The Disconnected Customer:
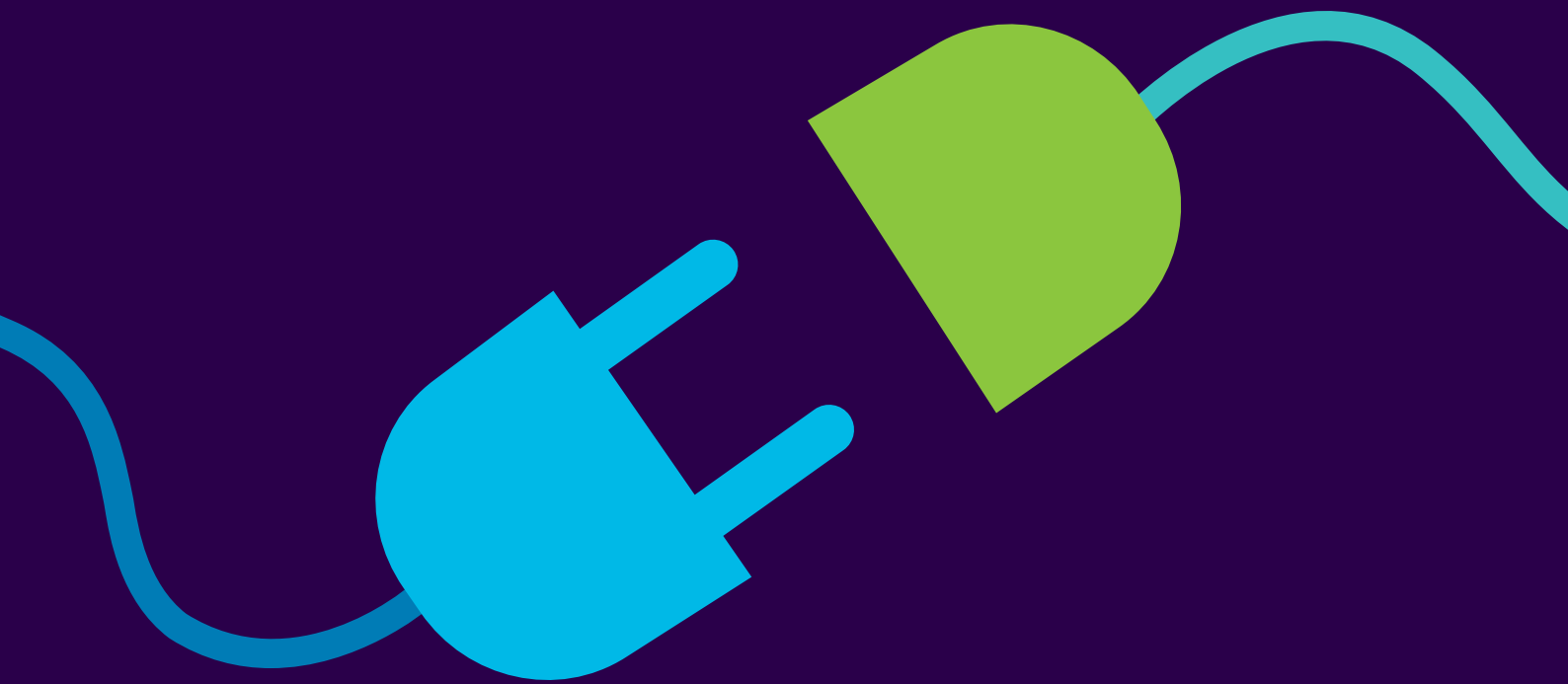
What digital customer experience leaders teach us about reconnecting with customers

By Capgemini Digital Transformation Institute

The rewards of a superior digital customer experience

Not many companies successfully deliver a great digital customer experience and enjoy the rewards. There are, however, some notable exceptions:

- 17 million customers use Starbucks' mobile app[1]. Not only does it allow consumers to place and pay for an order before reaching a store and pick it up without waiting in line, it's also a platform where members can redeem loyalty rewards. Within eight months of its release in 2015, it was processing over seven million mobile orders a month.
- Nordstrom, the American luxury retailer, offers customers a host of digital services: mobile checkout, the ability to text salespeople, and a personalized digital clothing service. It reported e-commerce sales of over $2.5 billion, representing nearly a quarter of its full-price sales for FY 2016[2].

What makes these leaders and other firms like them stand out in terms of the digital customer experience? What kind of gains can organizations expect to see when they prioritize the digital customer experience and execute on it?

To find answers to these and other questions, we conducted a large research exercise, reaching out to 450 executives and 3,300 consumers in sectors that included Utilities, Consumer Products, Retail Banking, Retail and Internet-based services[3]. More details on our approach and research methodology are included at the end of this report.

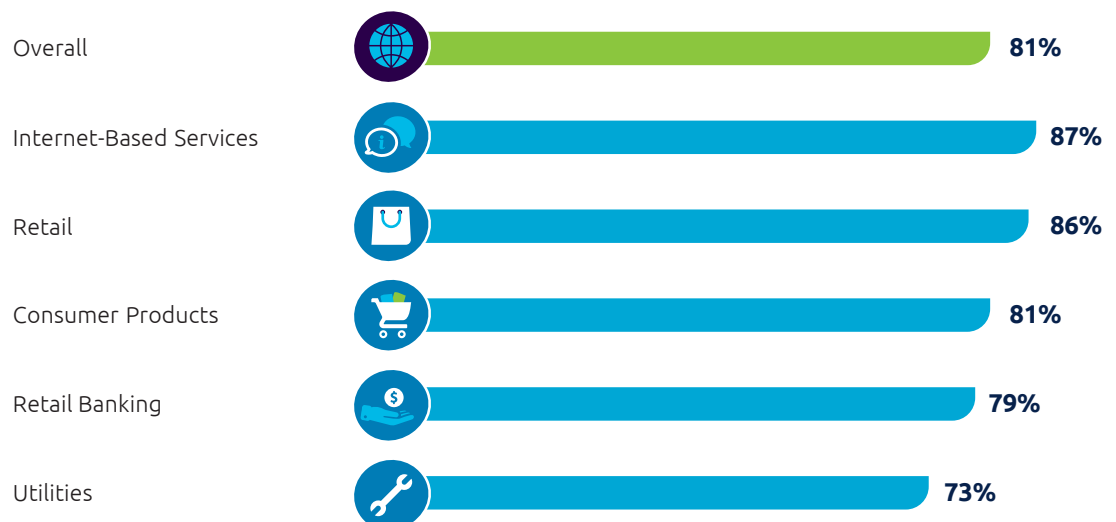## Consumers are ready to reward better experiences with increased spending

Our research found that over 80% of consumers are willing to pay more for a better experience (see Figure 1). This holds true across sectors and countries, with around 1 in 10 consumers (9%) willing to increase their spending by more than half.

