



Insight Into Customer Communications Management

Current state and future projections
April 2016

“The road to great customer communications, and hence experience, goes through your technology and your people. Putting your customers at the center, engaging your people and investing in the right technology to take you there.”



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Introduction

Your customers want it all. Through the uncertainties of a recession era, they have emerged more cautious and more demanding, and less forgiving. The macroeconomic environment, though, isn't the only force shaping attitudes today. Individuals or organizations are not static in time; they are recipients of a massive digital change. New devices, new channels, and new technology emerge constantly. As a result, preferences, needs and expectations are shifting just as quickly.

But now there are encouraging signs that business is picking up. This presents an opportunity for organizations to re-evaluate their priorities and approaches, and get ahead of the digital revolution. This revolution is changing the way we do business; not only in the technology needed, but also in the business model used. At the center of this are the new digital customers. Their needs and expectations should ultimately be the only compass that guides business decisions.

This is why they are at the center of this market analysis too. We set out to know them better and map out the benefits that your organization stands to gain by also putting them at the center. But we also tried to understand the challenges arising in doing so. And there are quite a few:

- **Fierce competitive pressures**
- **Quick shifts in customer preferences**
- **Barriers imposed by their own enterprise systems**
- **Lack of technological enablers**
- **Strain on organizational resources**
- **Plenty of interaction channels**

What follows is the collection of insight gathered through proprietary research by Objectif Lune (OL) and external credible sources, which we believe paints a fair picture of the situation most organizations face. Our goal is to invite organizations to actively assess where they stand, identify opportunities and relate to challenges.

The digital customer at the center

Your customers are now at the center. You shape their journeys and they define the present and future of your business. So let's get to know them better.

Traditionally, the customer's journey has been viewed as linear, from discovery and consideration, to evaluation, purchase and use (1). This notion is now outdated. The new model is dynamic, continuous, and most importantly, *digital*. Accepting the fact that every customer is now a *digital customer* is an important first step towards revising the old model and its surrounding mindset.

A profound evolution that digital has brought is the number of options or channels of communication customers have with organizations. For an average organization it can be as many as nine (2)¹. The forces behind this change are truly disruptive: mobility, real-time communication and social media (3).

Mobility (smartphones, tablets) is now so deeply rooted in the customer's DNA that it has completely revolutionized the customer-organization dynamic. Forrester forecasts that by 2017 more than half of the world's

¹ Aberdeen 2014 CEM Survey: Email 94%, Web 93%, Phone 83%, Events & Tradeshows 83%, Print mail 80%, Social media 76%, In-store 68%, Online video 56%, Online customer communities 51%

population will own a smartphone, with subscribers reaching 3.6 billion by 2020 (12). Moreover, the Internet of Things (IoT) will connect everything.

“Gartner predicts that by 2020, more than seven billion people, 250 million businesses and more than 30 billion devices will be connected to the Internet.” – Gartner, 2015 (29)

Customers are online and on the go, and so is their communication, anytime, anywhere. And this digital effect on customers is going to transform business in a lasting way.

Not all customers, though, have been affected the same way. They have different levels of digital intensity and speed. Accenture (6) classifies them accordingly into four categories:

- ***Traditional customers who rely on traditional analog channels, but they too leave digital traces***
- ***Experimental customers who selectively engage in digital to discover how their experience can improve***
- ***Transitional customers who strive to leverage digital more broadly***
- ***Digital-savvy customers who make digital technology part of all dimensions of their life***

The digital customer spectrum requires flexibility of both processes and systems in place on the organization’s side, in order to reach them with the right channel mix for each one. Your customers are aware of the options at hand, and they expect any of them to be available at the time and place they choose. Either they are traditional (e.g. printed mail) or digital (e.g. responsive email, web portals, mobile SMS and apps).

But most importantly, their expectation goes beyond just having options. Throughout these interactions they want to experience a seamless, personalized, interactive communication: one face, one conversation, one view, regardless of channel and time. They want an *end-to-end experience*,

not fragmented exchanges and transactions. Only then will your organization be able to win their loyalty, and a bigger share of their wallet.

