

For: CIOs

# Digital Predator Or Digital Prey?

by Nigel Fenwick, March 3, 2015

## KEY TAKEAWAYS

### **CIOs Must Contribute To Digital Customer Experience Excellence**

Without the involvement of the technology management organization, it's likely that the company will continue to bolt digital onto the business and not fully grasp the potential for digital to change how the company creates value for customers.

### **CIOs Must Also Contribute To Digital Operational Excellence**

The internal operations of the business play a critical role in creating or destroying customer value. CIOs must apply digital thinking to the value chain to transform business operations in service of customers.

### **Digital Business Mastery Demands The Development Of Digital Assets**

By creating digital assets that can be deployed in service of customers, the CIO adds value to the company's balance sheet that can translate into future streams of revenue.



## Digital Predator Or Digital Prey?

Six BT Transformation Strategies To Energize Your Digital Business

by [Nigel Fenwick](#)

with [Peter Burris](#) and Rachael Klehm

### WHY READ THIS REPORT

By 2020 every business will become a digital predator or digital prey — which will your company evolve into? The answer to this question lies in how well you, as the CIO, and the executives in your organization can internalize and apply the six strategies of digital business mastery laid out in this report. To make the journey from Digital Dinosaur to Digital Master, you need to assess your starting point. This report lays out the principle elements underpinning each strategy so you can determine how far along in the journey your company has already come. An interactive Excel tool associated with this report is also available to download.

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### Notes & Resources

Forrester researched a wide variety of companies in connection with this research, including but not limited to: Accenture Interactive, Apigee, Brady Corporation, Evernote, IBM, Infosys, New England BioLabs, Oracle, Razorfish, Salesforce, SAP, SapientNitro, Shutl, and Torry Harris Business Solutions.

### Related Research Documents

- [Begin Your Journey To Digital Mastery](#)  
March 3, 2015
- [Forrester's Digital Business Readiness Assessment](#)  
March 3, 2015
- [How To Craft A Better Digital Vision](#)  
March 3, 2015
- [Unleash Your Digital Business](#)  
March 19, 2014



## THE JOURNEY TO DIGITAL BUSINESS

By 2020, every business will become either a digital predator or digital prey. The predators will be the companies able to achieve digital mastery, harnessing digital to create new sources of value for customers. The prey will remain Digital Dinosaurs, unable to evolve their proven business model until it's too late.

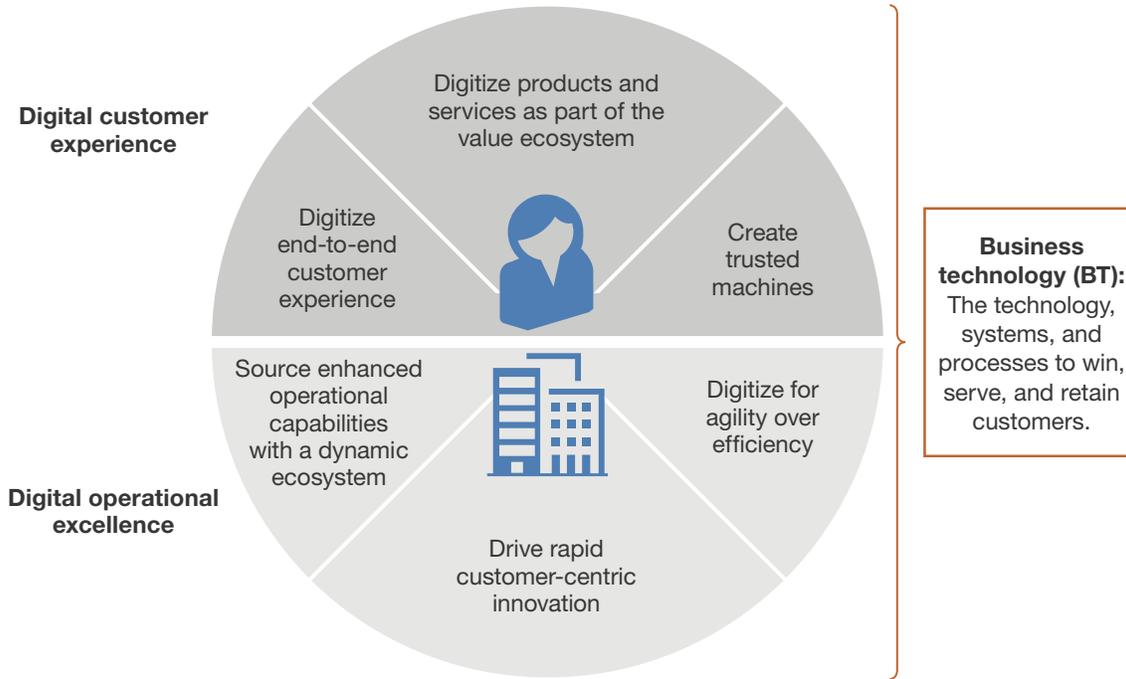
In “The Future Of Business Is Digital,” we described the need for every business to become a digital business.<sup>1</sup> That's not to say every company must stop selling products and instead sell bits and bytes — but it means every company must invest in building digital assets that create value for customers and increase the operational agility in service of customers.

*Digital businesses continuously exploit digital technologies to both create new sources of value for customers and increase operational agility in service of customers.*

At the heart of digital business is the need to rethink how to create value for customers. And to do that across the business, your company needs a compelling digital vision — one that inspires your employees to make the hard changes and tough choices on the journey to digital business. Your digital vision must be centered in customer value.<sup>2</sup>

But once you have your vision, what's next? How do you know which levers to pull to create value? The answers to these questions lie in six broad digital business strategies that will accelerate your journey toward digital mastery. Each of these strategies focuses on creating digital assets around business technology (BT) — technology, systems, and processes to win, serve, and retain customers —to create value for the customer (see Figure 1).

