omnichannel touch points and the flexibility to integrate emerging channels as well as a strong multidisciplinary digital business foundation.

Enterprises typically have dozens of different applications and systems, but the ones that are most important in the context of digital transformation are the customer-facing applications and data systems, such as CRM. These are the systems that must work together to support the customer journey from acquisition all the way to becoming a loyal brand ambassador.

Our survey respondents painted a picture of a complex environment with 50% reporting that they have more than eight different customer-facing systems as shown in Figure 3. Of those, 27% indicated that they have 11 or more customer-facing systems. While eight or 11 systems may not seem that bad on the surface, it is important to consider how many possible connections that represents. In any group of systems, the number of possible connections (C) is $C = [N \times (N-1)/2]$. In this case, 11 systems represents a more daunting 55 possible connections ($C = [11 \times 10/2] = 55$) that must be developed and maintained. It should be noted that there are likely to be many other relevant support systems like CRM or databases and web applications the must be considered as well.



Number of customer-facing applications

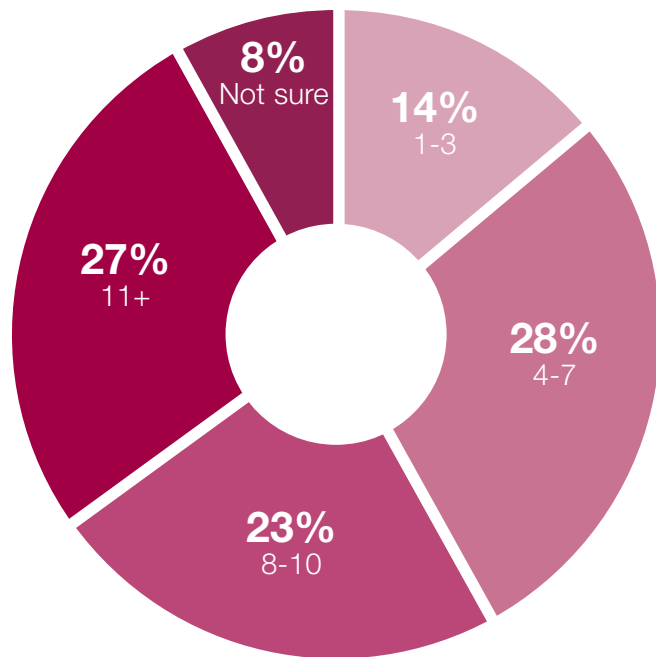


Figure 3. Half of the respondents face the task of integrating eight or more customer-facing systems and applications.

Moving on to one of the more important tenets of digital transformation from a technology standpoint is the question of how well enterprises are able to achieve integration today. As it turns out from the survey results, not well enough. As detailed in Figure 4, 70% of companies see room for improvement. While 42% of respondents indicated that their level of integration is “somewhat acceptable,” a notable 28% are either dissatisfied or very dissatisfied. If you have ever been bounced around from incomplete websites to

customer reps to fax machines like a ping pong ball, you have likely landed at a company represented by this 28% where integration has a long way to go.

Integrating systems is just one piece of the digital transformation puzzle. In today’s world, customers have a plethora of communication channels to choose from. What channel they choose and when they choose it may vary considerably based on their stage in the customer journey



Integration of customer-facing applications

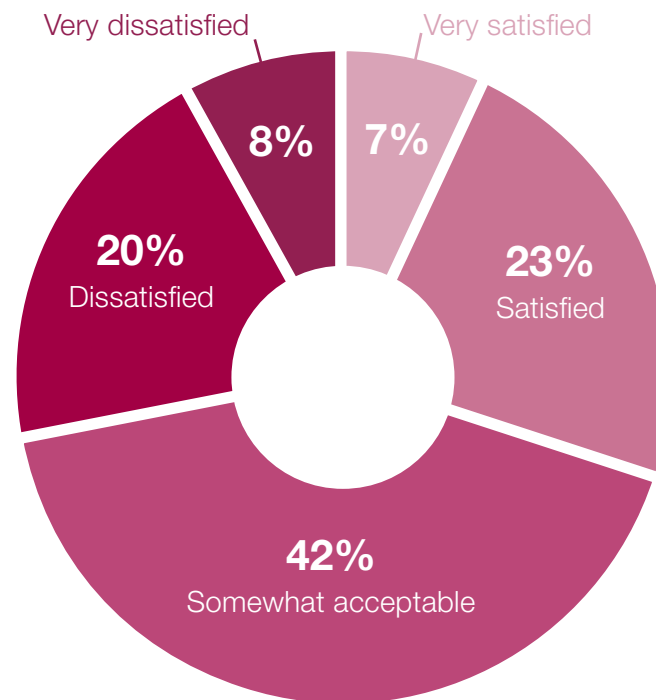


Figure 4. For the majority of respondents, integration of customer-facing applications is not where it needs to be.



