Digital Customer Engagement: Transforming the Customer Experience Through Continuous Innovation

A CohnReznick LLP White Paper
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Digital Changes Everything

With the long-term annual growth rate of the U.S. economy slowing from its historical average of 3.4% to a level around 2%, today's companies face a new normal that challenges traditional growth strategies. Eroding profits, stagnating growth, customer attrition, and a failure to meet stakeholder/investor expectations await unless businesses are able to stay ahead of the competition.

While the U.S. economy is sluggish, consumer expectations—fueled by constant exposure to leading-edge digital technology—are at an all-time high, putting pressure on companies to continually evolve their customer experience in order to retain customers and attract new ones. In a survey of 500 C-level middle-market executives conducted by the National Center for the Middle Market in October 2015, 63% of respondents said that digitization is very or extremely important relative to other business priorities. The ability to deliver a rich customer experience is a key driver of digitization, as businesses realize that the methods by which they engage with their customers need to be of the same high quality as the product or service they provide. A company’s digital customer experience needs to complement its brand. Anything less is a risk to the business, as customers quickly lose patience with poor customer service. Put simply, a well-executed digital customer experience is a business strategy imperative.

Digital Customer Experience 2.0: A Business Imperative

In the late 20th century, marketers began to make products and services available through digital channels. Today, product portfolios have morphed into feature-rich apps. As noted in CohnReznick’s white paper Digital Transformation: Leading Success at Growth Companies, customer expectations, swayed by the latest digital innovations, have put stress on traditional models as customers rarely accept an experience that is “good enough.” Features that were once impressive are now seen as brilliant basics. This has prompted companies to transform their business models to deliver exciting and personalized customer experiences and maintain engagement. Customer expectations have forced the evolution of the digital customer experience (DCX): we are in the era of next generation DCX or “DCX 2.0.”

Successful digital transformation centers on building customer intimacy to drive engagement, and the key to building customer intimacy is to deliver superior DCX. The case for customer experience is simple. Every time a prospect or customer interacts with a business, in what are generally called “touchpoints,” he or she forms an impression. When all the impressions are aggregated, they form an experience. By placing customers at the center of the business model and architecting engagement and servicing systems to deliver desired customer experiences, companies build a strong competitive advantage that pays off. The latest research on the topic proves just that: Better customer experience drives revenue growth.1

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1Win on the basis of customer experience, Forrester Research
Understanding Customer Expectations: The Key to Superior DCX

Delivering better customer experiences has rightfully become an imperative to business success. Complications arise, however, when businesses try to understand what constitutes a better customer experience. Different studies point to differing sets of experience attributes that are the most important, depending on industry characteristics and the nature of targets and current customers. In our analysis, we have identified five “universal” attributes that define better customer experiences:

**Identity:** Today’s customers are more diverse, more connected, and more powerful than ever before, making identification and micro-segmentation one of the most important, and challenging, tasks. Although companies may think they know their customers, 80% of consumers think that brands really don’t know them as individuals.2

**Consistency:** Most customer interactions happen during a multi-event, multi-channel journey. As customers switch channels, they expect to receive the same level of quality. Customers get frustrated by inconsistent experiences: a whopping 78% of consumers say they bailed on a transaction or intended purchase because of a poor experience.3

**Responsiveness:** 77% of U.S. online adults say that valuing their time is the most important thing a company can do to provide them with a good experience.4 Whether it is an FAQ section that provides instant answers to basic questions or a live chat feature that addresses the long waiting times, today’s consumers expect to receive instant answers and fast issue resolution.

1Listening to the Customer: 7 New Research Findings, IBM and Econsultancy Study
2Global Customer Service Barometer, American Express Research
3Consumer Expectations for Customer Service Don’t Match What Companies Deliver, Forrester Research

Better Customer Experience = Higher Revenue Growth

Source: U.S. Securities and Exchange Commission filings by JetBlue, United Airlines, AT&T, Comcast, Charles Schwab, E-Trade, Amazon, and Walmart
Convenience: Companies that help consumers simplify the purchase journey have customers who are 86% more likely to purchase their products and 115% more likely to recommend their brand to others. High effort levels are viewed by customers as a significant barrier to a healthy business relationship.

Personalization: Consumers are acknowledging that businesses can influence shopping behaviors by delivering relevant messaging and making shopping experiences more personal. 86% of consumers say personalization plays a key role in their purchasing decisions. In exchange for personalized offers and services, consumers are willing to share personal information, provided they have control over it.