Loyalty, though, has proven to be a very elusive concept, hard to win, and even harder to keep. Compared to 10 years ago, customer loyalty is deeply eroded, with 60% of customers now more likely to switch (6), and only 23% feeling loyal towards their providers (7). Customer loyalty is now shifting as fast as they switch channels throughout their journey. Digital has made this possible. From a smartphone app to a tablet, and from an online portal to printed mail, or physically in store, customers are evaluating, comparing and deciding every single moment.

In a nutshell, organizations are now under *digitally enabled scrutiny*, as Accenture puts it (6). Long gone are the days that customers were won at the point of purchase. Now they are won every day, during this continuous, non-stop evaluation. Accenture's research (1) estimates that this "*switching economy*" of dissatisfied customers continually looking for new providers totals \$6 trillion in revenue opportunity, up 26% from 2010, both for mature and emerging markets.

In this fickle market of loyalty, there is only one way for your organization to win its share of the switching economy pie; the overall experience that you are able to deliver. This is a crucial part of an organization's value proposition and the most important and sustainable differentiating factor in keeping your customers and unlocking business opportunities. The key to a better customer experience is continuity and consistency. We are talking about one experience, not distinct and often disconnected ones depending on the channel. Consistency is a very important aspect on which we elaborate later on.

In short, engage your customers through a *great customer experience*. Digital will be an indispensable part of it.

“Renovating the customer experience is a digital priority.” – Gartner, 2015 (8)

This digital renovation is not only driven by the young generation of consumers who have grown up immersed in digital technologies. These consumers (18 to 34 years old) are indeed two to three times more likely than consumers older than 55 to want to use more digital interactions than those being currently supported by organizations (1). This does not mean, though, that the older generation shies away from digital. According to Accenture (1), they are surprisingly open to experimenting with digital channels.

“By 2020, 75% of businesses will become or prepare to become a digital business.” – Gartner, 2015 (26)

“Directors expect the share of revenue from digital business to grow from 18% on average today to 41% by 2020.” – Gartner, 2015 (29)

Going digital is no longer a choice for organizations today. It is a prerequisite for remaining relevant and continuing to grow. Customers, as we’ve seen, have gone digital. But so have partners, channels and competitors. It is a digital interconnected ecosystem that requires organizations to digitally reinvent themselves.

As with any transformation, however, it is difficult to walk the talk. For organizations that are born digital, keeping up with the digital revolution comes naturally. But the majority is struggling. According to Forrester (4), only 26% of organizations believe their CEO has set a clear digital vision; 19% think they have the necessary technology, 16% the necessary people and skills, and 14% the necessary processes to execute their digital strategy.

“Many organizations are beginning or in the midst of digital business transformation initiatives. Gartner predicts that 30% of these efforts will be successful.” – Gartner, 2015 (8)

As it is expected, from the ongoing digital transformation initiatives undertaken, less than a third will be successful. The common factor that

successful companies will have is that of agility and adaptability to change, in order to address customer needs, and not just solve internal problems. Technology will be a key enabler in these efforts.

Only by meeting these needs can organizations increase the value generated by customer experience and translate it into concrete financial results. There are challenges and limitations, as we'll see. But there are also solutions. Successful organizations will be those that won't be held back by obstacles, but will focus on the opportunities and chase them by employing innovative ways. In other words, innovative technology.

Customer experience is important

*"Gartner defines customer experience as: "The customer's perceptions and related feelings caused by the one-off and cumulative effect of interactions with a supplier's employees, systems, channels or products."
- Gartner, 2015 (25)*

*"Gartner defines CEM as: "The practice of designing and reacting to customer interactions to meet or exceed customer expectations to increase customer satisfaction, loyalty and advocacy."
- Gartner, 2015 (25)*

It's more than hype. Customer experience is very important, and how you manage it will be decisive in surviving the digital wave of empowered customers. All research points in the same direction. There are benefits to be gained by offering a great experience to your customers:

- **Increased revenue**
- **Decreased costs in terms of customer service and retention**
- **A more positive brand image**

These are not "soft" metrics. As we'll see, a great customer experience translates into hard dollars.