81%

of consumers are willing to pay for a better experience

Figure 1: Consumers are willing to spend more for a better experience

Percentage of consumers willing to spend more for a better experience – by sector

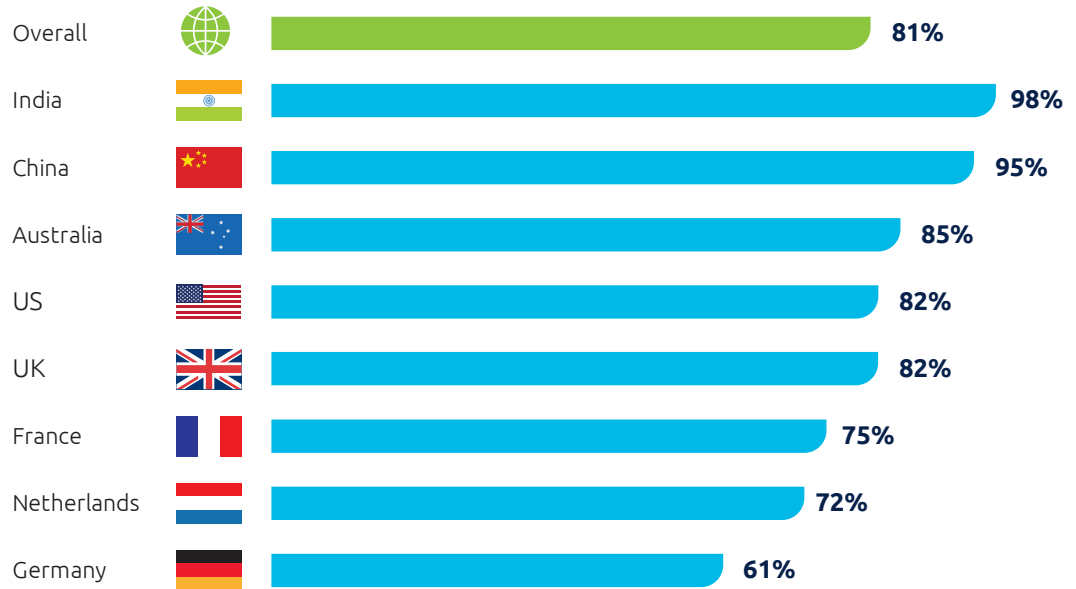| Sector	Percentage
Overall	81%
Internet-Based Services	87%
Retail	86%
Consumer Products	81%
Retail Banking	79%
Utilities	73%

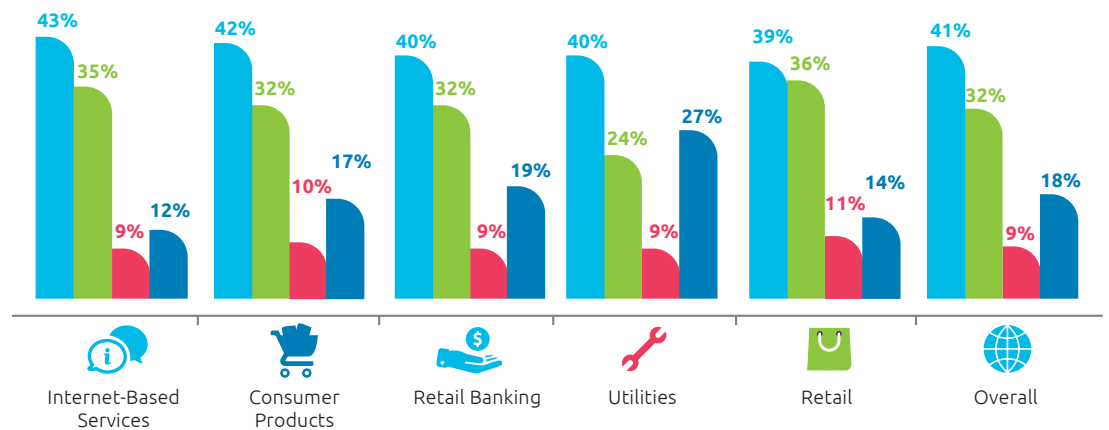N=3372 consumers. Percentages may not total 100 due to rounding.
Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February-March 2017, and consumer survey March 2017

Figure 1: Consumers are willing to spend more for a better experience (cont.)

Percentage of consumers willing to spend more for a better experience – by geography

Region	Percentage
Overall	81%
India	98%
China	95%
Australia	85%
US	82%
UK	82%
France	75%
Netherlands	72%
Germany	61%

Percentage of consumers who are willing to increase their spend for a better experience – by spend category

Category	Blue	Green	Pink	Dark Blue
Internet-Based Services	43%	35%	9%	12%
Consumer Products	42%	32%	10%	17%
Retail Banking	40%	32%	9%	19%
Utilities	40%	24%	9%	27%
Retail	39%	36%	11%	14%
Overall	41%	32%	9%	18%

N=3372 consumers. Percentages may not total 100 due to rounding.

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February-March 2017, and consumer survey March 2017

Over 80

Number of DCX practices we analyzed in our DCX Index

Digital customer experience is linked with a firm's key performance indicators

To investigate the relationship between the organization's digital customer experience and the benefits that organizations can generate, we developed a Digital Customer Experience (DCX) Index. This essentially scores the maturity of an organization's digital customer experience. The more DCX practices an organization adopts, the higher the index (see the "DCX Index").

DCX Index

The DCX Index measures the range and extent of an organization's digital customer experience practices. In our survey, we asked company executives about the adoption of more than 80 practices that spanned the customer journey. For example:

- How closely do business operations align with an organization's customer experience?
- To what extent do your customers experience a seamless purchase process?
- Does your company provide real time, personalized offers and communication on digital channels?
- Does your company provide loyalty and referral programs on digital channels?
- What amount of customer service is provided via digital channels as a share of total service volume?

The greater the adoption of best practices, the higher the organization's DCX Index. In addition, we:

- Weighted practices based on their implementation difficulty, awarding more points to companies for mastering practices that are harder to implement.
- Took into account consumers' views on how well companies were adhering to these practices, with a composite of executive and consumer scores forming the company's index score.

Figure: Calculation of DCX Index

Executives' scores on the adoption of DCX practices by the company **+** Consumers' scores on experience derived from the company **=** DCX Index of the company

Executives were asked questions such as:

How closely are business operations aligned with the customer experience?

Does your company provide loyalty and referral programs on digital channels?