Supported customer communication channels

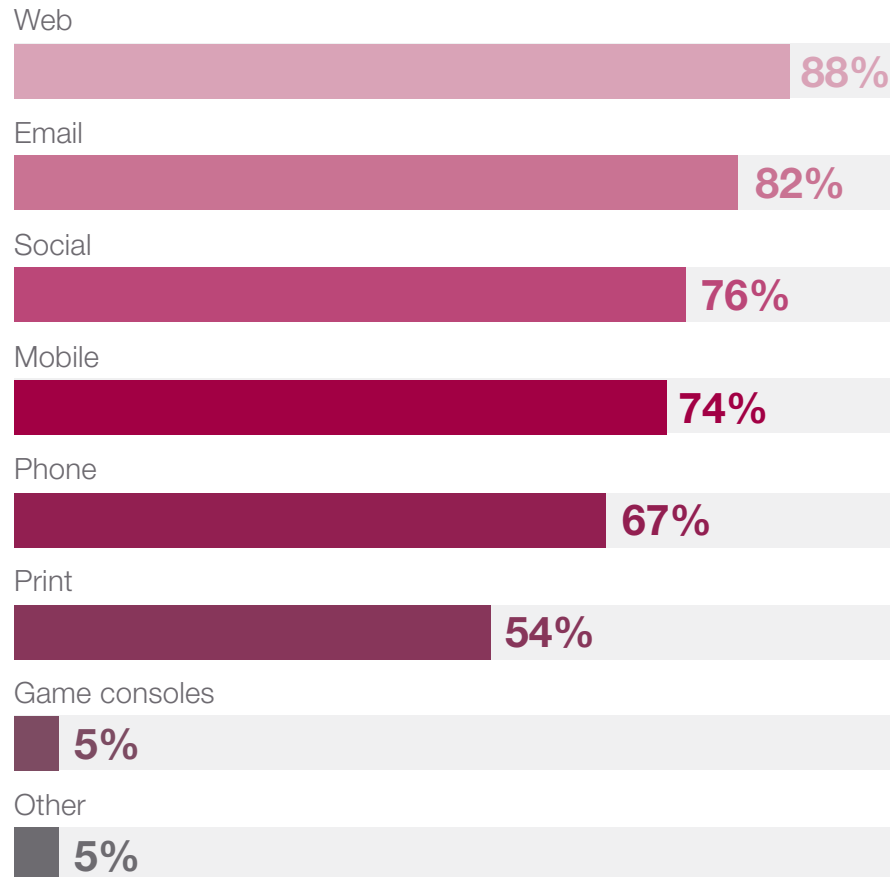


Figure 5. Digital channels, including web, mobile, email and social, are supported by companies across the board. Traditional print and phone are declining, but still factor into digital business strategies. Note: respondents were asked to select all applicable channels.

or the target demographic. But the message from the survey respondents is loud and clear: all channels are important, as shown in Figure 5. The big four of web, email, social and

mobile are important across the board, but more traditional channels that often play a role in support of digital business strategies, namely print and telephone, are still highly relevant to a majority of companies.

Another aspect to consider in digital transformation efforts is multiple language support. Are things like brand identity, content strategies and the quality of customer experience consistently represented across global operations? It is a dimension that can add considerable complexity, but also can open new markets and expand your brand's reach when implemented correctly. Slightly more than half of the survey respondents indicated they are only supporting English currently. Of the other half, 25% provide support for two-five languages. That leaves an additional 20% who must manage digital strategies across six or, in some cases, many more languages.