The Business Case for DCX: Driving Top- and Bottom-Line Performance

Accepting that delivering identity-driven, personalized, consistent, responsive, and convenient customer experiences drives top-line performance in the form of gross sales or revenues, businesses are tasked with solving what at first appears to be a Catch-22. Improving top-line performance often comes at the expense of bottom-line results, in the form of net earnings or net profits. On the one hand, failing to meet customer expectations can lead to substantial top-line losses. U.S. companies deemed to deliver poor customer experiences are losing a staggering $41 billion annually. On the other hand, meeting universal customer needs requires re-structuring operations, hiring skilled talent, and investing in new digital assets, all of which can impact profitability, at least in the short term.

Enabling Effective Customer Touchpoints: A Pragmatic Approach to Achieving DCX ROI

Businesses can address the Catch-22 by enabling more effective and more efficient customer interactions or “touchpoints.” When customer touchpoints are identity-driven, digitally enabled, rapidly drive outcomes, require low levels of effort, and utilize a broad spectrum of known information, customers not only receive better experiences, but businesses are also able to provide such experiences at lower cost. The five key characteristics of effective customer touchpoints are discussed below:

1. Identify and Understand Customers

Identity-driven touchpoints are designed to identify and understand who the prospect or customer is. Data points include, but are not limited to, demographics (e.g., age, gender, occupation, income), psychographics (e.g., values, attitudes, lifestyles), behavioral attributes (e.g., frequency of purchase, preferred contact/transaction channels) and value-based attributes (e.g., actual or potential revenues, costs of maintaining relationships, servicing).

Dafiti Brazil is the largest e-commerce for fashion and lifestyle in Latin America with more than 1,700 employees and 70,000 products. Dafiti introduced social login to expedite shoppers’ registration process and obtain deep insights as to who they are. The social login simplifies the process of creating an account because customers no longer need to remember an extra login/password and it also helps to automatically fill out registration forms. When customers use the social login, they grant Dafiti permission to capture their social profile to be used for personalized messages, product recommendations, and a personalized website. The social ID platform increases engagement by using a customer’s profile picture, which is posted to Instagram and Facebook. The combination of fast customer identification and profiling has led to higher conversion rates.

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5Corporate Executive Board (CEB) Research
6Rethinking Retail, Infosys Research Study
7New Voice Media, Cloud Contact Center Vendor Research Report
2. Deliver Convenience Digitally

Digitally enabled customer touchpoints include mobile web, mobile apps, text messaging, live chat, online customer communities, live videoconferencing, and self-service portals. These digital channels address the customer need for convenience.

BBVA Compass is one of the leading banking institutions in Latin America. The bank’s recently released mobile app features broad capabilities and an interface that anticipates customers’ needs. If a customer checks transactions, for instance, it prompts him or her to make a transfer, deposit a check, or set an account alert, without forcing the user to visit the main menu. If a customer needs to pay a bill, he or she simply types in the business name, and the app fills in the address, then makes a payment when the user says “go.” The mobile deposit feature automatically takes a photo of the customer’s check as soon as it registers a clear image. Users are notified when the funds will be available. If assistance is needed, customers can schedule a call with customer service and a representative will return the call at the customer’s convenience.

3. Accelerate Outcomes

The speed of doing business has been accelerating and today’s consumers are expecting companies to rapidly drive outcomes. 42% of consumers posting inquiries on social media sites expect a 60-minute response time. 32% expect a response within 30 minutes. 57% expect the same response time at night and on weekends as they would receive during normal business hours. The reality is businesses must deliver fast. Effective customer touchpoints do just that.

Akamai is the leading content delivery network (CDN) services provider for media and software. The company’s recently introduced online community gives customers, partners, and guests access to a wide variety of content, news, and events, as well as training materials covering Akamai solutions and primary industries. The content includes more than 800 thought leadership blogs. Members collaborate with each other via discussions, Q&A, documents, ideation, and polls. One of the most popular community features is the “Ask the Expert” series. In addition to public groups, the community hosts more than 200 private account groups where customers and partners collaborate securely and directly with their Akamai account team. A year after launch, the community has grown to over 8,500 members. More than half of all Akamai employees also participate, help, and collaborate with customers and partners. Improved self-service helps customers get answers and information quickly. Community members answer each other’s questions, turning everyone into a support agent. This has led to stronger relationships with and among customers and partners, and resulted in improved customer satisfaction and gains in business development. Email has been reduced thanks to the interactions and collaboration taking place in the community.

