eGUIDE
INVOLVING YOUR CUSTOMERS IN DIGITAL TRANSFORMATION

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Introduction

Digital transformation is
taking on an entirely new
sense of urgency.

"As consumers flock to digital channels for everyday shopping, education, and entertainment, [and] employees are relocated for work from corporate to home offices… digital transformation is taking on an entirely new sense of urgency."[1]

Over the last 20 years, the inclusion of technology in business has become impossible to ignore. From online payments and online shopping to social media and mobile communications, the landscape is now faster, more efficient and more personal. And consumer expectations are higher. Organisations which have not invested in technology will be left behind while their competitors thrive.

However, not all companies investing in technology will get it right. Bain & Company research suggests that only 8% of global companies have been able to achieve their targeted business outcomes from their investments in digital technology. That means more than 90% of companies are still struggling to deliver on a technology-enabled business model.[2]

This eGuide is designed for leadership teams who are planning or going through a digital transformation. Your organisation may be looking for an effective way to utilise digital technology to make improvements. Or you may be concerned that you have already made changes that don't work.

It could be that your transformation is currently too internally focused, without input or direction from customers. Leading from an internal point of view can sometimes create a solution that appears tactical, and sales targeted, rather than truly transformative. It is also hard to create an innovative solution with only internal (existing) viewpoints.

Design research can help you to create a more personal, effective and successful digital transformation by involving your customers from the very first stage of development.
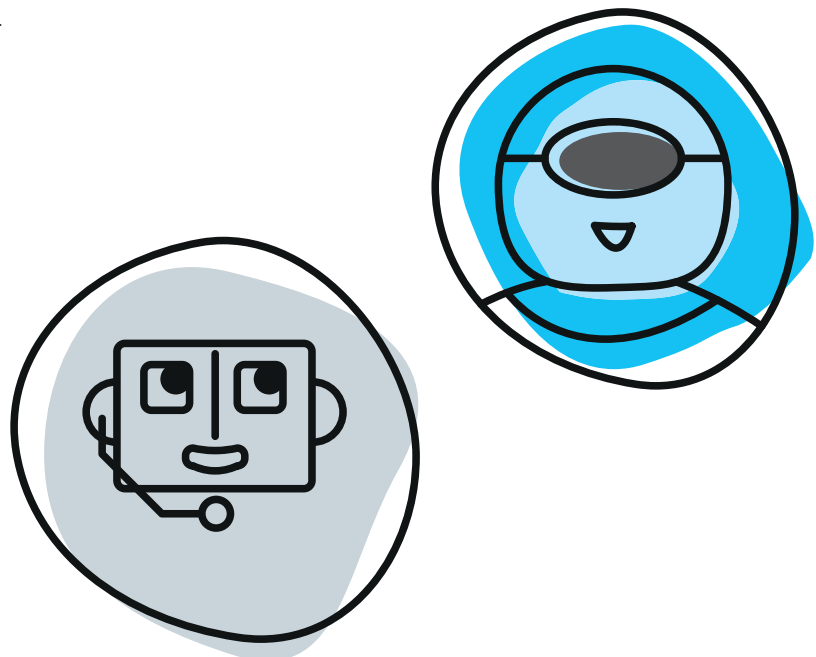
Summary

While global enterprises may be paving the way for digital transformations, there are obvious benefits for both small and mid-sized organisationsas well. Particularly where private equity backed acquisitions are merging brands and looking for digital harmonisation and transformation.

Inherited organisations or those with older business models may be relying on non-digital practices. The instinct to jump to new technology in order to increase profits and cut costs is overtly simple, yet appealing. The pressure to increase shareholder value (particularly via digital growth) creates a need to quickly move to a transformation, often without enough preparation into strategy, customer needs or goals.

While larger organisations may have an internal design or IT team (whereas small businesses just won't have the team resources at all), these internal teams may not have the up-to-date expertise, independent thought, innovation or competence to create an effective solution.

In order to avoid failure or rework in the future, it's vital to involve customers at the early stages and throughout the digital transformation process. For example, Design Research (see page 15) can unlock unknown needs that can be addressed through digital innovation. It unlocks ideas and strategies that support wider digital growth and provide differentiation. Design Research can make digitization strategies, genuinely transformative.

This eGuide will demonstrate the pitfalls and common failures, as well as the proven Design Research strategies and methods, to show how we can make successful digital transformation happen.