Before we go any further, we need to address a common misconception; the one that associates great customer experience only with costly levels of customer care. As mentioned above, great customer experience can result in increased revenue and decreased cost at the same time. This misconception has been around mainly because organizations have not yet realized the cost associated with a poor, or worse, bad customer experience.

It is proven, as Forrester (24) states, that “a better customer experience (CX) correlates with higher revenue growth — most dramatically in industries with customers who have many equally convenient and strongly differentiated choices, such as online retailers and investment firms.” A better overall customer experience creates satisfied customers with higher lifetime value who:

- **are loyal and thus a source of a more stable and predictable revenue**
- **drive higher revenue as they are over five times more likely to purchase more, as data from Temkin Group shows (10)**
- **will engage in positive word of mouth**
- **are more open to cross-sell and up-sell opportunities**
- **cost less in marketing, care and any expenses related to customer retention**
- **are almost six times more likely to forgive a mistake according to Temkin Group (10)**

A poor experience, on the other hand, will send your customers packing, as two-thirds (64%) will not repurchase according to Accenture and Temkin Group (7, 10). And they will most probably be very vocal about it. This results in:

- **lost revenue from customers leaving or buying less**
- **negative word of mouth**

- **an increase in customer service cost/time/effort to resolve issues**

As the saying goes, a happy customer tells a few people, while an unhappy customer tells everyone. According to a McKinsey & Company (13) study, a single negative experience has a four to five times greater relative impact than a positive one. Organizations have to tackle these negative experiences effectively, but more importantly, they should try to avoid creating them in the first place. The time, money and effort put into mediating the effects of a bad experience could be directed to more profit-enhancing activities, like offering a great experience. *Because a great customer experience generates business value. And customers are willing to pay a premium for it (17).*

Last, but definitely not least, great customer experience means that you get to keep your customers, something far more cost-effective than getting new ones (17).

Great customer experience generates business value: Turn your customers into fans

Great customer experience is a key sustainable competitive advantage and differentiator, not just nice to have.

"Gartner research shows that, by 2016, 89% of companies believe that customer experience will be their primary basis for competition, versus 36% four years ago." - Gartner, 2015 (8)

The number of organizations indicating customer experience as their primary basis for competition is indeed high. Furthermore, improving customer experience was the most frequently cited driver of transformation projects in the 2015 Forrester's Global Business Technographics Survey (16). In Accenture's (18) research, customer experience was important to the strategic priorities for 85% of executives in B2B companies; relevant

investments are also going up year-over-year for 88%.

This important mind shift is the outcome of a realization. Technology and products can be replicated. But an organization-wide, technology-driven, dedicated culture of delivering outstanding customer experience is hard to mimic. This is the reason why customer experience excellence is rare, but on the rise nonetheless, according to Temkin Group (14), as organizations grasp its value and invest accordingly.

And organizations have every reason to improve the experience they offer and put their customers at the center of every decision, policy and initiative because customer-centric organizations do better. It isn't difficult to understand how. They excel at the most critical part of a customer's experience: customer communications management (CCM).

They create loyal customers and brand advocates, who spend more and recommend them, using communications that are:

- **consistent**
- **personalized**
- **relevant**
- **interactive**
- **digitally enhanced**
- **just-in-time**

They create fans.

CCM: The building block of a great customer experience

Apart from having their basic expectations met, engaged customers understand that they have a truly interactive relationship with your organization, that you listen to their needs and that you respond in a

personalized, consistent and timely manner.

Successfully managing customer communications across the customer journey, and its numerous touchpoints, is not an easy task. In a Forrester study (19), organizations were asked to rate their ability to deliver a channel-agnostic capability for customers to get relevant information about their account. 43% selected '1' or '2' on a scale of 1 (not at all effective) to 5 (extremely effective). Our own research shows that supporting multichannel communication is challenging for 60% (28), with more than half of these organizations indicating that this challenge is of a medium or high priority for their customer communications management.

But organizations have to go beyond the basics of simply managing or scaling. They have to excel, by delivering a seamless experience, one that doesn't expose the gaps between and within channels, and that provides consistent and personalized communication.