**Figure 1** Six BT Transformation Strategies That Will Accelerate Your Digital Business



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## CREATE WORLD-CLASS DIGITAL CUSTOMER EXPERIENCES

Digital touchpoints can drive revenue, lower costs, build brands, and engender customer loyalty. But to achieve these potential benefits, companies must deliver digital experiences that customers want to use — they have to have some value to customers that’s worth their investment of time.<sup>3</sup>

### Digitize The End-To-End Customer Experience

The divide between physical and digital products and services is already disappearing. Today’s customers are increasingly acquainted with digital extensions to their physical world through app-enabled products like Nest thermostats, Disney MagicBands, and Starbucks rewards. Companies use these digital extensions of their products and services to create a more valuable customer experience by saving customers time, reducing friction, and personalizing the entire experience.<sup>4</sup> By digitizing the end-to-end experience, you begin to track data from across the customer life cycle and gain deeper insights into how customers derive value. You know you are making progress in this dimension when you (see Figure 2):

- **Orient the business toward creating best-in-class digital experiences.** By putting digital experience front and center in the business strategy, the CEO communicates clearly that the firm is not putting technology ahead of the customer; instead technology must be in service of the customer. For example, one of Burberry’s strategic themes is: “Apply a dynamic digital retail mindset across the organization and processes to drive growth in all distribution channels — online and offline.”<sup>5</sup>
- **Default to an outside-in perspective.** Customer experience (CX) is a mature discipline. Beyond paying lip service to customer service, firms that lead in customer experience have well-established customer experience teams and mature customer experience practices.<sup>6</sup> By listening to customer feedback, inviting customers to share their experiences, and paying attention to customer complaints, leading firms become expert at seeing their business from their customers’ perspective. Taking an outside-in perspective also means constantly asking how each investment in technology helps create value for the customer and prioritizing those that create the most value for the customer and the company.
- **Use digital to enhance every touchpoint in the customer life cycle.** Digital leaders use customer experience tools like journey maps and touchpoint analysis to examine the entire customer experience, identifying opportunities to use digital to reduce friction and create value for the customer.<sup>7</sup> Digital extends from product design, marketing, and sales all the way through the customer life cycle to customer support, service, and community engagement. Companies like Fidelity Investments enhance the perceived value of their digital touchpoints by asking customers to participate in the design of new digital touchpoints.<sup>8</sup>

**Figure 2** Digitize The End-To-End Customer Experience

0 - Nonexistent: We don’t do this at all.  
 1 - Ad hoc: We do this occasionally but not in a well-defined way.  
 2 - Defined: Some business units or teams do this in a well-defined way.  
 3 - Repeatable: The company does this consistently in all business units.  
 4 - Optimized: We optimize this through continuous measurement and feedback across the business.

Digitize the end-to-end customer experience		Score
Orient the business toward creating best-in-class CX.	Our business strategy focuses on creating world-class experiences for our customers.	
Default to an outside-in perspective.	We use digital technologies to create value for customers from the customer experience ecosystem. We view the company from the outside in.	
Use digital to enhance every touchpoint in the customer life cycle.	We use CX tools like journey maps and touchpoint analysis to examine the entire customer experience, identifying opportunities to use digital to reduce friction and create value for the customer. Digital extends from product design, marketing, and sales all the way through the customer life cycle to customer support, service, and community engagement.	

**Figure 2** Digitize The End-To-End Customer Experience (Cont.)

**Burberry's** chairman lists the digital customer experience as one of the company's core strategic themes.



**Fidelity Investments** enhances customer value by involving customers in the design of new digital touchpoints. Here customers share in a journey design meeting.



Source: Burberry and Fidelity Investments

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## Digitize Products And Services As Part Of The Customer's Ecosystem Of Value

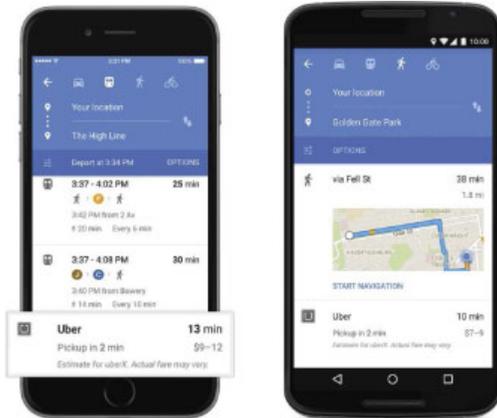
Companies that are making the transition to digital business shift from designing purely physical products and services to designing experiences using a combination of physical and digital together that creates value for the customer. Disney, for example, is extending value by adding digital bracelets to the customer's theme park experience. But before you digitize products, you must first understand the ecosystems of value your customers are creating. Your customer's value ecosystem comprises more than just your own products — companies like Nest seek to partner with other ecosystem suppliers to jointly create more value for their customers (see Figure 3).<sup>9</sup>

- **Redesign products and services as digital experiences.** Rather than simply bolting a digital experience onto existing products and services, digital businesses redesign products and services from the ground up as a digital-enabled experience. Traditional hotel chains like Starwood and Hilton are going beyond a mobile app for reservations by enhancing the guest experience using digital locks that remove a significant friction point for hotel guests — check-in and checkout. And Hilton is already rolling out the ability for guests to select their own room using floor plans that work much the same as seating plans on airlines.<sup>10</sup> Meanwhile, Airbnb has reimaged the provisioning of hotel rooms as a purely digital service.
- **Partner with other ecosystem players to create customer value.** Customers derive value from other products and services in service of their desires, not just your own products. Hotels have so far been slow to recognize that their customers use other digital tools throughout their trip. By partnering with tools like Yelp and TripAdvisor, hotels can bring greater value to customers by recommending places to visit while staying at the hotel. Such partnerships are already happening — Uber is extending its services by partnering with Google to suggest an Uber ride when a customer searches for a nearby location using Google Maps.
- **Conceive the entire customer journey as a single digital experience.** Instead of seeing digital projects as a series of initiatives, each to be funded and implemented separately, consider the entire customer journey as a single digital experience, beginning with the conception of a customer's desire and ending in the fulfillment of that desire. Examine how customers use your products and services today, and shape their experience using digital as your starting point. Understanding that families plan their vacations months in advance, Disney uses its MyMagic+ digital experience to engage families well before they arrive at a theme park and keep them engaged well after their visit is over.<sup>11</sup>