Consumers were asked questions such as:

To what extent do you agree that:

The company listens to your feedback and acts on it

The company provides a better experience than most of its competitors

The DCX Index is a number between 0 and 100 and is calculated as an average of the executives' and consumers' scores for a company

The DCX Index is strongly related to the Net Promoter Score℠ (NPS®)[4] of a company (see Figure 2). We also found that the top DCX Index companies outperformed the lowest-scoring ones by a factor of 2.7 in terms of growth in stock. The top ten companies with the highest DCX Index in our sample saw their share prices increase by 16% on average over the last five years. However, the bottom ten players increased their share prices by only about 6% on average.
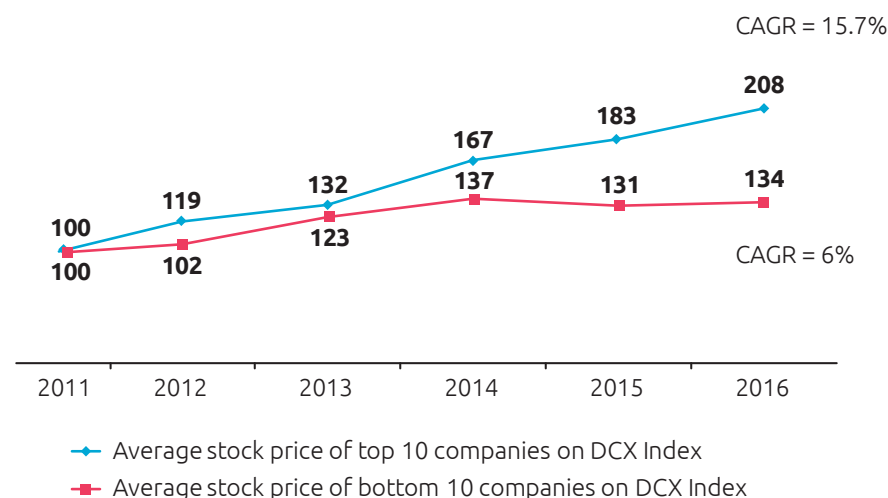
Figure 2: DCX Index is strongly related with NPS® and growth in stock prices

Correlation between Net Promoter Score (NPS®) and the DCX Index

Correlation Coefficient = 0.73

Net Promoter Score (NPS®)
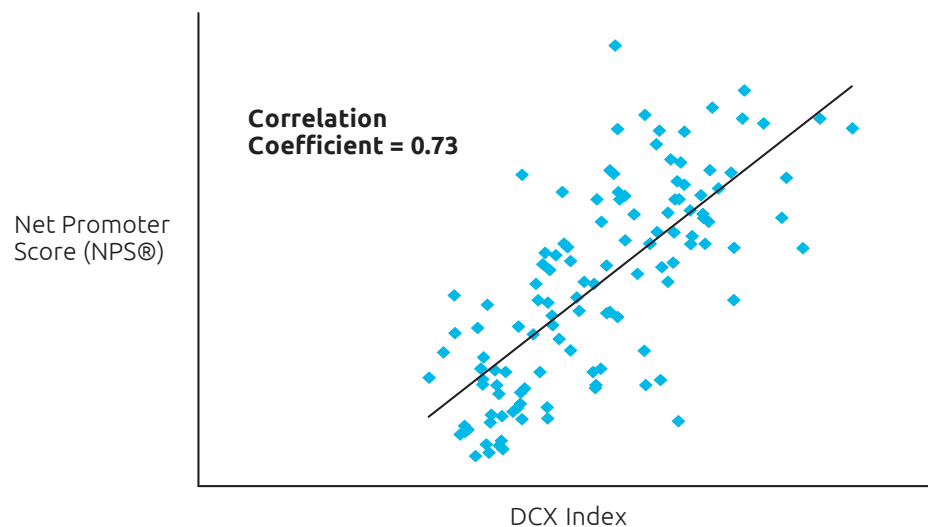
DCX Index

N=122 companies. Each dot represents the DCX Index and NPS® of a company

Growth in stock prices of DCX Index leaders and laggards (2011 price = 100)

CAGR = 15.7%

CAGR = 6%

	2011	2012	2013	2014	2015	2016
Top 10	100	119	132	167	183	208
Bottom 10	100	102	123	137	131	134

◆ Average stock price of top 10 companies on DCX Index
■ Average stock price of bottom 10 companies on DCX Index

Source: Capgemini Digital Transformation Institute analysis

16% vs. 6%

Growth in stock prices of top ten companies in our DCX Index vs. bottom ten over the last five years

4. Net Promoter, NPS®, and the NPS®-related emoticons are registered service marks, and Net Promoter Score and Net Promoter System are service marks, of Bain & Company, Inc., Satmetrix Systems, Inc. and Fred Reichheld

4.7

points 1 point increase in our DCX Index leads to a 4.7 points increase in NPS
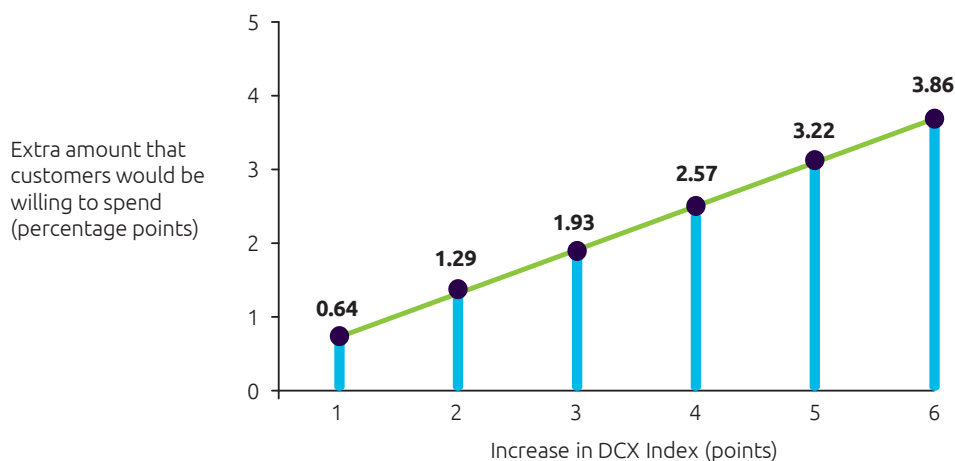
The digital customer experience drives customer satisfaction and spending

Our research shows a clear link between a better digital customer experience and value return (see Figure 3):
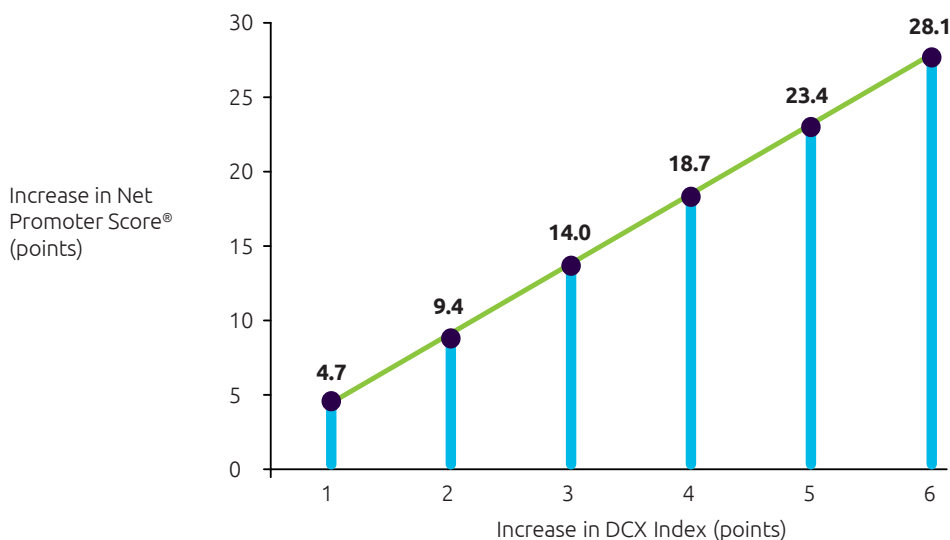
- A 1 point increase in the DCX Index corresponds to a nearly 0.6 percentage point increase in customer willingness to spend more. Put another way, customers would be willing to spend 0.6% extra on average if a company improved its DCX Index by 1 point[5].
- A 1 point increase in DCX Index correlates to a 4.7 point increase in a company's NPS® on average (also see "NPS® leadership magnifies the advantage from an improved customer experience").