Forrester data (19) shows that only 18% of organizations are able to manage a seamless handoff between channels, a prerequisite of delivering a seamless experience. Therefore, the bulk majority of them are still missing out on the numerous benefits. Aberdeen research has quantified them (20). Specifically, organizations that deliver seamless messages across customer touchpoints have these benefits compared to their peers:

- **91% greater year-over-year increase in customer retention rates (6.5% vs 3.4%)**
- **higher year-over-year increase in average profit margin per customer (6.1% vs 1.0%)**
- **higher year-over-year increase in customer lifetime value (3.4% vs -0.7%)**

The importance of systems and information integration

But how ready are organizations to offer this personalized and consistent, digital (or not) communication? Are they ready to offer the right communication to the right customer at the right time with the right personalization employing the right channel?

Our understanding is that the majority are not ready. So what's holding them back from effectively communicating with their customers across channels? In one word, silos. Silos just make it too difficult to deliver seamless and unified customer communications across channels, because of:

- **fragmented customer-facing departments and information**
- **inflexible old or new systems that don't communicate with each other effectively**
- **slow and error-prone manual processes that eat up time and cause frustration**

Let's focus on the systems. Enterprise systems are often data silos and have long been a serious obstacle in transforming customer journeys, as Forrester states (11). Enterprise Resource Planning (ERP), Customer Relationship Management (CRM), Financial and Accounting, Lead Generation, you name it; all these systems take part in the customer journey. Great customer communication management requires these systems to collaborate with each other; they need to communicate effectively and allow information to be quickly shared. If not, then delivering consistent, personalized and real-time communication across channels will simply be a daunting task.

But even when employing a single system achieving multichannel communication is a limitation for one-third (31%) of organizations (28).

The crucial question then is: “How well can you communicate using your enterprise systems?”

In OL’s own research (28), only a third of organizations (32%) find that information from different systems is combined and actioned to a very large or extremely large extent. This is a sign of poor integration or communication between systems and poses a great limitation to half of organizations (52%). The result is that information - a key performance enabler- sits in silos, making it difficult and time-consuming to access, combine across enterprise systems and action on demand.

This means that data, big or small, becomes useless, and valuable time and money is lost in the process. Aberdeen’s research (21), for example, shows that 14% of an average employee’s time is spent looking for customer information across systems in order to personalize their conversations.

Organizations that seamlessly integrate data across enterprise systems, in order to build a foundation for consistent customer interactions, enjoy multiple benefits compared to their peers (21):

- **88% greater year-over-year increase in annual revenue (14.8% vs 7.8%)**
- **greater year-over-year improvements in customer care costs (12.1% vs 1.3%)**
- **greater year-over-year increase in cross-sell and up-sell revenue (20.5% vs 6.3%)**

Top performing organizations have understood the importance of systems, and thus information integration, and are 79% more likely to have integrated two core enterprise systems, ERP and CRM (21). This integration enables them to access customer data from different departments within the organization. If you think of how many departments directly communicate with customers, Sales, Marketing, support, Customer care and so on, (each

employing their own system and internal processes) then it's easy to see what a difference effective system communication makes.

An invoice, for example, may draw data from the central ERP system and communication preferences from CRM, but be drafted up using a financial system. Unless these systems communicate effectively, creating an invoice can be a time-consuming, error-prone process that will probably fail to achieve the ultimate goal: successfully engage customers with a personalized message in a consistent manner.

The importance of the overall experience

The silo effect is not only the byproduct of the rigidity of enterprise systems. It also reflects a more structural issue, the approach almost all organizations take to manage their communications. They implement point solutions as channels arise, striving to provide more and more options. Either by default or by design, independent groups are responsible for different customer touchpoints, each operating their own internal systems and processes (3). In short, they focus on scaling, while fragmenting what should be a unified front by assigning different “owners” to channels.

This “silo” approach to managing channels has one serious implication: departments and groups focus on optimizing their own piece of the customer communication multi-channel pie. In doing so, they may be overlooking a more substantial customer expectation, that of a single, seamless experience. Individual touchpoints matter, of course, but it's the overall experience over time that really counts (15).