Digital transformations

The main driver for a digital transformation is an overall need to adapt and move from an outdated process to a new way of working

Digital transformation can mean a myriad of different things, so each individual organisation should have a clear vision and purpose specific to them – and it has to include the needs of employees, partners and customers alike. Whether the goal is to drive growth, increase income or improve ways of working, there are different technological investments that can be made.

The term 'digital transformation' itself can mean many things, as suggested by Pete Peranzo for Imaginovation:

- "Digitization, in short, is the process of converting information locked in physical documents from analog to digital.

- Digitalization is the process of using digitized information to work more simply and efficiently.

- Digital transformation is changing the way you conduct your business. It's about taking a step back and revisiting everything you do, from internal systems to customer interactions, and more. [3]

There could be many different drivers leading companies to a digital transformation, not least the pressure from the competitive environment. The likely aims or goals could stem from a need to:

- Develop a product or optimise a service

- Improve operational flow and internal systems

- Reduce running costs

- Satisfy stakeholders or business drivers

- Increase customer retention or improve the customer experience

- Engage or empower employees

- Offer future opportunities for innovation and agility, to keep transforming to meet market demands and keep a competitive edge when there are new competitors to the market who will be utilising technology to disrupt the market.

Generally it could be said that the main driver for a digital transformation is an overall need to adapt and move from an outdated process to a new way of working. This way of thinking is more aligned with strategy than it is with technology, but the opportunities for technology are so wide-ranging that they could help a vast range of elements in business, if not all of them.

Different industries will also have different reasons for implementing a digital transformation. For example, the retail industry has been pressurized into transforming its bricks-and-mortar stores into online businesses due to the competition from online-only players and the convenience of at-home shopping. Whereas the print newspaper industry has had to respond to environmental pressures, cultural changes and customer behaviour, and adapt its core product to incorporate a digital offering.

One of the key industries affected by digital transformation is financial services and banking. This sector has changed beyond recognition in recent years, due to a variety of cultural and financial shifts:

- The financial crash of 2008 has led to a global mistrust of financial institutions. Banks have to work harder to gain trust and customer loyalty, which can be achieved through offering services based on user needs and improving their experience. This is a shift from the historic bank-customer relationship which was focused almost entirely on the needs (and profit) of the business.

- Since 2008, banking profits have been hit harder and they've had to work on ways to improve efficiency internally to save on costs. Some banking organisations have utilised digital transformation to improve internal efficiency and the experience for employees: agile or more automated software can reduce training hours, decrease human error, and improve productivity.

- Customers now expect a 24/7 experience. They will be reluctant to waste time queuing in a high street bank or waiting for postal documents, when other industries are offering digital products, online services and easy-to-use experiences on their smart phones and tablets.

- Customers who are visiting high street banks will generally want to do so at weekends or out of hours, due to cultural change which has seen longer working hours during the week. Now that retail stores are offering opening hours outside of the traditional 9-5pm week and Sunday trading has opened up the weekend as a shopping opportunity, banks need to offer the same services or make sure that their online offer is fully functioning.

- Customers are also more likely to work remotely, away from town centres or large cities, and have less physical access to high street banks.

- New challenger banks have disrupted the industry and made traditional organisations respond to a competitive environment. New digital players such as Revolut, Paypal, Wise and Monzo are offering more digital services, easy-to-use apps, automated notifications, customer rewards and a reduction in some fees due to their innovative ways of working. "Banks have to face the harsh reality of the digital age: if they don't create a truly great customer experience, they will lose their clients to financial companies that have customer-centricity set as their TOP priority."[4]

- By utilising digital platforms, banks can offer an increased visibility of products online which are easy to access and more targeted, improving customer experience and boosting sales opportunities.