Figure 3: DCX Index is positively linked with customer satisfaction and willingness to spend

Relationship between increases in DCX Index and customers' willingness to spend

Extra amount that customers would be willing to spend (percentage points)

Increase in DCX Index (points)	Value
1	0.64
2	1.29
3	1.93
4	2.57
5	3.22
6	3.86

Increase in DCX Index (points)

Relationship between increases in DCX Index and increase in NPS®

Increase in Net Promoter Score® (points)

Increase in DCX Index (points)	Value
1	4.7
2	9.4
3	14.0
4	18.7
5	23.4
6	28.1

Increase in DCX Index (points)

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February–March 2017, and consumer survey March 2017

Companies that closely tie business operations with customer experience enjoy greater benefits

Our analysis reveals that organizations that tightly link their business operations with the customer experience reap greater rewards in terms of NPS® and positive customer perceptions (see Figure 4). Organizations we surveyed fall under one of the following broad categories:

- **Companies with business operations closely linked with NPS® (6%):** These organizations monitor their NPS® or customer experience performance on a daily basis and share the information with managers. This creates a better alignment between business operations and NPS® performance.
- **Companies with business operations loosely linked with NPS® (61%):** At these firms, NPS® or customer experience is monitored on a regular basis. However, business operations are revisited only at fixed intervals, such as quarterly, half-yearly, or even less frequently.
- **Companies with business operations not linked with NPS® (33%):** These companies do not track NPS® or customer experience at regular intervals and these have no bearing on operations.
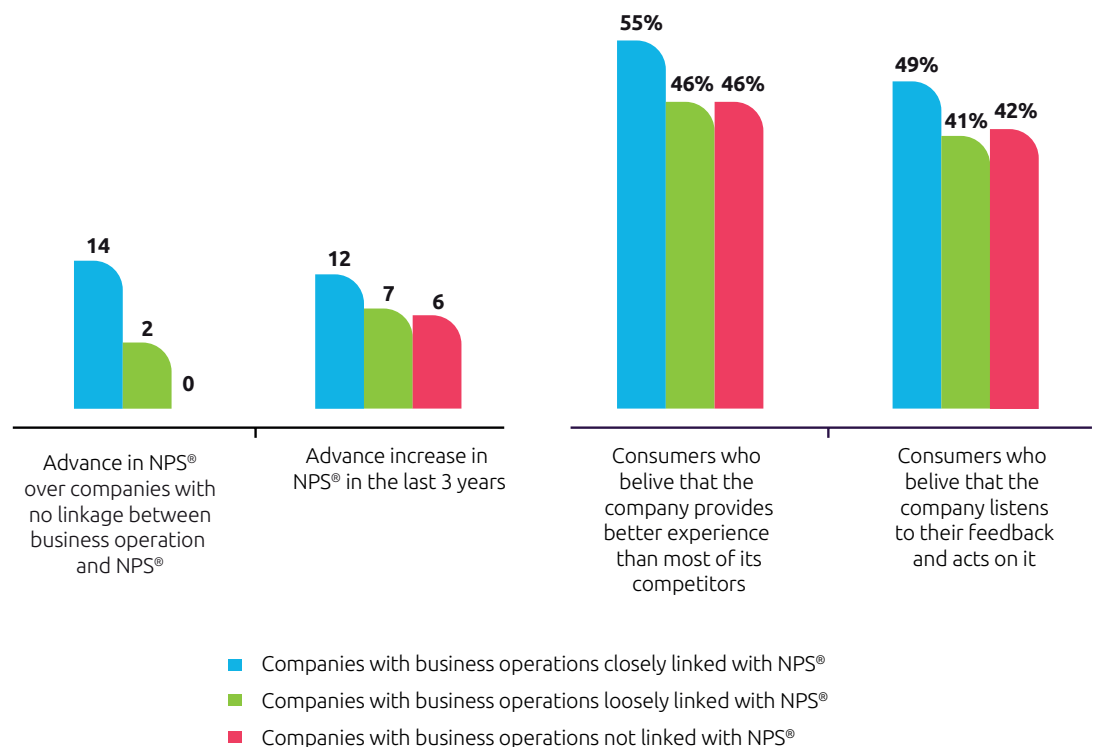
Figure 4: Organizations aligning operations with customer experience enjoy greater rewards

14 points NPS advantage of companies with business operations closely linked with NPS

Organizations with business operations linked with NPS® observe better NPS® performance

Consumers more favorably rank organizations with business operations linked with NPS®

- **14** / **2** / **0** — Advance in NPS® over companies with no linkage between business operation and NPS®
- **12** / **7** / **6** — Advance increase in NPS® in the last 3 years
- **55%** / **46%** / **46%** — Consumers who belive that the company provides better experience than most of its competitors
- **49%** / **41%** / **42%** — Consumers who belive that the company listens to their feedback and acts on it

■ Companies with business operations closely linked with NPS®
■ Companies with business operations loosely linked with NPS®
■ Companies with business operations not linked with NPS®

N=125 companies and their 3372 consumers
Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February-March 2017, and consumer survey March 2017

In the section that follows, we examine whether or not organizations are prioritizing their digital customer experience and, crucially, what consumers think of their efforts. We also look at how organizations can seize the rewards of a positive digital customer experience.

NPS® leadership magnifies the advantage from an improved customer experience

We have found a positive link between an organization's DCX Index and its NPS®. To understand the potential value of that link, we compared a group of high NPS® performers to those with less stellar results (see "Key characteristics of NPS® leaders vs. laggards" below). We found that leaders gain a 60% advantage over laggards in terms of increased customer willingness to spend.

- The NPS® leaders stand to gain nearly $35 billion, or about 2.5% of their total annual revenue, in additional sales revenue by delivering an enhanced experience.
- NPS® laggards would only gain an additional $1.2 billion or 1.5% of their total annual revenue.