**Figure 3** Digitize Products And Services As Part Of The Value Ecosystem

- 0 - Nonexistent: We don't do this at all.
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- 2 - Defined: Some business units or teams do this in a well-defined way.
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- 4 - Optimized: We optimize this through continuous measurement and feedback across the business.

Digitize products and services as part of the customer's ecosystem of value	Score
Redesign products and services as digital experiences.	We begin our product/service design from the customer perspective — understanding the value customers perceive using existing products and services in service of their own desires. We design digital extensions to products and services in order to create new sources of value for customers.
Partner with other ecosystem players to create customer value.	We partner with companies to develop products and services that extend our share of the customer's ecosystem of value.
Conceive the entire customer journey as a single digital experience.	The digital experience is conceived as a whole from the customer perspective and not as a series of bolt-on projects. We put the experience in the context of the customer's dynamic ecosystem of value.



**Uber** is extending its services by partnering with Google to suggest an Uber ride when a customer searches for a nearby location using Google Maps.



**Disney** customers use MagicBands to enter parks, unlock hotel rooms, access the FastPass+ entrance for attractions, charge purchases, and link Disney PhotoPass photos to their Disney account.

Source: Uber and Disney

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## Create Trusted Machines

Digital businesses design systems to automatically deliver unique customer experiences. This allows them to scale a personalized experience to hundreds of thousands or even millions of customers. Mercedes-Benz uses digital sensors to improve driving and potentially save its customers' lives by automatically braking when the car detects an emergency.<sup>12</sup> Netflix uses sophisticated algorithms to deliver automated movie recommendations tailored to the individual.<sup>13</sup> Amazon will further reduce shipping times by using predictive algorithms to pre-ship products to local warehouses in anticipation of a customer's order. Building these trusted machines allows digital businesses to scale high-value digital experiences (see Figure 4).

- **Use analytics to optimize experiences in real time.** While marketers already use data and analytics to improve the effectiveness of marketing campaigns, few companies are using the power of real-time analytics to optimize the customer's experience in real time. For example, McCormick uses analytics to suggest ideal recipes using a customer's flavor profile called "FlavorPrint." Often companies that build this capability differentiate themselves in a way that's hard for competitors to match. Consider the Netflix recommendations engine. While Amazon, VuDu, and iTunes offer movies to rent, so far only Netflix is able to successfully customize recommendations to the individual to improve the viewing experience.
- **Use context to make it personal.** Customization to the individual level requires massive analytic capabilities as well as a digital customer experience that can deliver a unique experience. While trusted machines make it possible for massively scaled operations to deliver the kind of personal service that makes the customer feel valued, recognizing the context of a customer's touchpoint allows firms to tailor the experience even more closely to the customer. On the day of your flight, American Airlines knows to show your boarding pass automatically, and on the day of your hotel arrival, Starwood automatically shows you your reservation on the app home screen.
- **Predict the next best action.** Predicting your customer's next action can result in time savings for your customer that translates into perceived value. When the navigation app Waze asks if you are on your way home, it is predicting your destination based on the time of day and your previous journey habits and saving you from having to enter a navigation destination. When Delta Air Lines' app offers flight alternatives after your flight is canceled, the company is acknowledging that it knows you need to get to your destination, so why expect you to contact the company to get a new flight?<sup>14</sup> Predicting the next action also requires being aware of the customer's context (what he is doing right now and where he is doing it) and his history.

**Figure 4** Create Trusted Machines

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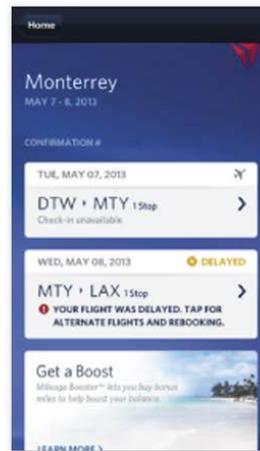
<b>Create trusted machines</b>		<b>Score</b>
Use analytics to optimize experiences in real time.	We leverage digital data sources and analytics to optimize our customer experiences. Our customers' digital experiences are tuned for each customer persona using analytics to optimize the experience in their moment of need.	
Use context to make it personal.	We use analytics combined with context awareness to customize the experience to the individual. Our unique experience is highly scalable. Our systems help our customers feel more valued.	
Predict the next best action.	We save our customers time by predicting what they would like to do next. Our systems are context aware. Our customers trust our systems to recommend or take their next action for them.	

Figure 4 Create Trusted Machines (Cont.)

McCormick uses analytics to suggest ideal recipes using a customer's flavor profile called "FlavorPrint."



When a flight gets canceled, Delta Air Lines immediately provides automatic suggestions for re-routing customers' flights via its mobile app.



Google's navigation app Waze saves customers time by predicting when customers are heading home or to work.



Source: McCormick, Delta Air Lines, and Google

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## SEEK DIGITAL OPERATIONAL EXCELLENCE IN SERVICE OF CUSTOMERS

Adapting your business to operate inside your customer's ecosystem of value will only take your organization halfway toward becoming a digital business. To complete your company's transformation, you must digitize business operations in service of customers. Applying digital assets to business operations makes sense because it's possible to improve efficiency and effectiveness and create value for customers at the same time.