As Accenture (6) points out, the totality of the experience is greater than the sum of its parts, and it is that that attracts customers and keeps them coming back. Similarly, data published in the *Harvard Business Review* (15) show that “Indeed, across industries performance on journeys is 30% to 40% more strongly correlated with customer satisfaction than performance

on touchpoints is—and 20% to 30% more strongly correlated with business outcomes, such as high revenue, repeat purchase, low customer churn, and positive word of mouth.”

According to McKinsey & Company (13) research, focusing on the overall experience pays off by:

- **increasing customer satisfaction by 20%**
- **driving revenue higher by up to 15%**
- **lowering customer service costs by as much as 20%**

The bottom line is that siloed information siloes the customer experience and poses a serious inhibitor to digital transformation (3). Customers do not start separate relationships with an organization’s webpage or physical mail. They evaluate their experience as a whole and do not see internal departmental boundaries or process owners through their journey across or within channels. It will not be Marketing or Support that failed them. It will be your organization as a whole.

Organizations are struggling nonetheless to keep up with these expectations. Their information sits in silos and is hard to integrate across systems or pass on, which is a prerequisite for delivering a seamless experience.

Silos are not the only challenge organizations face. In managing customer communications, the core of customer experience, a number of other challenges arise.

The importance of consistent, personalized and real-time communication

Let’s take a closer look at the heart of customer experience, customer communications management (CCM). In our research (28), CCM is affected the most by limitations linked to enterprise systems, as 39% of the

organizations we asked have experienced. The most important of these limitations shouldn't be a surprise by now:

- **Lack of flexibility (66%)**
- **Poor integration between systems (52%)**

But what are the highest priority CCM challenges organizations face?

- **Delivering consistent communication across channels (42%)**
- **Integrating communications across systems to ensure that customers receive a single piece of communication (39%)**
- **Personalizing communications (36%)**

OL customers are in line with the general population, as backed up by external research in the general market. Aberdeen research on overall Customer Experience Management (CEM) market trends shows that delivering consistent communication is a top challenge for 50% (22). According to Forrester (19), only 2% of organizations claim to be extremely effective at delivering a consistent cross-channel experience. Furthermore, the personalization challenges reported by 36% of organizations taking part in OL's research are worrying, since personalization is quite extensive in business communications (28):

- **branding (52%)**
- **targeted marketing messages (48%)**
- **addressing/postal marks (46%)**
- **recipient requested information (46%)**
- **integration of information from other systems (42%)**
- **legal/regional compliance (33%)**
- **language (31%)**
- **integration of relevant news/blog/social media (20%)**

Although the portion of organizations facing these challenges is sizeable, this does not necessarily imply that the rest have mastered their communications management across channels. It may also be the case that some organizations have not yet identified the importance of a consistent, personalized, real-time experience, and the impact that it has on consumers, or they simply underestimate it.

Consistency again is a key word. It is that important. Check out why:

- **Customer's patience for variability in delivery is low according to McKinsey & Company (13) research. As a matter of fact, Accenture's Global Consumer Pulse Research (7) shows that 65% of consumers find inconsistency across channels frustrating. And frustrated customers are not customers who will spend more or be brand advocates.**
- **It is a building block of a great customer experience. If consistency issues are not addressed, any additional investment in improving customer experience will not work (13).**

Customers may even accept different service levels across channels, as long as their expectation of continuity and consistency is met and their overall effort is decreased. By effort, we mean any additional action required from the customer that can be avoided. For example, think how frustrating it is for customers to repeat information every time they enter a new channel. This increases the effort on their part, and the harder they find doing business with an organization, the more likely they are to leave. According to Accenture's Global Consumer Pulse Research (7), 85% of consumers surveyed said they switched providers because it was simply not easy to do business with them.

Unfortunately consistency has not yet received the attention it deserves.

"In 2015, only 5% of organizations have the technologies and processes in place to provide a consistent customer experience across departments and channels." - Gartner, 2015 (9)

Five percent is an extremely low percentage. Consistency is nevertheless exceptionally powerful, especially now with so many interaction channels and loyalties shifting with the click of a mouse.