Extra spending from consumers upon receiving a better customer experience	Total added revenue from increased consumer spending	Share of total annual revenue	Average added revenue per company
For 15 low NPS® companies	$1.2 billion	1.5%	$80 million
For 15 high NPS® companies	$35.3 billion	2.4%	$2.35 billion

Key characteristics of NPS® leaders vs. laggards

Key Characteristics	Top 15 High NPS® organizations	Bottom 15 Low NPS® organizations
Average NPS®	+9	-66
Average increase in NPS® in the last three years (according to consumers)	12 points	2 points
Average annual revenue	$146 billion	$18 billion
Business segment	Mostly large retail and consumer products firms	Mostly small and mid-size utilities

Organizations and consumers are miles apart on the customer experience

Companies and their consumers do not see eye-to-eye on the customer experience. Our research found:
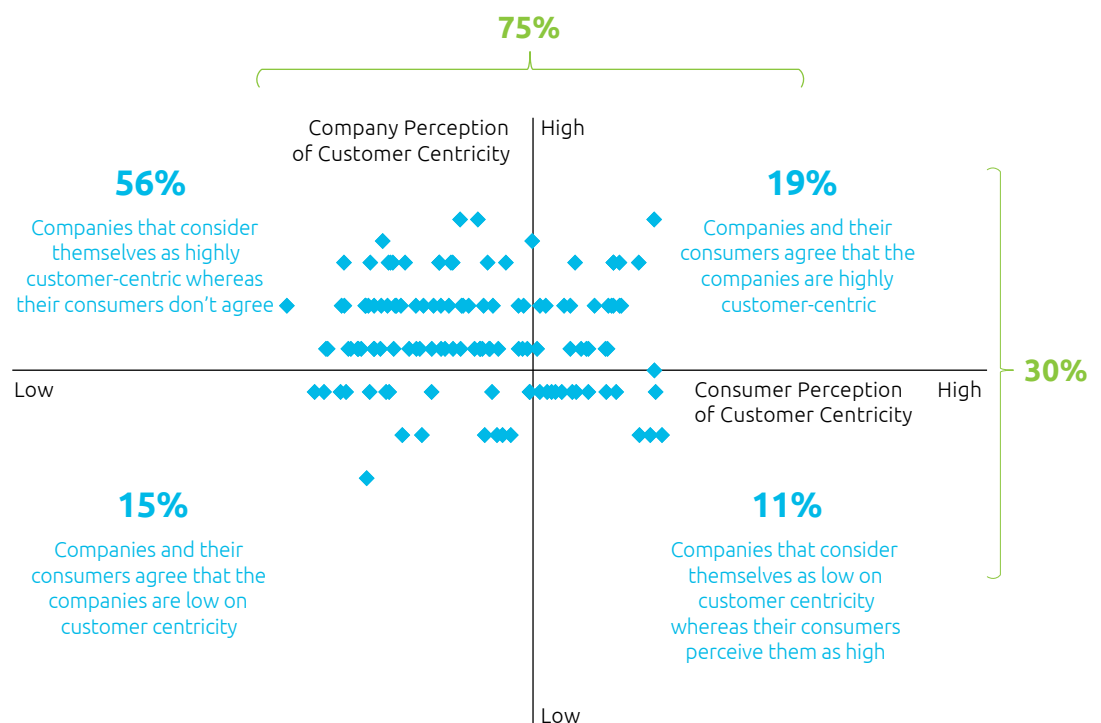
1. A major gap between consumers and companies on customer centricity
2. A disconnect on NPS® in many sectors
3. A clear signal from consumers that they feel their voice is not heard and their loyalty is not rewarded.

A major gap between consumers and companies on customer centricity. We found that while three-quarters (75%) of organizations believe themselves to be customer-centric, only 30% of consumers believe this to be the case (see Figure 5).

Utilities are particularly out of sync. We found that 79% of utilities believe they are customer-centric, but only 7% of consumers agree. Regionally, only companies in Asia-Pacific can claim to be in tune with their consumers.

78%
Percentage of utilities believe they are customer-centric, but only 7% of consumers agree

Figure 5: Consumer and company perception of customer centricity

75%

56%
Companies that consider themselves as highly customer-centric whereas their consumers don't agree

19%
Companies and their consumers agree that the companies are highly customer-centric

Company Perception of Customer Centricity — High

30%

Low — Consumer Perception of Customer Centricity — High

15%
Companies and their consumers agree that the companies are low on customer centricity

11%
Companies that consider themselves as low on customer centricity whereas their consumers perceive them as high

Low

N=125 companies and their 3372 consumers. The vertical axis represents the average rating by company executives on whether they believe their company is customer centric. The horizontal axis represents the average rating of the consumers of the same company on the customer centricity of the company. Both questions had a scale of 1-7. Consumers or executives rating a company 4.5 or more were considered to be in favor of high customer centricity.
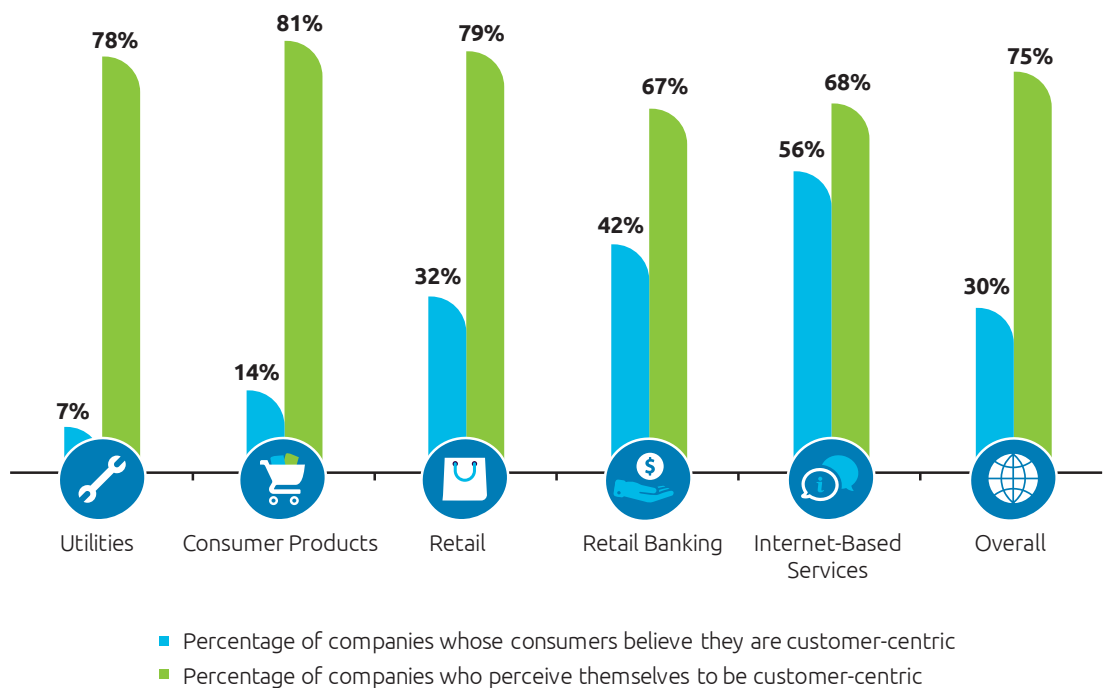
Key characteristics of customer centricity leaders vs. laggards

Key Characteristics	Top 15 customer-centric organizations	Bottom 15 customer-centric organizations
Average NPS®	+5	-64
Average increase in NPS® in the last three years (according to consumers)	13 points	2 points
Average reduction in spending by consumers for a negative customer experience	41%	53%
Business segment	Mostly large retail and retail banking firms	Mostly small and mid-size utilities

Source: Capgemini Digital Transformation Institute analysis

Figure 5 (continued): Consumer and company perception of customer centricity – by industry

Consumer and company perception of customer centricity – By Industry

- Percentage of companies whose consumers believe they are customer-centric
- Percentage of companies who perceive themselves to be customer-centric

N=125 companies and their 3372 consumers.