Until now, business operations were most commonly designed to deliver products and services to markets at scale while maximizing efficiency, with little regard to the customer impact. But today's agile digital businesses are reshaping business operations — taking what they see happening in the consumer world and applying the lessons of agility, simplification, and time savings to business operations — and they are focusing these changes on the customer. Large established companies with highly scaled operations are finding it increasingly difficult to compete with smaller, more nimble startups — more nimble airlines like JetBlue and Virgin, flying direct routes instead of using hub airports, are challenging once dominant established carriers.

Even as “digital native” companies like Netflix and Google grow, they work hard to maintain their operational agility in service of their customers. These companies consciously digitize operations in order to improve the outcome for the customer where possible, even at the expense of some operational efficiency. Revenue growth is paramount, with long-term profitability still critical, but there is a strong belief that long-term profitability will flow only through the delivery of great customer experiences.

## Source Enhanced Operational Capabilities Within A Dynamic Ecosystem Of Value

As your firm extends its services into the customer's dynamic ecosystem of value, you will uncover opportunities to create enhanced value through partnerships with other firms. Some of these firms may deliver operational capabilities needed to execute on the customer experience. When BMW partnered with car rental firm Sixt to create its car-sharing service DriveNow, Sixt brought operational capabilities in car rental to the new venture (see Figure 5).

- **Optimize operations using APIs to source digital capabilities.** With India being the notable exception, the days of creating all your business capabilities within the same company are long gone.<sup>15</sup> Today's agile businesses need to expand operational capabilities quickly if they are to adapt to the customer's rapidly evolving expectations. Many firms are using APIs to exchange data with operational business partners in order to drive new revenue opportunities. These APIs are among the newest digital assets to create enormous value for their companies.<sup>16</sup> Rather than build its own camera app, Walgreens used APIs to its photo-printing kiosks to open the kiosks to any camera app developer, streamlining kiosk operations and driving new customers into the stores. Walgreens has since expanded its application of APIs across multiple aspects of business operations.<sup>17</sup>

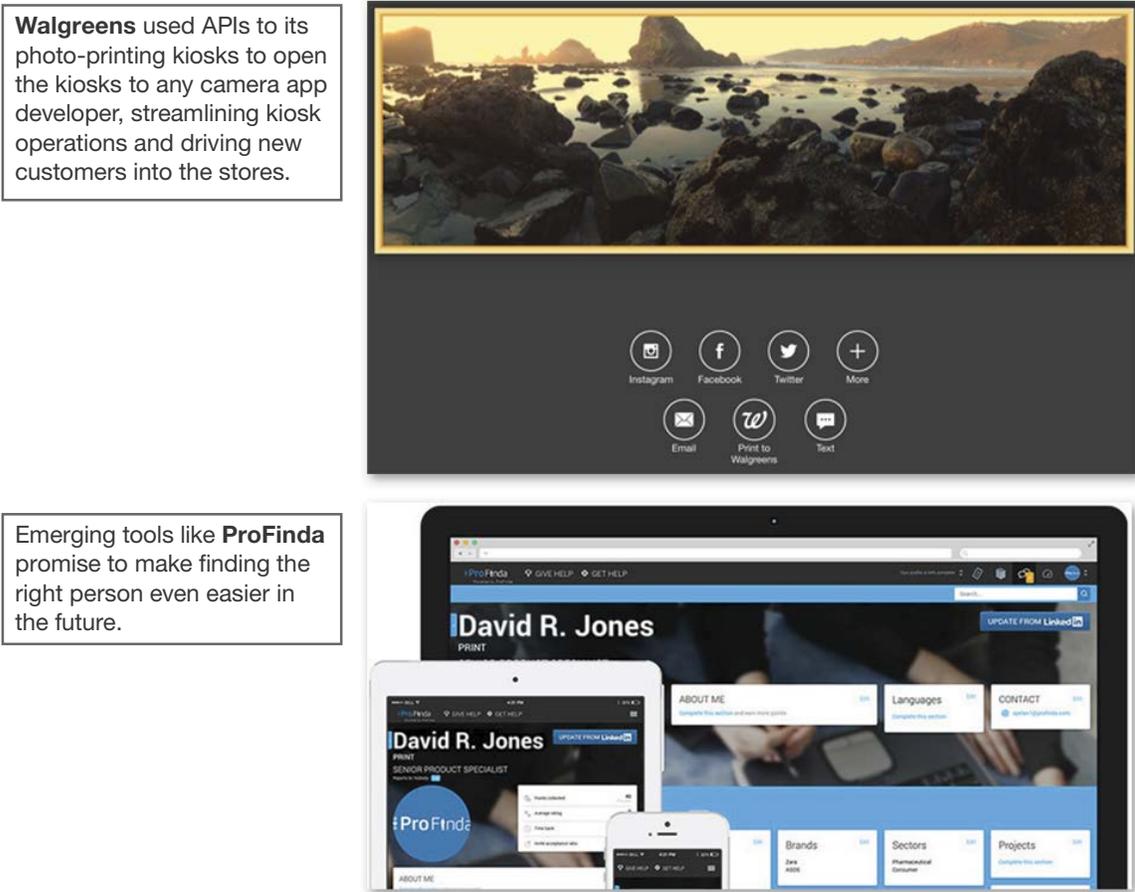
- **View technology resources as a strategic asset.** The technology management team is no longer consigned to the off-campus building. Technology is the new strategic asset to be optimized in service of customers. Digital businesses tightly integrate technology management into business operations, leveraging new technology assets to create customer value and drive additional sources of revenue. Telefónica O2 Ireland leveraged its internal APIs to extend its billing competency to create new revenue streams and customer convenience, such as allowing its customers to bill toll-road charges to their mobile phones.<sup>18</sup> Plan BT and IT differently.<sup>19</sup>
  
- **Empower employees with digital tools to build collaboration networks.** The ability to collaborate across the world has the potential to transform a global leviathan into a nimble powerhouse of knowledge. Companies like Deloitte and Ernst & Young rely on the expertise of their staff to create customer value; these firms use collaboration technologies to connect knowledge workers around the globe. In this way, the collaboration platform becomes a key digital asset of the firm. Emerging tools like ProFinda promise to make finding the right person even easier in the future.<sup>20</sup> As capability delivery extends into connected organizations, CIOs will increasingly need to build collaboration networks that connect employees with external partners in service of customers.