Organizations that understand the importance of consistency already enjoy substantial benefits compared to others, according to Aberdeen (2).

- **Greater increase in cross-sell and up-sell revenue (16.0% vs 8.9%)**
- **Greater increase in customer lifetime value (9.8 vs 1.1%)**
- **Greater decrease in average cost per customer contact (-23.8% vs 0.9%)**

As for contextualization, adopters of the concept of delivering the right message to the right customer via the right channel also enjoy a higher year-over-year increase in customer satisfaction (5.9% vs 3.1%) (22).

Another important element concerning customer communication is time. Customers are not only online; they also want things on demand. They want communication at the moment of their need; then your organization has their attention. At these crucial moments that shape decisions, your customers will evaluate you in terms of timely responsiveness, simply put, real-time communication, on your customer's schedule. A deciding factor to achieve this type of communication is speed, more specifically digital speed.

"The consumer's need to get faster, cheaper, better products and services in a mode that supports any time, any place, any channel is fueling the digital business revolution. And the digital revolution is predicated on velocity. The absolute obsession is speed, which is displacing cost as the dominant evaluation criteria for buying services. Consumers want responses (information, context, insights) regarding business transactions at the speed of digital transactions, which is not a human physical capability." - Gartner, 2015 (8)

Speed, instead of cost, is now the dominant evaluation criteria for your customers. Organizations with the ability to respond in real-time to on-demand communications are one step ahead. However, 30% of

organizations (28) are struggling to provide on-demand personalized communication, as our research showed. This limitation is imposed by the enterprise systems in place that don't allow them to move at the speed of digital.

Customer-driven communication is here.

What are you doing about it?

We are now well into the “age of the customer,” as Forrester (24) calls it, a “20-year business cycle in which the most successful enterprises will reinvent themselves to systematically understand and serve increasingly powerful customers.”

Your customers now drive communication. It's not hard to understand the value of effectively managing your customer communications beyond just performance metrics. Imagine the damage that can be done by sending a marketing message to a frustrated key customer currently having an unresolved support issue on the same subject. Imagine also the discomfort of a customer receiving her invoice by email, when she has expressed a preference for mail or the other way around. Or imagine sending a promotion without providing an easy way to respond or interact. And finally, think what a wasted an opportunity it would be to have your customer's attention, and instead of engaging them with a specially targeted message, you just send generic content.

All the pitfalls above are not caused by lack of information. Your organization has the information. But can it make use of it? Not being able to make your customer data work for you equals lost time, increased costs, effort, frustration, and ultimately non optimal business outcomes. Making your data work, though, requires your systems to communicate with each other effectively and quickly.

It's not only enterprise systems that need rewiring for better customer communications and experiences. It's the entire organizational mindset. Organizations have traditionally focused mostly on acquiring new customers, which is the first part of the customer journey. We have demonstrated, however the benefits of a more holistic approach to the entire customer journey, which goes above and beyond the costly pursuit of new customers. Successful organizations will be those that adapt and follow the strategies outlined below (22):

- **Establish a formal Customer Experience Management (CEM) program within the business plan.**
- **Invest in CEM-technology tools and solutions, such as CCM technology. Organizations utilizing CCM technology enjoy multiple benefits (23).**
- **Create a unified view of customer data across the organization.**
- **Personalize product and service offerings based on customer data.**

The solution: Business technology for great customer communications

Much like in real-life conversations, organizations have to strike up a dialogue with their customers. They need to listen and respond. Listening implies that you understand what customers expect, through which channels and when. Responding is about aligning your processes to meet these expectations in the speed demanded by the digital market. This alignment will require every bit of commitment to change the mindset and the inflexible systems, in order to undo the seams that break down organizations into silos. We are talking about a *digital transformation* that puts customers and their experience at the center.

Altimeter Group (3) defines “digital transformation as the re-alignment of, or new investment in, technology and business models to more effectively engage digital consumers at every touchpoint in the customer experience lifecycle.” The drive of change is the imperative in offering a digitally enhanced, great customer experience.