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February-March 2017, and consumer survey March 2017

80%

Percentage of consumers who believe their Internet-based services company has improved its NPS by more than 5 points in the last three years

Consumer and company perception of customer centricity - By Geography

92% 15% | 70% 0% | 78% 18% | 80% 50% | 79% 63% | 75% 30%

UK | France | US | Germany | Asia-Pacific | Overall

- ■ Percentage of companies whose consumers believe companies are customer-centric
- ■ Percentage of companies who perceive themselves to be customer-centric
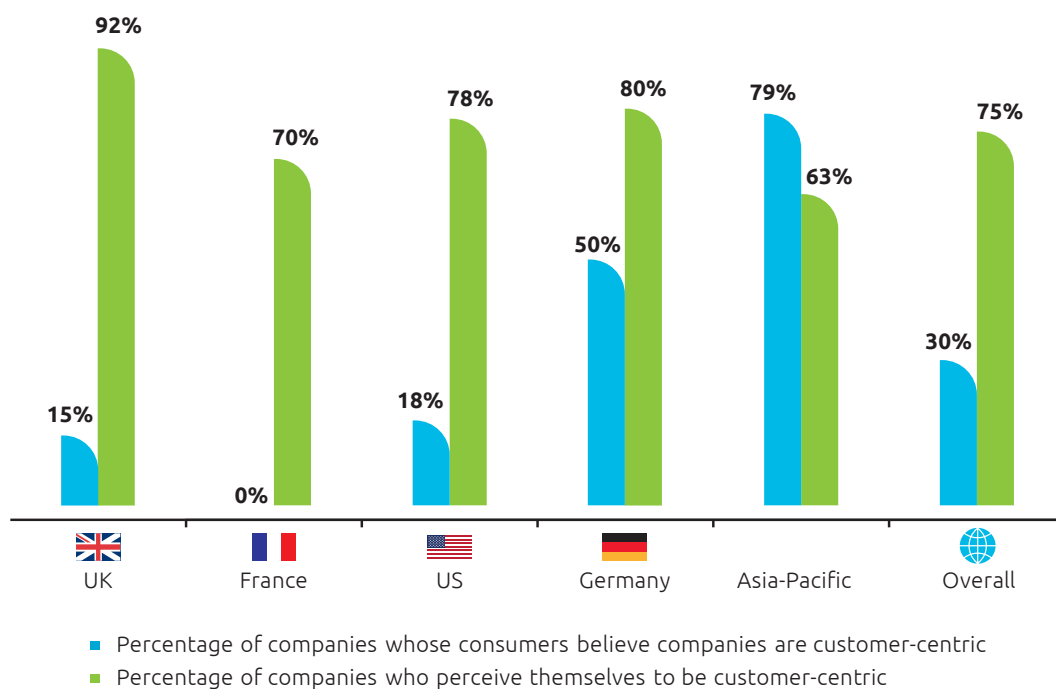
APAC countries include Australia, China and India

N=125 companies and their 3372 consumers. Asia-Pacific countries include: Australia, China and India.

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February-March 2017, and consumer survey March 2017

The UK, France and the US are most out of sync with their consumers. We found that this disconnect runs deeper than just on customer centricity. Customers in these countries also rank companies lower on several important issues. For instance, only 34% of US consumers believe that companies reward them for loyalty—the lowest across all surveyed countries. And only 26% of consumers in the UK believe that companies understand their needs.
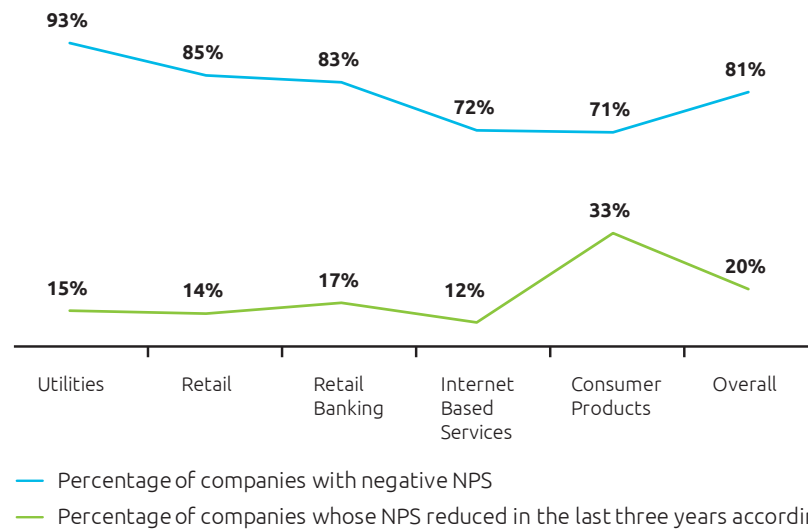
A disconnect on NPS® in most sectors.

We can see a larger divide between consumers and companies when we analyze the NPS® data in detail. A large majority of companies—more than 8 out of 10 on average across sectors—derive a negative NPS® from their consumers. As Figure 6 shows, there are more detractors among consumers than there are promoters. For many companies, this unwelcome news will be tempered if they are committed to improving their score over time as part of a calculated and determined approach. However, it is clear that many companies are not making progress. In consumer goods, for example, a third of companies have actually seen their NPS® decrease over the last three years—the highest among all sectors[6].

33%
Consumer products firms that saw their NPS reduce over the last three years according to consumers

Figure 6: Over 80% of firms have a negative NPS® and nearly 20% have seen their NPS® decrease in the last three years
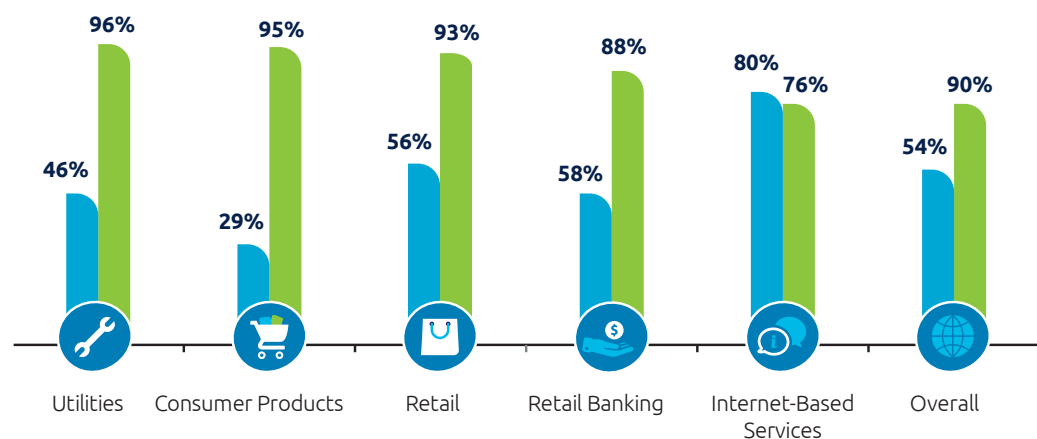
93%
85%
83%
72%
71%
81%

15%
14%
17%
12%
33%
20%

Utilities | Retail | Retail Banking | Internet Based Services | Consumer Products | Overall

— Percentage of companies with negative NPS

— Percentage of companies whose NPS reduced in the last three years according to consumers

N=125 companies.