**Figure 5** Source Enhanced Operational Capabilities Within A Dynamic Ecosystem

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 4 - Optimized: We optimize this through continuous measurement and feedback across the business.

Source enhanced operational capabilities within a dynamic ecosystem of value		Score
Optimize operations using APIs to source digital capabilities.	We leverage business partners to add new customer-oriented capabilities using APIs to connect our businesses and create value for our customers.	
View technology resources as a strategic asset.	We view technology resources as a strategic asset to be optimized in service of customers. Our technology management team is tightly integrated into our business operations. We plan BT and IT differently.	
Empower employees with digital tools to build collaboration networks.	Our employees use digital tools to build their own collaboration networks, internally and with partners.	

**Figure 5** Source Enhanced Operational Capabilities Within A Dynamic Ecosystem (Cont.)



**Walgreens** used APIs to its photo-printing kiosks to open the kiosks to any camera app developer, streamlining kiosk operations and driving new customers into the stores.

Emerging tools like **ProFinda** promise to make finding the right person even easier in the future.

Source: Aviary iPad app and ProFinda

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### Drive Rapid Customer-Centric Innovation

Digital businesses connect customers and employees, forming dynamic, cross-functional teams that aren't bound by traditional rules. Digital virtualization allows firms like Procter & Gamble (P&G) to test product packaging and shelf layouts with real customers in a virtual store before committing to costly manufacturing. German company Fidor Bank engages its customers in the social co-creation of products and services, allowing customers to help define new app functionality and new banking product features like interest rates or cash-back rewards (see Figure 6).<sup>21</sup>

- **Engage customers and partners in product innovation.** Social innovation networks help drive faster, more effective innovation across the enterprise. CIOs must rise to the challenge of

nurturing and developing these new digital assets across the enterprise while structuring their tech management teams to fully support them.<sup>22</sup> P&G’s “connect + develop” has enabled the massive firm to emulate its more agile smaller competitors through open innovation challenges and co-created products.<sup>23</sup>

- **Encourage the development of partner products and services.** Digital businesses are masters of sharing data and encouraging others to create new sources of value for customers. Just as Walgreens benefited from opening up APIs to its photo-printing booths, Swisscom is transforming from a state-owned telephony utility to a digital platform provider by opening up APIs and encouraging partners to build applications on its platform. Nike encourages software developers with funding and awards to create new digital products that connect into the digital ecosystem it has built around its running products.<sup>24</sup>
- **Use Agile and iterative development techniques to innovate rapidly.** Digital leaders are highly adept at designing “minimum viable products” and getting them into the hands of customers quickly. They use a rapid deploy-and-refine cycle to learn from their customers and quickly move to the next iteration based on customer feedback. Because business operations need to be geared to this fast-paced cycle of customer innovation, digital leaders use a two-tier investment and governance process to ensure that the creation of digital assets in support of customers receives the highest priority and the resources needed to make these assets successful.<sup>25</sup>

**Figure 6** Drive Rapid Customer-Centric Innovation

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 3 - Repeatable: The company does this consistently in all business units.  
 4 - Optimized: We optimize this through continuous measurement and feedback across the business.

Drive rapid customer-centric innovation		Score
Engage customers and partners in product innovation.	We leverage digital technology to engage customers and partners in innovation and product design. We source innovation outside the enterprise, running customer-focused innovation challenges.	
Encourage the development of partner products and services.	We encourage the development of partner products through the exchange of data to augment the value we bring inside out customers.	
Use Agile and iterative development techniques to innovate rapidly.	We use Agile and iterative techniques to bring digital products and services to customers. We design minimum viable digital products in service of customers and rapidly enhance based on customer feedback. Our customers are heavily involved in helping develop innovative new products and services that add value to our customers.	

Figure 6 Drive Rapid Customer-Centric Innovation (Cont.)

**P&G's** "connect + develop" has enabled the massive firm to mirror its more agile smaller competitors through open innovation challenges and co-created products.



**Nike** uses funding and awards to encourage software developers to create new digital products that connect into the digital ecosystem it has built around its running products.



Source: Procter & Gamble (P&G) and Nike

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### Digitize For Agility Over Efficiency

Digital mastery requires the enterprise to become highly agile, able to rapidly respond to changing customer needs by quickly spinning up new business capabilities. But such agility comes at a price. Too often technology resources are spread too thin trying to respond to myriad small and large requests for change arising in the ranks of middle management. Without the ability of the organization to prioritize what is truly important over the nice-to-have, large businesses will continue to struggle to master agility (see Figure 7).