Realizing the untapped potential of effectively managing their customer communications, and consequently providing a great customer experience, 44% of organizations in our research (28) have already made plans to improve their customer communications.

“To meet the challenge, Gartner research shows that nearly three quarters of companies expect to increase technology spending on customer experience in 2015.” - Gartner, 2015 (8)

This trend is expected to continue in 2016 as well. By reorganizing their technology, their processes and their internal culture around the customer journey, organizations will be able to reap the benefits of delivering a customer-centric experience.

Departments directly involved in customer communications management will increasingly rely on technological tools to overcome system communication barriers and achieve their objectives. This is where the role of technology becomes crucial, by providing the platform that will enable the seamless integration of systems and data, all in the service of great customer experience. As always, high performance is a result of team work between and within departments, as well as systems.

“As of 2017, organizations that have fused digital and IT will outperform their peers in terms of reliability, customer experience and reputation.” - Gartner, 2016 (5)

One of the most important collaborative relationships is between business and IT leaders in organizations (3). Organizations that pursue collaboration between IT and customer-oriented departments enjoy a 67% greater annual

company revenue increase than their peers who don't (12.5% vs 7.5%) (22). This means that both IT and business units need to take a proactive role. IT plays an important role in improving CCM, since it typically builds, operates and maintains the enterprise systems that contain customer data. But traditional IT won't cut it anymore. Since customers and their experience are now at the center, we need to start talking about customer technology.

The digital agenda should incorporate the tools necessary to acquire, but more importantly, engage and retain customers. Customer-centric organizations focus on this type of technology that Forrester calls Business Technology (BT), because "success means investing in constantly evolving customer experiences and understanding that technology has become fundamental to how your customers perceive value" (12). There is a difference between this approach and the traditional IT one that focuses only on supporting and transforming internal operations.

In the US, for example, more than half of new initiatives will be focused on BT in 2017, as Forrester indicates (16). These initiatives will require according to Forrester (16) different skills, new technologies, and a partnership relationship between CIOs and business leaders, especially the CMO (4).

But what is the current state of technology used to achieve digital customer experience excellence in organizations? According to Forrester things are not looking rosy. Currently, only 34% of business decision-makers believe that IT supports business success (16). And just 19% of leaders believe they have the right technology in place to execute their digital strategy (4).

Delivering digital experiences depends upon seamless technology integration and the ability to evolve along with customer expectations. To get there organizations need to take into account a number of issues.

Making the business case

Making the business case for digital transformation of CCM, and thus customer experience, comes down to proving with hard metrics what it is to be gained. The link of the proposed investment with the potential benefits is often weak or difficult to make. It requires proof and a sense of urgency (3), not only around challenges but also opportunities. We hope that this market analysis will be the stepping stone in that direction.

Enterprise systems in place

For old and new systems, integration and communication is the key to unlocking their potential. Indeed, one out of three (31%) organizations taking part in our research (28) identified its importance and plans to invest in software that improves the collaboration between existing systems.

The importance of system collaboration is especially critical for old systems, otherwise known as legacy systems. These systems were not meant to last forever, or designed to catch up with the digital connected world. But they are not going away tomorrow either. Organizations will keep using these systems, and adding layers and patches of functionality, until the maintenance and operational cost outweighs the cost of replacement. They will also keep using them as long as relevant skills around these systems are available.

Making thus the most out of legacy systems for as long as your organization decides to use them, will require that they align with the current digital reality. How? Organizations will need to adopt novel technology for these systems to meet new business challenges and competitive pressures. And the biggest of these challenges is customer communications management. These core systems were designed to manage the operational side of the process, not promote customer engagement.

“The evolution of ERP systems over the past 10 years means they are no longer lean, efficient business application backbones. Instead, they have lost business relevance and agility, and have become bloated, fed by the objective of achieving an all-encompassing megasuite. The reality is that these environments have become too large to change at the pace of business needs, or to reflect the flexibility and innovation needed by the business.” – Gartner, 2015 (27)

The inflexibility of core systems like ERP has rendered them rigid. It is difficult and time-consuming for these systems to dynamically follow the pace of business needs. This pace is dictated by the change in the digital world which is rapid and demands flexible environments.