- Security issues and fraud can be reduced with automated systems, online services and less paper trail.
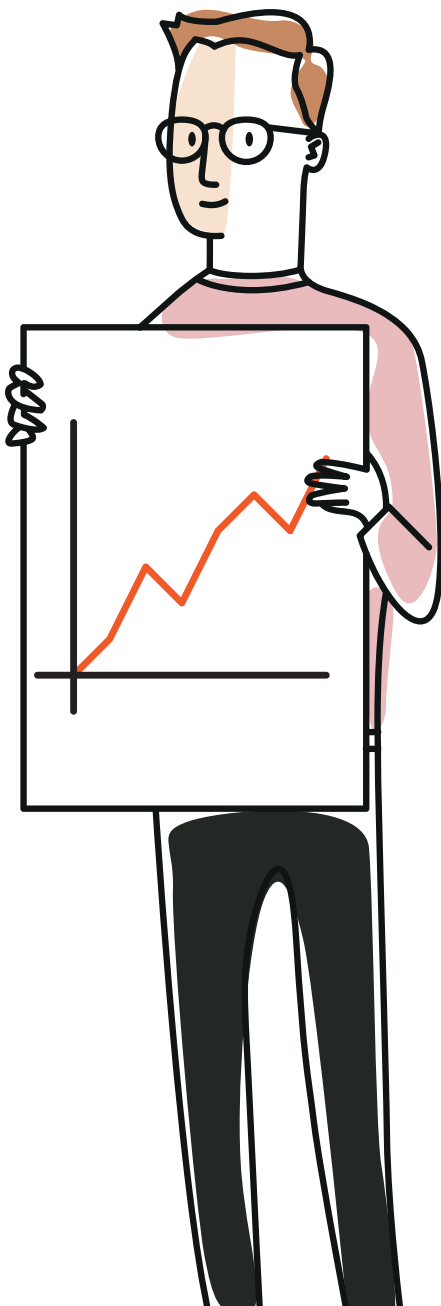
Why Digital Transformations fail
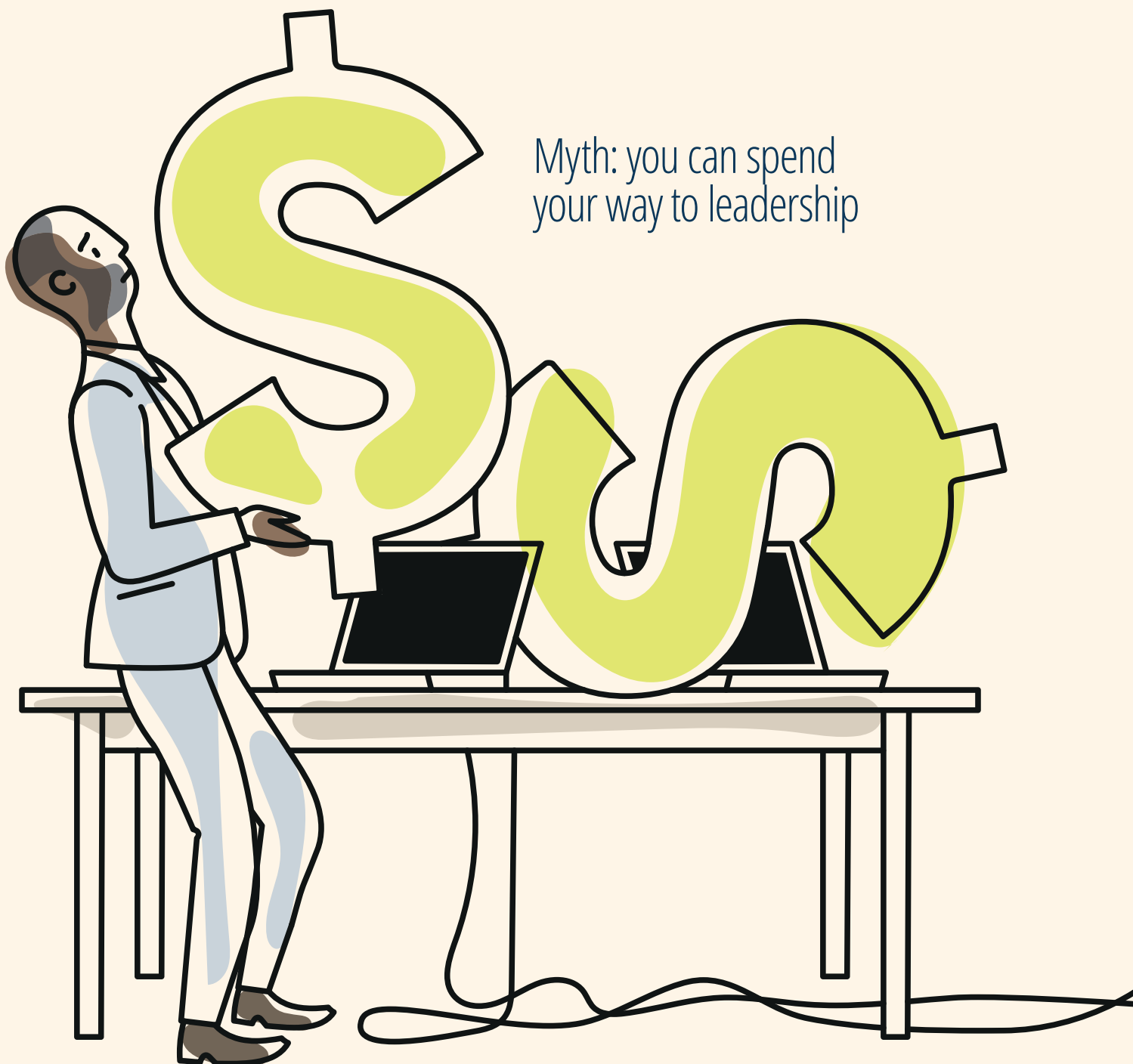
Myth: you can spend
your way to leadership