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February-March 2017, and consumer survey March 2017
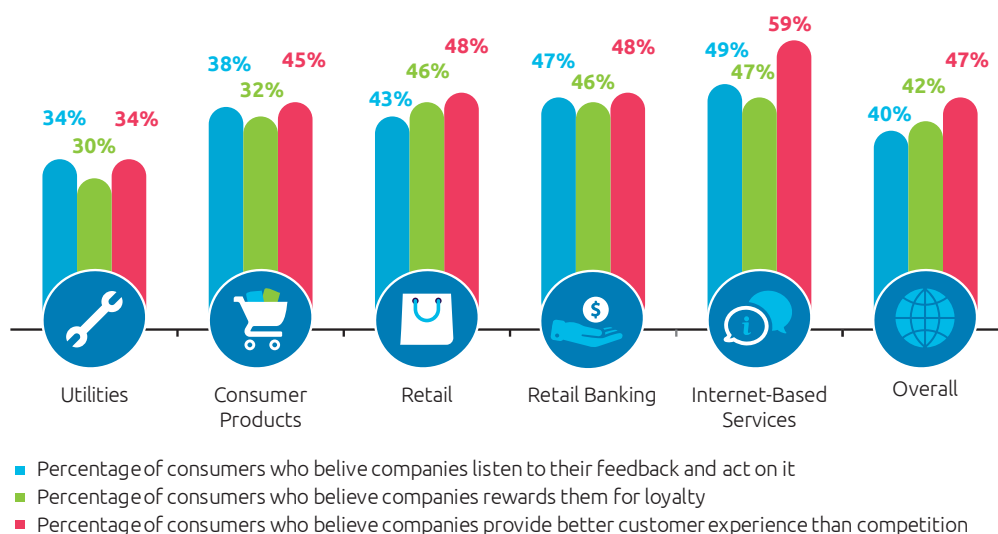
Many Internet-based services firms are in touch with consumers on how their NPS® has evolved. We found that 80% of consumers believe their Internet-based services company has improved its NPS® by more than five points in the last three years. As Figure 7 shows, this is close to the perceptions of executives (76%). However, in traditional industries—such as consumer products and utilities—the gap between organizations and consumers on this score is very pronounced. The concern is that firms may be under the incorrect impression that they are improving their customer experience when their customers think differently.

Figure 7: How consumers and companies believe their NPS® increased over the last three years

Consumer and company perception of NPS evolution

96%
95%
93%
88%
80%
76%
90%
46%
29%
56%
58%
54%

Utilities | Consumer Products | Retail | Retail Banking | Internet-Based Services | Overall

■ Percentage of companies whose NPS according to its consumers increased by more than 5 points in last 3 years

■ Percentage of companies whose NPS according to its executives improved by more than 5 points in 3 years
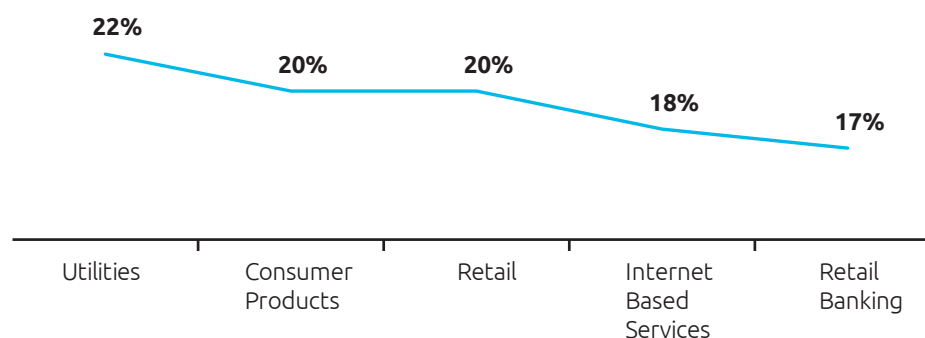
N=125 companies and their 3372 consumers.

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February–March 2017, and consumer survey March 2017

1 in 5
consumers stopped purchasing from a company after a poor experience

Consumers feel their voice remains unheard and their loyalty unrewarded.

Consumers do not want to be passive users—they want their voice heard and their loyalty rewarded. Yet, our research finds that many consumers are not receiving the attention they desire (see Figure 8). In addition, in most industries we surveyed, less than half of consumers believe their organization provides a better customer experience than the competition.

Figure 8: Consumer perception of companies on key customer considerations

Consumer perception of companies on key customer considerations

- ■ Percentage of consumers who belive companies listen to their feedback and act on it
- ■ Percentage of consumers who believe companies rewards them for loyalty
- ■ Percentage of consumers who believe companies provide better customer experience than competition

N=3372 consumers.

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February–March 2017, and consumer survey March 2017

This disconnect can prove to be costly.

Consumers can be fairly ruthless in their pursuit of the experience they want and vote with their wallets if their needs are not met. Our survey found that nearly one in five consumers stopped purchasing from a company altogether when it failed to provide a positive experience (see Figure 9).

Figure 9: How consumers vote with their wallet

Percentage of consumers who stopped purchasing from the company altogether upon having a negative experience

Utilities	Consumer Products	Retail	Internet Based Services	Retail Banking
22%	20%	20%	18%	17%

N=3372 consumers.

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February-March 2017, and consumer survey March 2017

Even a perfunctory analysis shows that organizations with an inferior experience could concede about 10% of wallet share to their competitors. Even if a firm has been providing a decent level of customer experience, failing to drive further improvements leaves about 14% of extra value on the table.

Potential loss of wallet share to competitors annually		
Average reduction in spending by consumers upon receiving poor customer experience (all consumers)	39%	7% points (46%-39%) due to poorer experience compared to competition
Average reduction in spending by consumers who rank companies serving them poorly on customer experience vis-à-vis competition	46%	+ ~2% growth in personal consumption as per economic estimates = **~10%** wallet share ceded to competition annually
Potential value left on the table by failing to provide a better customer experience		
Average expected increase in spending by consumers for a better customer experience (all consumers)	24%	12% points (=36%-24%) owing to customer's propensity to spend more for a better experience
Average expected increase in spending for consumers who rank their companies favorably on customer experience vis-à-vis competition	36%	+ ~2% owing to growth in personal consumption as per economic estimates = **~14%** extra value left on the table by failing to provide a better customer experience