- **Prioritize investments in digital assets that create business agility.** Technology complexity is often the enemy of business agility. CIOs must help focus technology investments in architecture changes that drive greater agility in response to market changes. High-transaction-

volume consumer companies like AT&T use APIs to drive agility in the deployment of new mobile applications to their customers.<sup>26</sup> Invest in an integrated service-oriented architecture (SOA) and API strategy to increase agility internally and with external partners.<sup>27</sup>

- **Create infrastructure plasticity.** Digital mastery requires companies to acquire, build, and deploy new technology services at speeds that used to be unthinkable. To cope with deploying technology across tens of thousands of mobile employees and consumers, digital businesses expand and contract infrastructure using cloud-based services. Infrastructure-as-a-service reduces the need for proactive capacity planning, instead enabling flexible service options that augment capacity and deliver new business functions quickly. Digital businesses not only know about these options, they embrace emerging cloud solutions as their de-facto infrastructure.<sup>28</sup>
- **Measure and reward employees based on customer-centric metrics.** To get to digital mastery, firms need to challenge employees to behave differently and innovate in ways that benefit the customer. By changing some performance metrics to focus on customer outcomes and customer growth, CIOs can help technology employees realign their priorities. Tech employees focused on customer value or Net Promoter Score will become more creative in applying technology to improve the customer experience.<sup>29</sup> One 7-Eleven employee showed executives the power of open data and the strength of an API strategy when he created a 7-Eleven mobile app on his own and without permission, and it showed positive daily business results.<sup>30</sup>

**Figure 7** Digitize For Agility Over Efficiency

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4 - Optimized: We optimize this through continuous measurement and feedback across the business

Digitize for agility over efficiency		Score
Prioritize investments in digital assets that create business agility.	Our agility allows the company to easily cope with rapid changes in market conditions. When faced with a choice between efficiency or agility, we would typically choose agility.	
Create infrastructure plasticity.	We have embraced emerging cloud solutions as a permanent change to our infrastructure. We can expand and contract infrastructure immediately based on need using cloud-based services.	
Measure and reward employees based on customer-centric metrics.	We constantly challenge our employees to innovate in ways that benefit the customer. All employees have some performance metrics that focus on customer outcomes.	

Figure 7 Digitize For Agility Over Efficiency (Cont.)



One **7-Eleven** employee showed executives the power of open data and the strength of an API strategy when he created a 7-Eleven mobile app on his own and without permission, and it showed positive daily business results.

Source: 7-Eleven

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Source: Forrester Research, Inc. Unauthorized reproduction or distribution prohibited.

## RECOMMENDATIONS

### ASSESS YOUR CURRENT DIGITAL BUSINESS TO OPTIMIZE YOUR JOURNEY

Where you go next depends on your starting point. If your company has not already begun its digital journey, you're likely a Digital Dinosaur. If you're already using digital to connect with customers, you're a Digital Connector; if you're already applying digital to increase operational agility in service of customers, you're a Digital Operator. And if you're both a connector and an operator, you're likely a Digital Master. The dinosaurs of today will become digital prey by 2020 unless they can learn to master digital — in which case, there is every possibility they can become tomorrow's digital predators.

To help you assess where your company is today — Digital Dinosaur, Digital Connector, Digital Operator, or Digital Master — simply download the Excel assessment tool and answer the questions.<sup>31</sup> The tool will show you in a graph where your company is today based on your responses. The next report in this series provides guidance on where to go from here in your digital business journey.<sup>32</sup>

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## SUPPLEMENTAL MATERIAL

### Online Resource

To access the corresponding assessment tool, refer to “Forrester’s Digital Business Readiness Assessment,” which is linked in this endnote.<sup>33</sup>

### Methodology

The Forrester/Russell Reynolds 2014 Digital Business Online Survey was fielded to 1,591 Russell Reynolds Associates contacts. However, only a portion of survey results are illustrated in this document. For quality assurance, we screened respondents to ensure they met certain standards in terms of job responsibilities and the size of their organizations.

Forrester fielded the survey from November 2013 to January 2014. Respondent incentives included a summary of the survey results. Exact sample sizes are provided in this report on a question-by-question basis. This survey used a self-selected group of respondents (executives who have interacted with Russell Reynolds Associates) and is therefore not random. The survey was fielded only in English. Among the respondents, 38% work in North America, 53% work in Europe, and 9% work in the rest of the world. This data is not guaranteed to be representative of the population, and, unless otherwise noted, statistical data is intended to be used for descriptive and not inferential purposes. While nonrandom, the survey is still a valuable tool for understanding where business executives are today and where the market is headed.

### Companies Researched/Interviewed For This Report

Accenture Interactive	Burberry
Adobe	CVS
Apigee	Evernote
BMW	Flipboard
Brady Corporation	General Electric (GE)

Harvard University	Russell Reynolds
IBM	Salesforce
Infosys	SAP
L'Oréal	SapientNitro
Meredith Corporation	Shutl
Nestlé	SocialWellth
New England BioLabs	Starbucks
Newsweek	SunTrust Banks
Oracle	The Metropolitan Museum of Art
Procter & Gamble (P&G)	TOA Technologies
PZ Cussons	Torry Harris Business Solutions
Razorfish	VF Corp
Renault	VML
Rokkan	Washington Post

## ENDNOTES

- <sup>1</sup> The nature of business is changing, and, in turn, the technology investment priorities of the past must change. To become a digital business, you must learn to think as your customers do. See the March 19, 2014, "[Unleash Your Digital Business](#)" report.
- <sup>2</sup> Business leaders don't think of digital as central to their business because in the past, it hasn't been. But now your customers, your products, your business operations, and your competitors are fundamentally digital. While 74% of business executives say their company has a digital strategy, only 15% believe that their company has the skills and capabilities to execute on that strategy. A piecemeal strategy of bolting on digital channels or methods is no longer sufficient. As an eBusiness leader, you know change is needed. You must take a lead on driving digital business transformation. You must think of your company as part of a dynamic ecosystem of value that connects digital resources inside and outside the company as needed to compete. You must harness digital technologies, both to deliver a superior customer experience and to drive the agility and operational efficiency you need to stay competitive. This report, originally titled "The Future Of Business Is Digital," was first published for CMOs, but because many firms are turning to their eBusiness leaders to define their digital strategy, this report is a must-read for eBusiness professionals. See the March 26, 2014, "[The Digital Business Imperative](#)" report.