Business processes

“Digital business gives us the opportunity to examine business processes that are inherently unstable to make a business more agile and adaptive, and we will apply that to improving customer experiences.” – Gartner, 2015 (8)

These “deliberately unstable” processes should dynamically adapt to follow changing customer preferences, and thus business needs. Processes should not be frozen in time; an organization should be flexible enough to quickly and effortlessly adapt its processes to an increasingly volatile marketplace. The reality, though, is that flexibility to make changes quickly is an issue for two out of three organizations (66%), as we’ve already seen (28). These organizations regard lack of flexibility as a major limitation while operating their enterprise systems.

Another important aspect is automation. Automated processes will allow organizations to follow the digital speed that physical human (manual) capabilities can’t. Automation means speed and fewer errors.

Budget, skills and time

For large organizations, embracing the digital world that their customers, partners, and channels operate in is far easier budget-wise. However, with their limited resources, small and medium-sized businesses (SMBs) struggle to make the leap. If the money isn't there, these organizations will rely on old classic manual work to catch up.

But even if the case is made and budget permits, digital change requires skills. A whole new customer-focused skill set emerges, as Forrester indicates (16), around security, integration and project management to name a few. And skills can be very expensive, and rare, if you operate systems that rely on proprietary knowledge. Especially for legacy systems, relevant skills will increasingly be high-priced and difficult to find.

Finding the budget and the relevant skills may test an organization's patience and resources. But it is time that will be the ultimate challenge. Insight from our research (28) shows that the implementation of enterprise systems, for example, frequently overruns schedules - more than half for ERP (54%), 39% for CRM and 36% for Financial and Accounting systems. This is mostly due to the significant customization these systems require to adapt to business needs. More than half (55%) of ERP systems, for example, are significantly or completely customized. Furthermore, in-house development of these systems seems quite popular as well: ERP (9%), CRM (15%), Financial and Accounting systems (9%). This desired level of customization indicates that organizations want for systems to adapt to their needs, and not the other way around. And that equals more time and money spent on this process.

The digital marketplace has its own digital speed. The question is how much your organization can tolerate losing to your competitor who wins the digital race.

Senior management involvement

“The business strategy needs to guide the general direction of the business and set investment levels, but more detailed decision making will have to happen closer to the customer and be done much faster, rather than waiting for the next annual planning cycle. This means that the technology strategy can't simply be derived from the business strategy – it has to be part of the business strategy.”

- Gartner, 2016 (5)

Leveraging digital technologies, and thus rewiring your technology investment towards this direction, is a decision on a strategic level. Whether you are a small or a large organization, it requires the involvement of senior management, to indicate the level of commitment to this initiative (3). The role of the CEO is especially critical. According to a Forrester (24) study on companies that successfully made the move to customer obsession, there was not a single case without a clear CEO champion.

Change management

“New business models based on emerging technologies are forcing business and IT leaders to change the way they acquire and implement all kinds of software. IT leaders need to start helping their enterprises change immediately. It is about more than just technology, architecture, or even the vendor landscape - a deep cultural change is needed that will require taking apart and rebuilding your strategies, systems and organizations.” - Gartner, 2016 (5)

Technology is only part of the solution. Your people are the other part. Their willingness to adapt and adopt the new technological regime can really make the difference. You can invest in a cutting-edge technology to improve your customer communications. You can also set up efficient processes. And you can do all this while having senior management support. But nothing will pay off if you don't get your employees on board. People are resistant to change especially change that forces them to drop systems and processes of years that they feel they have mastered.

Managing the cultural change will not prove easy. Relevant skills are not in abundance. Change management has been identified as one of the most

critical skill gaps by a 2015 Forrester survey (16). In every organization, though, there will be individuals or groups driving change before it becomes a formal movement (3). It can be your CMO, for example, or the head of Operations. These change agents can be the initial force that will inspire and pull the entire organization together.

Summing up, the road to great customer communications, and hence experience, goes through your technology and your people. Putting your customers at the center, engaging your people and investing in the right technology to take you there.

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