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*Social Habit, Proprietary User Research*
4. Reduce Effort

Level of effort (LOE) refers to the combination of the required skill and time put forth by customers to complete required activities. The latest research shows that customers who exert high effort before, during, and after interactions with businesses are 61% less likely to repurchase. Customers having to contact a company multiple times for the same reason will become frustrated.

Think about the basic task of accessing detailed product information while shopping in a store. Shoppers have to verify the product’s manufacturer and model or type, then conduct searches online, a process that often takes time and effort to complete. To address this frustration, BestBuy introduced technology that enables shoppers to scan a product’s RFID and instantly access detailed product information as they navigate the store. In case shoppers need even more information, they can easily get expert service right in the palm of their hands with the simple touch of a button or shake of the phone. Requests are prioritized to receive a response within seconds. This customer touchpoint results in significant cost-to-serve savings while saving customers time and effort.

5. Leverage Information to Deliver Personalization

Not long ago, businesses’ access to customer information was limited to transactional data. Upon purchasing a product, the transaction was recorded and the businesses could tell what was purchased when, but not much about the customer. Today, consumers prefer to do business with brands that use personal information to make their shopping experiences more relevant. Businesses cannot meet this expectation using transactional data alone. By the time prospects make a purchase, a significant phase of their experience, known as “path to conversion,” is history. By developing a progressive “build-up” of their customers’ profiles that starts long before shoppers make a purchase decision, companies are better able to customize the customer experience. Furthermore, and contrary to personalization skeptics, consumers’ reservations when it comes to sharing personal information are outweighed by their desire to receive relevant information, recommendations, and services. 40% of consumers buy more from businesses that personalize the shopping experience across channels.

Macy’s gives online shoppers a tool to obtain feedback from friends on products that they are considering purchasing, using a polling widget on their site. Once the poll is created, the shopper shares it directly to his or her Facebook timeline for friends to see, along with a message asking for their opinion, and vote, for the product. 48 hours later, the shopper has input. Macy’s has earned impressions from the shoppers’ friends by tapping into their social graph. Macy’s can then utilize fresh information to personalize the shopping experience and improve the accuracy and relevancy of marketing campaigns. This customer touchpoint leads to a win-win for shoppers and retailers. Shoppers can make more informed purchase decisions, and retailers can improve conversion rates.

*Corporate Executive Board (CEB) Research

10Personalization Comes of Age: 2014 Retail and Consumer Insights, The e-tailing group
Maximizing DCX Investments: Start Small, Be Agile, and Move Fast

The speed at which business is conducted today makes effective design, development, and launch of customer touchpoints a tricky business. Customer preferences change rapidly and influence purchase intents and shopping behaviors, making it difficult for businesses to keep pace. Traditional strategy and execution methods involving long series of meetings, months’ worth of analytics, and parades of subject matter experts don’t work anymore. Digital innovation in the 21st century requires next-generation approaches, designed to deliver speed and agility in a cost-effective manner.

Asking the right questions upfront saves time, money, and energy and focuses activities that help define, design, and implement touchpoints that measurably improve digital customer engagement. CohnReznick’s Digital Customer Experience Framework, which is value-driven, customer-centric, and data informed, is designed to accelerate outcomes cost-effectively.

CohnReznick Digital Customer Experience Framework

Road Map to DCX 2.0: Accelerated, Rapid, and Agile

In order to take DCX to the next level, companies do not have to boil the ocean to achieve impactful results. The key is to start small, be agile, and move fast.

When developing a DCX 2.0 strategy that makes sense for their industry, customer base, and their overall business goals, companies should keep in mind the five universal customer expectations (identity, consistency, responsiveness, convenience, and personalization) as well as the objectives of effective customer touchpoints. The steps outlined below accelerate the transformation of strategy into action.

Step 1: Assess the current state of DCX via accelerated learning. First and foremost, businesses need to understand where they stand versus customer expectations. Accelerated learning exercises help companies understand how universal customer needs apply to their unique business environments, as well as customer engagement and servicing models. Coupled with digital infrastructure assessments conducted remotely, decision makers can obtain fast and accurate outside-in and inside-out views of gaps in their infrastructure that prevent them from delivering better customer experiences.
Step 2: Develop effective customer touchpoints using rapid design workshops. Once gaps have been identified, companies need to design customer touchpoints enabled by specific, and often tailored, digital capabilities that meet targeted customer needs. This process benefits from the input and guidance of designers, technologists, researchers, analysts, and business practitioners. Rapid design workshops utilize experience design toolkits and remote collaboration technologies. This allows business and functional teams to collaboratively develop blueprints of future-state experiences comprised of customer touchpoints, gather and prioritize functional requirements, and design execution road maps, all within timeframes that would be deemed unrealistic just a few years ago.