- <sup>3</sup> Unfortunately, many executives struggle to manage a mushrooming suite of poorly designed sites and apps that actually work against them by driving customers to more expensive channels (like the phone) or, worse, to competitors. So it's no surprise customer experience professionals recently told Forrester that improving the online experience was their No. 1 priority, followed closely by improving cross-channel and mobile experiences. See the February 5, 2015, "[Top Ways To Improve Digital Customer Experience](#)" report.
- <sup>4</sup> Disney has spent \$1 billion on MyMagic+, a next-generation technology-fueled customer experience that transforms the way its guests play, stay, and pay at the "most magical place on Earth." Disney isn't alone in this endeavor — major brands including Major League Baseball, Macy's, Starwood Hotels & Resorts Worldwide, and Starbucks also turn to digital technologies to reinvent their in-venue experiences. See the April 24, 2014, "[Brief: Disney Leads The Charge Across The Digital-Physical Divide](#)" report.
- <sup>5</sup> Source: "Annual report 2013/14," Burberry ([http://www.burberryplc.com/investor\\_relations/annual\\_reports/annual-report-2013-14](http://www.burberryplc.com/investor_relations/annual_reports/annual-report-2013-14)).
- <sup>6</sup> Companies must adopt and consistently perform a set of sound, repeatable CX practices that ultimately lead to excellence. By doing this, they'll achieve customer experience maturity, which Forrester defines as "the extent to which an organization routinely performs the practices required to design, implement, and manage customer experience in a disciplined way." See the January 21, 2014, "[Customer Experience Maturity Defined](#)" report.
- <sup>7</sup> Faced with an expanding ecosystem of legacy websites, mobile sites, and apps, firms need a plan that will help them align their business technology (BT) investments with their customers' most pressing needs. They can accomplish this by taking a user-centered approach to understanding the needs and behaviors of their omnichannel customers and filling in the experience gaps in a disciplined and sustainable manner. See the December 1, 2014, "[Improve Your Digital Customer Experience](#)" report.
- <sup>8</sup> Like many CX Index leaders, Fidelity has also established a professional customer experience team, led by Fred Leichter, the company's chief customer experience officer. This team helps corral all of the customer experience initiatives from across the enterprise. But hiring a chief customer experience officer is not, on its own, a solution. In addition, Fidelity reshaped IT to help deliver on improving the Fidelity customer experience. See the August 5, 2013, "[IT's Role In Winning Customer Experience](#)" report.
- <sup>9</sup> Nest has partnered with energy companies to offer rebates to Nest customers who allow Nest to cycle their cooling needs during peak power usage periods. See the March 26, 2014, "[The Digital Business Imperative](#)" report.
- <sup>10</sup> Source: "Hilton Revolutionizes Hotel Experience with Digital Check-In, Room Selection and Customization, and Check-Out across 650,000-Plus Rooms at More Than 4,000 Properties Worldwide," Hilton Worldwide, July 28, 2014 (<http://news.hiltonworldwide.com/index.cfm/newsroom/detail/27192>).
- <sup>11</sup> Source: Christopher Palmeri, "Disney Bets \$1 Billion on Technology to Track Theme-Park Visitors," Bloomberg Businessweek, March 7, 2014 (<http://www.businessweek.com/articles/2014-03-07/disney-bets-1-billion-on-technology-to-track-theme-park-visitors>).
- <sup>12</sup> We could switch off the electronics in the car and drive it completely manually, but we don't because we trust the machine to take the optimum action for our needs.

- <sup>13</sup> Netflix allows multiple family members to sign in under one master account, with each member able to manage their own ratings and lists. This allows the company to tailor recommendations to the individual. “There are 33 million different versions of Netflix,” said Joris Evers, the company’s director of global corporate communications. Source: David Carr, “Giving Viewers What They Want,” The New York Times, February 24, 2013 (<http://www.nytimes.com/2013/02/25/business/media/for-house-of-cards-using-big-data-to-guarantee-its-popularity.html?pagewanted=all&r=0>).
- <sup>14</sup> To improve the service customers receive when their flights get canceled, Delta focused on automated rebooking and reseating improvements, expanded self-service technology, and refined its customer service training. Mobile apps that provide instant alerts of cancellations along with an easy rebooking process make it possible for travelers to take decisive action and feel like they’re in control of an otherwise frustrating situation. See the July 21, 2014, “[Case Study: How Delta Air Lines Soared In The Customer Experience Index](#)” report.
- <sup>15</sup> While India’s economy has benefited from first-world countries outsourcing business capabilities to India, Indian companies have themselves become some of the biggest conglomerates on the planet in order to overcome the challenges of running a business inside the Indian economy, such as massive corruption within the public sector.
- <sup>16</sup> CIOs increasingly are called upon to help define and deliver solutions that span the complexity of the customer life cycle, providing continuous improvement across all customer-journey moments to support delivery of value throughout the ecosystem. Many CIOs are using a new value delivery model that Forrester calls continuous business services (CBSes). CBSes are built and maintained to provide specific, high-value capabilities crucial to business outcomes. They are comprised of thin layers of function that integrate technology and labor. They are continuously updated to match the time, space, and sequence complexities of the multiple technologies, systems, and processes involved in winning, serving, and retaining customers. Most CIOs already have CBSes in place but don’t know it, which can lead to under-investment, increased business risk, and ad hoc governance. See the December 8, 2014, “[Brief: CIO Checklist — Which Services Should You Manage As Continuous Business Services?](#)” report.
- <sup>17</sup> Source: “Walgreens: Putting an API Around Their Stores,” Apigee (<http://apigee.com/about/customer-story/walgreens-putting-api-around-their-stores>).
- <sup>18</sup> By putting business design at the center of their integration strategies and API designs, O2 Ireland opened up new markets and changed competitive dynamics. See the December 19, 2013, “[Digital Business Design Sharpens Organizations’ Competitive Posture](#)” report.
- <sup>19</sup> By using the distinction between strategic and generic business capabilities as the basis of developing the focus of technology management, CIOs can successfully navigate the choices between information technology (IT) and business technology (BT). See the June 18, 2014, “[Emerging Business Technology Priorities](#)” report.
- <sup>20</sup> ProFinda is an example of the latest generation of collaboration tools that seek to combine gamification, analytics, and expert collaboration to flatten the enterprise and bring experts together in service of customers. Source: ProFinda (<http://www.profinda.com>).