Global Management Consulting Firm, Bain & Company, suggests that there are two main myths that are hindering the success of digital transformation: firstly, you can spend your way to leadership, and secondly, setting up Agile teams will be enough to deliver high-quality solutions quickly.[5]

With so many organisations embarking on digital transformation, there are unfortunately lots of opportunities to see the other common pitfalls and key reasons for failure.

1. Technology over strategy

Professor Michael R. Wade from the Global Center for Digital Business Transformation suggests: "a digital strategy typically places too much attention on 'digital' as the objective, so that the main beneficiaries become consultants and technology vendors. Digital strategies often divert attention away from more important goals, such as reduced costs, higher revenues, increased customer satisfaction, and other measures of performance.

"Pursuing a digital strategy means that you have two strategies – one digital and one organizational. At best this is confusing, at worst, it is value destroying. Separate strategies inevitably lead to overlap and conflict.

"A much better approach would be to consider how digital tools and technologies can support a single organizational strategy, or better still, help existing strategy adapt to changing conditions."[6]

To look at it another way, there is no shortage of technology available (and often no shortage of potential budget). So from this viewpoint, it's clear to see that the technology is not the reason why digital transformations fail, because there are always opportunities to replace or change it. Rather, the technology itself is not the problem.

"One of the most important issues is understanding that this [should be] a business transformation, supported by investments in new technology – not new technology in search of opportunities."[7]

2. Internal conflict of interest

An organisation will need to define opportunities and problems as a team, before deciding on the solution. If different stakeholders aren't aligned with their plans, it makes it difficult for teams to prioritise what needs to be done or measure the success of the changes.

Similarly, a single point of internal interest can also be damaging. If transformation projects are owned solely by internal teams (such as IT, eCommerce or Development) the vision can be too focused, too exclusive and limited in its aims.

3. Lack of clarity or vision

There could be a "lack of alignment and clear understanding among leaders about how to execute against a digital transformation strategy", as well as a "lack of CEO engagement and sponsorship."[8]

Leaders could easily be concerned that there is no evidence or data to support plans for transformation, and fear the risk of wasting time or money.
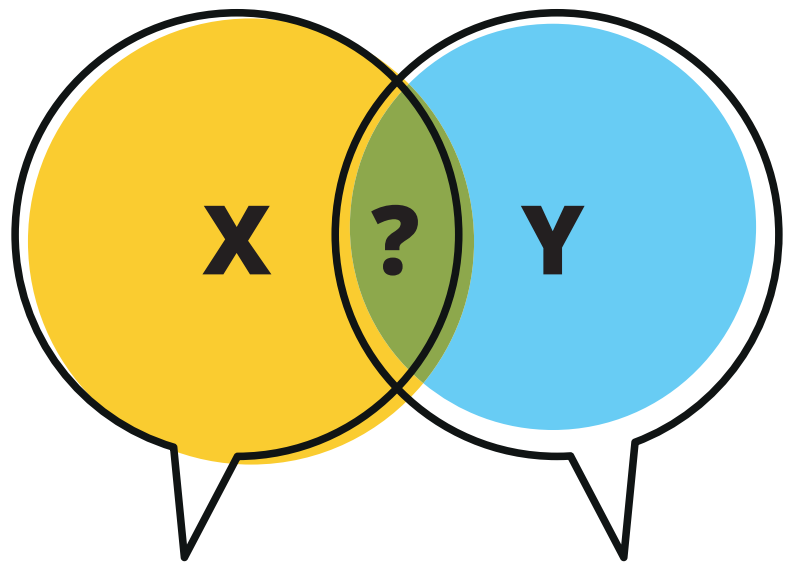
4. Heavy internal focus

When the transformation is too heavily focused on the back end benefits, there are often missed opportunities for external customers. There could even be negative outcomes for customers, if their needs are not considered in the narrow thought process.