Key findings

- Companies must deal with a complex mix of customer-facing systems
- The level of integration is not where it needs to be to support digital business strategies
- All digital channels must be supported along with more traditional channels like print and phone
- Localization is another consideration for about half of all companies

Looking to the future

For most companies, digital transformation is likely to be accomplished in a series of incremental steps rather than a sudden flip of a switch. There are simply too many moving parts for an entire revamp of the customer experience to happen in a single move. That means digital transformation needs to be guided by a larger vision.

As our research indicates, that larger vision is likely to revolve around delivering a unified, multi-channel online experience to customers. In fact, as shown in Figure 6, 70% of the respondents said that this type of experience is either “very important” or “important” to their company’s success going forward. Further, another 20% indicated that this is “in the mix.” Crafting this type of experience is without question one of the most important outcomes companies are hoping to achieve with digital transformation initiatives.

For many companies, the platform of choice for implementing digital transformation strategies is the web content management system (CMS). Quite often organizations need to fundamentally re-wire their internal structures to be more aligned with customer needs and interests. It takes a deep understanding of the customer journey and how the customer’s needs and interests shift as the journey progresses. If you are engaging customers, you need something to engage them with and that something is content. As such, it follows that a CMS is an ideal platform for



Importance of a unified, omnichannel customer experience

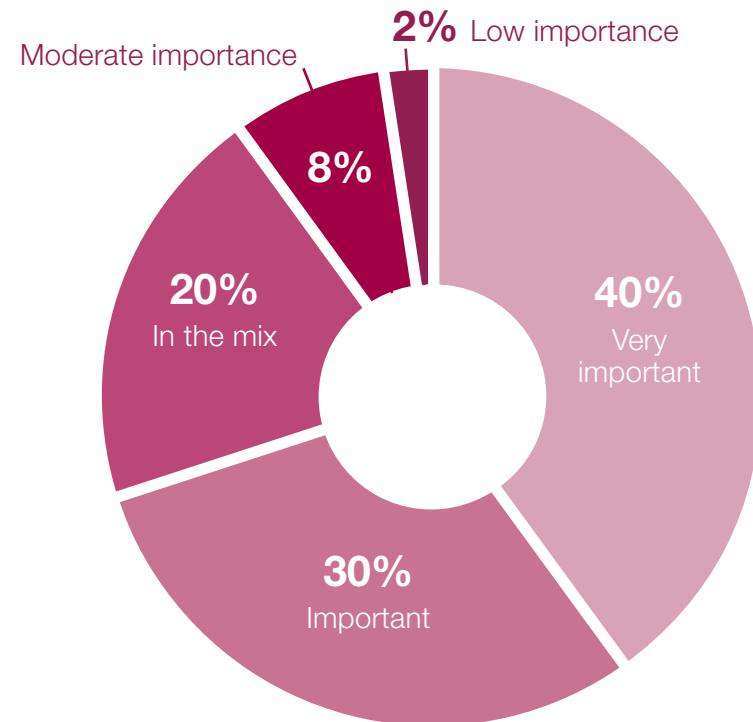


Figure 6. Delivering a unified customer experience is a critical objective for most companies.

orchestrating people, processes and systems around content.

Taking the CMS as the starting point, what types of applications would companies like to integrate with it? As you can see in Figure 7, there is no single easy answer. We asked participants to identify any and all applications from an extensive list of product categories that they would like to see integrated with the CMS. Web analytics, customer relationship management