Step 3: Execute strategy using a continuous innovation approach. Companies need to get past traditional development approaches that follow sequential development. Instead, they need to embrace “agile” methods that promote adaptive planning, evolutionary development, early delivery, and continuous improvement, while encouraging rapid and flexible response to change. Agile development allows companies to develop solutions with the “absolutely required” features, release them, and keep improving them based on frequent or even continuous feedback from customers and users. Doing so prevents businesses from overinvesting in unnecessary digital capabilities and/or underinvesting in table stakes features.
Summary
By the end of 2016, 89% of companies expect to compete mostly on the basis of customer experience, up from just 36% four years ago.11 Customer experiences are no longer just about usability and ease-of-use, but also about connecting, inspiring, engaging, and co-creating with customers. Providing superior customer experiences without huge investments requires deploying effective customer touchpoints that are identity-driven, deliver convenience digitally, accelerate outcomes, reduce effort, and leverage information to deliver personalization. Above all, businesses must design and execute rapidly while staying flexible and open to continuous feedback from customers and users. It may sound overwhelming at first but there are frameworks, methods, and technologies to facilitate the process in a cost-effective, iterative manner. Leading companies around the world understand what customers want from their omnichannel journey, and provide a personalized customer experience. The future demands it.

CohnReznick Digital and Innovation Services
Our digital and innovation services team helps clients unlock value through agile digital transformation. We help clients revolutionize their business to meet changing consumer demands, discover new sources of growth, satisfy unique industry imperatives, and protect market share. Digital changes everything. CohnReznick changes digital.

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112015 Marketing Spending, Gartner Survey Research Report
About the CohnReznick Innovation Lab

High-performing organizations are continuously innovating and redefining the way business operates, delivering improved speed-to-market and enhanced agility to respond to changing business conditions.

CohnReznick offers the expertise, resources, and industry relationships that businesses need to go from vision to prototype to production application in less than six weeks. Our Innovation Lab is a global, collaborative environment to help instantiate a rapid innovation system, prove its value to the business quickly, and scale it throughout the enterprise.

Our Innovation Lab features technologies that the world’s leading innovators and companies are leveraging to accelerate ideation and the development of breakthrough solutions.

The Innovation Lab makes it possible for us to co-create with our clients in a dynamic, iterative way. It’s the foundation for an innovation ecosystem that includes the CohnReznick innovation framework, dedicated solutions architects, a network of collaboration and technology vendors, and the latest innovation research and trends. We ideate together, develop potential solutions, choose the one with the greatest business potential, then deploy and refine it to drive continuous innovation. It’s a fast, cost-effective way to innovate. The Lab’s environment is especially conducive to informal ideation and experimentation, with brand-new visual collaboration tools, a giant video wall, “meeting anywhere” Internet communications, and comfortable, modular furniture.

Our Technology Advisory Practice

Today’s companies leverage technology to create immersive customer experiences and embrace solutions that help executives stay ahead of the complexity inherent in today’s business environment. CIOs must spearhead value creation through game-changing technological agility, innovation, and analytics. CohnReznick helps clients develop IT strategies that enable business transformation, open new revenue streams through digital services, implement cloud solutions to retire dead-end software platforms, and protect digital and financial assets. Our solutions include:

• IT Strategy Consulting
• Digital and Innovation Services
• Enterprise Resource Planning
• Information Management and Analytics
• Microsoft Cloud Solutions
• Cybersecurity

About CohnReznick

CohnReznick LLP is one of the top accounting, tax, and advisory firms in the United States, combining the resources and technical expertise of a national firm with the hands-on, entrepreneurial approach that today’s dynamic business environment demands. Headquartered in New York, NY, and with offices nationwide, CohnReznick serves a large number of diverse industries and offers specialized services for middle market and Fortune 1000 companies, private equity and financial services firms, government contractors, government agencies, and not-for-profit organizations. The Firm, with origins dating back to 1919, has more than 2,700 employees including nearly 300 partners and is a member of Nexia International, a global network of independent accountancy, tax, and business advisors. For more information, visit www.cohnreznick.com.