An internal focus, which prioritises the business or the team itself, rather than the customer or the user, can come from team politics, a lack of leadership, too much focus on the technology, or a lack of maturity.

Externally, organisations should be thinking about whether they are tapping digital innovation to create new, distinctive experiences that give existing customers what they want, and how to help develop new ones. Internally, they need to discover if they can extract measurable benefits from digital investments.

5. Lack of confidence or knowledge

Organisations may struggle with the risk of digital transformation, or the ambiguity of not knowing the scale of the project, the costs involved or the return on investment at the end of the transformation. They may also fear the complexity of the project, knowing that the existing internal resource is not capable. There may also be a lack of knowledge within the internal team about specific market activity and future behaviour or needs.

"The true digital leaders pull away from the competition by linking a bold strategic ambition to the specific inner game capabilities and behaviors that they will need to achieve it. First they translate their strategy into a clear set of digital initiatives that point the organization toward a clear vision of full potential. Then they invest heavily in the fundamental changes to their ways of working and culture that allow them to develop those initiatives rapidly and execute them at scale."[9]

Why customers should be involved

In a post-pandemic climate, there is an obvious absence of physical relationships – between employees as well as between customers and suppliers. This means that those relationships now have to be digital, so the way they are created should be focused on human interaction and how the digitisation can best serve the users.

An organisation may start on a small digitisation change, or may be beginning to think about a larger digital transformation project. Despite having initial ideas of what they need to do (most likely with the customer already in mind), they cannot predict the customer mindset, or know how far-reaching the customers needs may be.

With customer research integrated from the start, their needs and behaviours can help to shape the overall strategy and potentially create different goals for a business that weren't originally visible or achievable.

By understanding their customers' mental models and the context within which each element sits, the organisation will discover greater opportunities for improvement, cost saving and differentiation. Bringing in the customer simply as a 'test' subject at the final stage, means that there is no cohesive overview of their needs and how this affects each element of the design – and it's likely to mean costly reworking or a disjointed experience.

"To make digital transformation effective and successful, it must evolve through relationship transformation (RTx) and center on escalating human-connections through digital."[10]
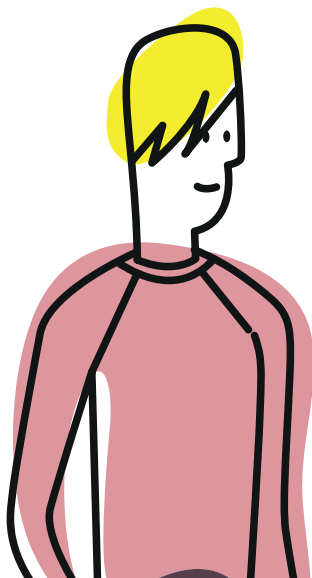
How to involve customers

When involving customers from the start of a digital transformation, and being open-minded about the potential outcomes and goals, you have an opportunity to create an innovative and unique strategy for your digital transformation.

Properly structured research answers questions and defines known and unknown wants and needs. Opening up the problem space elevates the digital transformation into the strategic and provides organisation-wide opportunities. Design Research can turn digitization programmes into digital transformation strategies.

We use Design Research as a tool to truly transform and utilize digital as part of a transformation, giving organisations a framework for including customers and helping those that are too tactical to become more strategic. Support from a design research team allows organisations to involve customers from the start of their transformation, creating a structure to develop and manage the overall digital transformation strategy.

Design Research

"Design research is the art of observing what people say and do, and then using intuition to reasonably perceive what they think and feel. By allowing users to be the experts instead of ourselves, we can uncover new opportunity areas that more directly meet their needs.