- <sup>21</sup> Improving customer experience (CX) is about to become the top priority for CIOs. CEOs are turning to CIOs and IT leaders to help transform customer experiences through digital technologies. And strategic CX transformations will require changes in IT and deep into the technology stack. But understanding how to change IT to support CX will be critical if CIOs want to ensure that IT is not a barrier to great customer experience. For more, see the August 5, 2013, “[IT’s Role In Winning Customer Experience](#)” report.
- <sup>22</sup> Customers already use social technologies to wrest power away from large corporations. Now employees are also adapting social technologies in pursuit of innovations to support these empowered customers; Forrester calls these employees HEROes (highly empowered and resourceful operatives). By designing social technologies as part of their Innovation Networks, CIOs and their IT teams help establish new Social Innovation Networks — innovation ecosystems employing social technologies to enhance HEROes’ innovation. These Social Innovation Networks help drive faster, more effective innovation across the enterprise. And CIOs must rise to the challenge of nurturing and developing these networks across the enterprise while structuring their IT teams to fully support them. Forrester recommends using the PACT framework (process, advocates, culture, and technology) to empower employees and support HEROes across the enterprise. See the November 22, 2010, “[CIOs: Support HEROes — Create Social Innovation Networks Using The PACT Framework](#)” report.
- <sup>23</sup> Open innovation at P&G works both ways — inbound and outbound — and encompasses everything from trademarks to packaging, marketing models to engineering, and business services to design. It’s so much more than technology. Source: “What is Open Innovation,” P&G ([http://www.pgconnectdevelop.com/home/open\\_innovation.html](http://www.pgconnectdevelop.com/home/open_innovation.html)).
- <sup>24</sup> In 2014 Nike launched a digital incubator/accelerator called the Nike+ Fuel Lab. Source: “Nike+ Fuel Lab,” Nike (<http://www.nikefuellab.com>).
- <sup>25</sup> Sometimes it’s necessary to create a parallel IT organization with a customer focus that is distinct from the enterprise IT group. In some companies, such as Fidelity Investments, this IT team reports into a separate customer business unit. At TD, a direct-channels IT team focuses on all online and mobile systems, ATMs, and customer contact center systems. By implementing a matrix organization design, TD has a dedicated CIO responsible for customer-facing technologies across all lines of business. See the May 8, 2013, “[Winning The Customer Experience Game](#)” report.
- <sup>26</sup> AT&T recognized the challenge of taking a sprawling, purpose-built network infrastructure and increasing agility and the pace of innovation. The company wanted a way to enable hundreds of thousands of developers to build great apps for its network, and ultimately deliver those new experiences to its customers. “The transformation that is underway here is about unlocking the value of our platform and delivering new capabilities to our customers faster than ever before,” said Jon Summers, AT&T senior vice president of apps and services infrastructure. Source: “AT&T: Using APIs to Help Developers Build Great Apps Quickly,” Apigee (<http://apigee.com/about/customer-story/att-using-apis-help-developers-build-great-apps-quickly>).
- <sup>27</sup> A vision for APIs and SOA must get past technology-centric thinking about application integration. Integration is important, but the stronger value of services is that they provide business building blocks to enable a wide range of business agility and innovation. New processes, partners, and customers can all

have access to the same service-based business queries and transactions, fostering rapid business change, consistent business operations, and reliable business monitoring. Strategic business services insulate your business from siloed applications, freeing it to transform and evolve. See the September 5, 2013, "[Drive Business Agility And Value By Increasing Your API And SOA Maturity](#)" report.

<sup>28</sup> Change is accelerating. Only the agile company can survive. But what constitutes agility in the modern era? An agile enterprise embraces change as a matter of routine, whether that change is driven by market trends or is internal and operational; it reacts more quickly to both threats and opportunities. See the September 9, 2013, "[The 10 Dimensions Of Business Agility](#)" report.

<sup>29</sup> Net Promoter and NPS are registered service marks, and Net Promoter Score is a service mark, of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.

<sup>30</sup> "The Slurpee Rewards program was our first foray into understanding customers and data capability; it inspired our initial thought process and showed us the potential opportunity. This gave us permission to think differently about the business. We created the new business innovation team outside the core, giving us room to innovate, move fast, and learn about our customers. Our hackathon mindset and event came about from talking to a lot of people outside HQ's four walls. A developer who participated in the hackathon thought 7-Eleven was a new startup, not the retail chain. Shows how far we have already come," said Michael Debnar, senior director, digital guest experience. See the May 14, 2013, "[Culture Is Key To Marketing Innovation Velocity](#)" report.

<sup>31</sup> The assessment tool can be found online. See the March 3, 2015, "[Forrester's Digital Business Readiness Assessment](#)" toolkit.

<sup>32</sup> For the next report, see the March 3, 2015, "[Begin Your Journey To Digital Mastery](#)" report.

<sup>33</sup> For access to corresponding assessment tool, see the March 3, 2015, "[Forrester's Digital Business Readiness Assessment](#)" toolkit.

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