Target applications for CMS integration

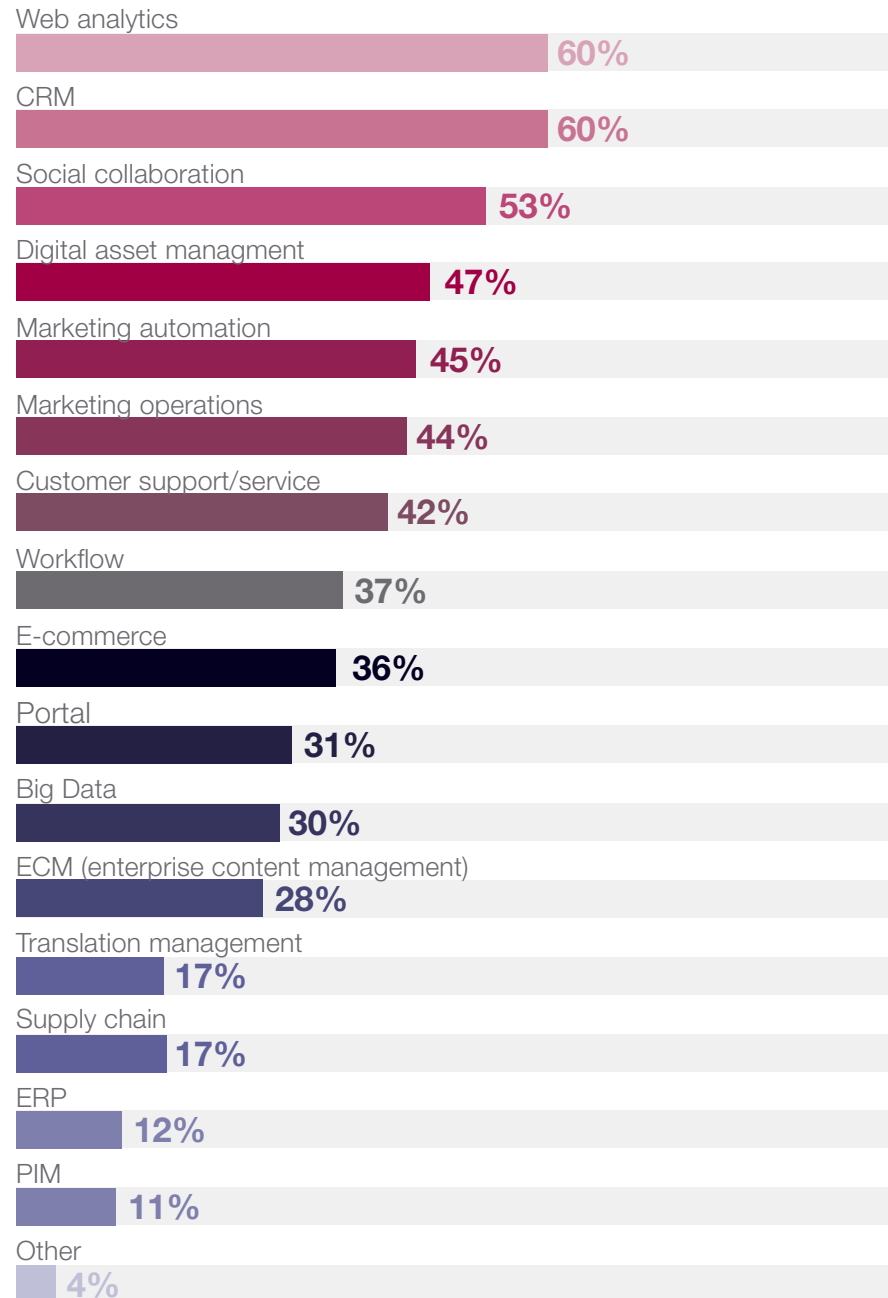


Figure 7. Companies are looking to integrate the web CMS with a diverse set of business applications. Note: respondents were asked to select all that applied.

and social collaboration were favored by more than half of the respondents, followed closely by marketing-oriented apps like marketing automation, marketing operations and customer support. The main takeaway, however, is clear: the CMS is not an island and must live in the context of many other business and customer-facing applications.

As the result indicates, digital transformation is very much a work in progress with no clear consensus on the top priorities for integration. Similarly, there is little consensus on the area to target first. More often than not, however, companies are likely to be targeting integration and legacy systems, which have emerged as the most challenging of a number of key problem areas as detailed in Figure 8. Flexibility and the ability to deal with future requirements are key factors as well.

Along the same lines, respondents are divided about the optimum technology approach to digital transformation with 39% opting for best-of-breed compared to 35% for an all-in-one suite and 26% for a custom development approach.