"While design research is amorphous, ambiguous, and at times frustrating, this more winding path is often filled with surprising findings, new perspectives, and rewarding insights, ultimately reducing the risk of designing the wrong solution and creating room for innovative user-centered solutions."[11]

One of the biggest differences between Design Research and more traditional market research is the mindset and approach. Designers do not enter the early stages of research with assumptions or hypotheses. The point of this research is not to gather data to prove that something is or isn't true, but rather to capture a more complete picture of our users.

"We all have assumptions about how the world operates, and the more entrenched we are within a field, the harder it is to let go of our prior biases and truly explore things anew. If we are going to design products and services that truly work for people, it is crucial to let go of what we think we know and try to see the world with curiosity."[12]

We define four stages of Design Research: Discover, Generate, Evaluate and Optimise.

1. Discover

"Discovery research is a preliminary phase in the UX-design process that involves researching the problem space, framing the problem(s) to be solved, and gathering enough evidence and initial direction on what to do next. Discoveries do not involve testing hypotheses or solutions."

The discovery stage is about involving your customers (as well as internal teams) in defining the problem. It identifies wants and needs and broadens the problem area. Specifically it moves the problem from the tactical space to the strategic by providing context and opportunity.

2. Generate

With the problem space established, generational research involves your customers in exploring how the eventual solution should be framed. Whilst discovery defines the problem to be solved, generative research defines the experience (or solution) to be delivered. It is not about the interaction design which comes next.

Without generative research the project can stall, or worse, go straight into design. That is when 'User Experience design' becomes just 'Experience design', and the user is lost.

Generative research helps the designer to understand what people are thinking and why they behave in the way they do, so they can incorporate their personal responses and reactions into the design. It helps the designer to think about the person, rather than just the product. Instead of starting with a solution and trying to work backwards, they are entering from the problem-space.

3. Evaluate

Finally, you can start creating the experience. This stage facilitates innovation and creativity by evaluating concepts and prototypes as they evolve toward the final solution. Evaluative research ensures that the original problem space is addressed, that the experience that was defined is delivered and that it works.

4. Optimise

When live, the solution should be optimised to make sure it delivers the maximum and planned ROI. Qualitative research at this stage supports your tech stack optimisation strategies.

Conclusion

"Digital transformation maturity requires the ability to take a step back at all times and look at what is going on, wondering if it makes sense from the holistic perspective, if it leads to real change across the board (including culture, ways of working and most of all, the longer-term goals). And if it helps to achieve the digital transformation strategy on top of fixing immediate needs and issues."[13]

The far-reaching benefits of digital transformation are attractive and attainable for those businesses who get it right.[14]

A successful digital transformation can:

- Transform the customer experience, which improves customer retention and potentially increases sales.

- Create data-driven insights which allow organisations to make evidence-based strategies on how to improve and adapt in the future.

- Create unity and efficiency within the workforce.

- Be more agile and innovative – as the digital landscape continues to evolve, a transformation strategy will get you started on the road to adaptability and ensure that there are ways to move with the times in the future.

- Add skills and expertise – incorporating new technology from within creates opportunities for the workforce to learn new skills which are valuable in the future, such as AI or augmented reality.

- Create confidence – the team will be well-equipped for digital change, creating a feeling of confidence and digital capability, meaning that the drive for change in the future will feel achievable and within reach.

- Improve operations – consolidate current process or streamline projects, involving the wider teams and bringing the workforce together and making the workflow more efficient.

Independent design research teams can help minimise the risk by putting emphasis on customer involvement and reassuring organisations who are about to embark on a digital transformation project. "UX Design makes the digital transformation journey easier and is essential for its successful implementation; by carving out a design path, adhering to an effective design thinking process and tapping talent and using the best software tools."[15]

By working with an expert independent design research agency, you can ensure that you have the necessary customer research and evidence to create a successful, long-lasting transformation that addresses a variety of different needs. This insight can help organizations differentiate through digital transformation rather than just digitize.

End notes

1   https://www.zdnet.com/article/when-digital-transformation-fails-focus-on-the-why-and-how-of-change-not-just-technology/

2   https://www.bain.com/insights/four-myths-of-digital-transformation-what-only-8-percent-of-companies-know/

3   https://www.imaginovation.net/blog/what-is-digital-transformation-importance-for-businesses/

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5   https://www.bain.com/insights/four-myths-of-digital-transformation-what-only-8-percent-of-companies-know/

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7   https://www.bain.com/insights/four-myths-of-digital-transformation-what-only-8-percent-of-companies-know/

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