Top challenges for digital transformation

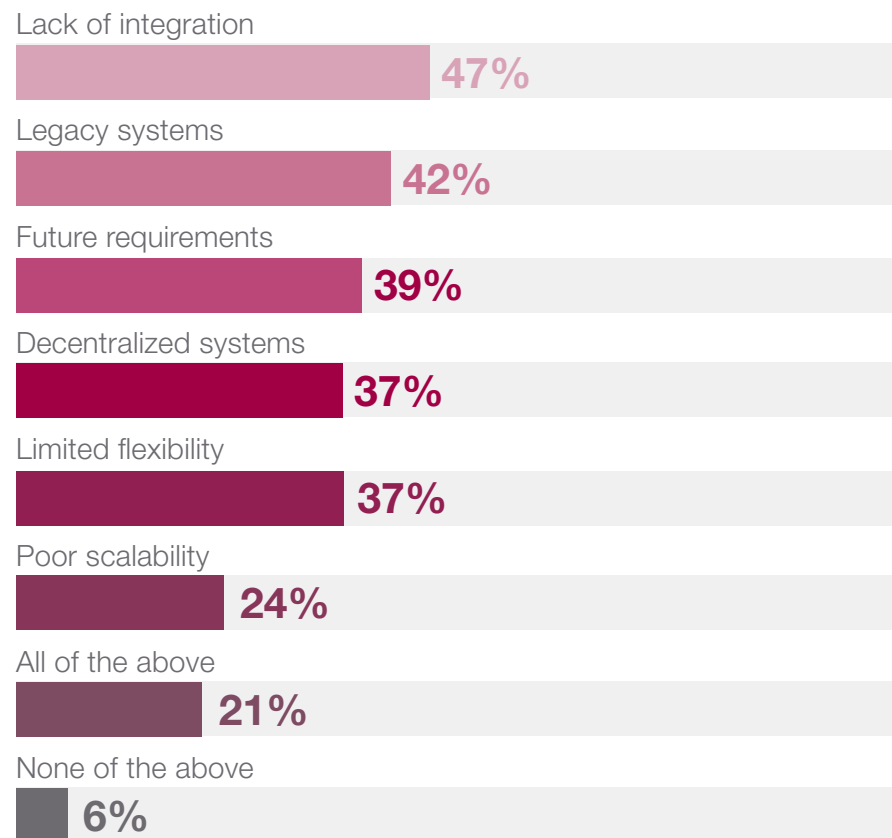


Figure 8. Lack of integration and legacy systems are some of the tough challenges companies are facing as they embark on digital transformation initiatives.

Conclusions

The impact of digital technologies is being felt far and wide by companies regardless of size or industry. Companies must change in order to deliver the type of digital experience customers have come to expect. The good news is that companies are very aware of the need to more fully embrace digital with more than 88% of the companies we surveyed expressing commitment to a digital transformation initiative. Moreover, companies see digital transformation as so strategic that C-level executives are leading the charge, including the CEO in a notable number of organizations.

But that doesn't mean digital transformation will be an easy thing to achieve. The challenges include large numbers of customer-facing applications that need to be integrated, a broad and steadily expanding list of channels and, for about half of the companies, a need to support multiple languages.

As companies look toward the future, grappling with the dual problems of legacy systems and integration are the priorities. The web CMS is seen as a way to address the integration challenge while providing the ability to deliver content to customers through multiple channels. Best-of-breed is also seen as the preferred method by a majority of respondents for integrating a diverse set of applications.

Key findings

- A unified, omnichannel customer experience is important to 70% of companies
- A broad set of apps are being targeted for CMS integration
- Integration, legacy systems are top challenges and priorities

Appendix

Methodology and Demographics

The survey results presented in this report were collected over a period of a month starting in late August 2015. As an incentive to complete the online survey, respondents received a \$5 coffee card. A total of 191 complete responses were received. An invitation to complete the survey was sent to a random selection of e-Spirit customers, prospects and a cross-section of IT, business and marketing professionals in the US.

More than 60% of the respondents are in a marketing or sales role. Other represented job responsibilities include IT, operations and web development. In terms of company size, nearly 60% of responses reflect the perspective of companies with more than 1,000 employees, including 25% from enterprise-class organizations with more than 10,000 employees. The remaining 40% were from respondents at companies with less than 1,000 employees.

About e-Spirit

e-Spirit is a leader in enabling companies to unlock the value of digital content and transform the way they communicate with customers and employees. Using the FirstSpirit content management system, organizations can create a Corporate Content Cloud connecting all their people, systems and applications to the centralized, real-time data, assets and information necessary to publish content with total accuracy and relevancy across all channels and devices. Founded in 1999, e-Spirit operates in 16 locations in the United States and Europe. Clients include Speedo, Airbus, BASF, Bosch, Commerzbank, Olympus, Barbri, Nord Drive Systems and WellDyne.

For additional information, please visit www.e-spirit.com