Note: In the U.S., personal consumption is expected to increase at 2.4% until 2024 while in Europe, private consumption is projected to average 1.6% in 2017 and 1.5% in 2018[7]
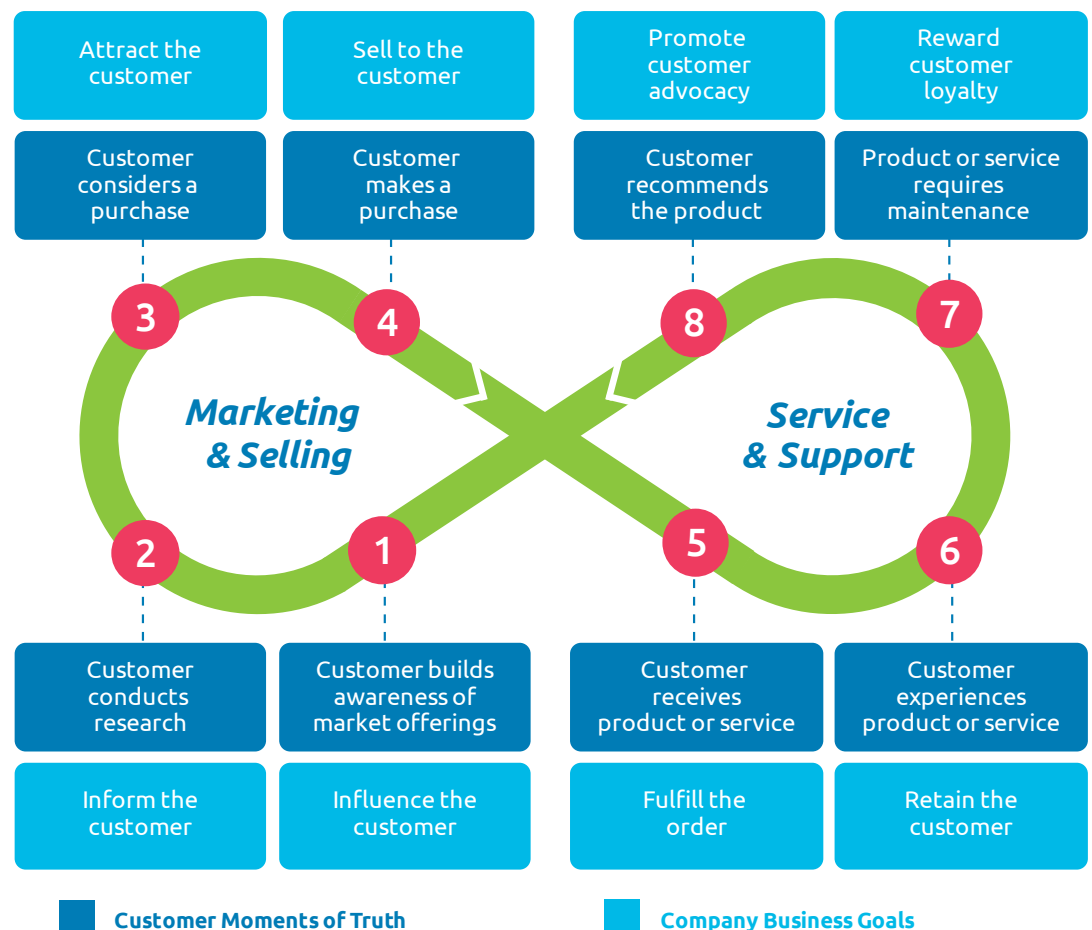
Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February–March 2017, and consumer survey March 2017

In the following section, we examine what companies can do to mend this great rift with consumers. We take a closer look at what sets customer experience leaders apart from their peers, and how organizations can formulate a differentiated and coherent customer experience strategy.

Digital customer experience best practices

The key to a differentiated customer experience, and a higher DCX Index, is about mapping and connecting the goals of the customer and the brand at key points in the relationship lifecycle, from when the customer builds awareness of the market offer to when they are willing to recommend the product (see Figure 10). When practices and processes are in place at critical stages of the lifecycle, a consumer will advance from awareness and proceed, eventually, to advocacy.

Figure 10: How company business goals and customer journeys come together throughout the customer life cycle

Source: Capgemini Digital Transformation Institute analysis

We wanted to understand what digital practices were critical to the lifecycle. We analyzed over 80 digital practices ingrained in our DCX Index, drawing out the top three practices that distinguish the leader group and separate them from the laggards (see Figure 11). The good news is that these practices are not revolutionary in nature – they have been around for a while and accessible to all organizations. Yet, only a few organizations have implemented them so far. For instance, in retail banking, 50% of DCX Index leaders follow all top three best practices whereas only 7% of the rest of the companies do so. Similarly, more than half of DCX Index leaders in the retail industry (53%) have adopted all the top practices while only about a quarter of the other firms (25%) in the sector have done so.

Figure 11: Top three practices that distinguish DCX Index leaders, by sector

Best Practices	Example
Retail	
1. Ability to personalize products and services online or on mobile 2. Using customer data to predict changes in consumer behaviour and tailor offerings 3. Launching new IT initiatives to improve customer experience on digital channels	As part of its omni-channel strategy, one of the world's largest DIY retailers and Capgemini client developed an app that includes information on over 500,000 products. This provides a better mobile experience and access to more services, including in-store services. It also allowed the company to build a contextual view of the consumer and their journey, increasing both app traffic and revenue.
Consumer Products	
1. Ability to personalize products and services online or on mobile 2. Providing loyalty points/incentives for customers to use digital channels 3. Providing users control over viewing, editing and removing their personal data	• Olay, Procter & Gamble's skincare brand, recently launched an artificial intelligence-powered mobile platform that helps women better understand their skin and gives them a personalized regimen recommending products that are right for their skin type[8]. Since its launch in late 2016, the platform has already seen over a million visits. • Nestlé ensures that its consumers are fully informed about the data it collects about them online, how consumers can control that data and who can access that data[9]. This puts consumers in charge of their data and allays any potential concerns consumers may have about data security and privacy.
Retail Banking	
1. Running marketing campaigns to encourage use of digital channels by customers 2. Providing targeted offers and incentives only on digital channels 3. Encouraging existing customers to refer new customers via digital channels	A personal finance department of a large multinational bank, that is also a Capgemini client, undertook a strategic program to define a new omni-channel and self-care service model. In a pilot conducted in three countries, the project increased customer satisfaction by 5% and reduced the cost to serve by 10%.
Utilities	
1. Improving customer experience for seamless cross-channel experience 2. Charging extra for using physical channels such as stores or call centers 3. Reassuring customers that online channels are secure	One of the world's largest electricity producers—a Capgemini client—wanted to strengthen its customer relationships by launching a new mobile app and website. Its revamped digital properties now allow consumers to manage their payments online. It also added a number of innovative features, such as allowing consumers to see how their electricity consumption has evolved over recent months.

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February–March 2017

How incumbents across industries are pushing the boundaries of digital customer experience

Conversational Commerce. Domino's Pizza, the world's leading pizza restaurant chain, recently added a new channel for customers to place orders—Amazon Echo—the voice-driven technology that provides a virtual assistant answering to the name Alexa. This capability makes pizza ordering particularly easy. Upon linking their Domino's and Amazon accounts, customers can place a default order (an Easy Order) or repeat their most recent order. Dennis Maloney, Domino's vice president and chief digital officer said, "We want to continue making ordering pizza as convenient as possible, and this is no exception. Customers can order from anywhere they are, including from the comfort of their couch while watching Sunday's football game." As well as its traditional channels, Amazon Echo marks Domino's eighth ordering platform alongside other new ways of ordering such as - emoji, Twitter, text, and smart TV.

Voice authentication in customer care. Citi India, Citigroup's Indian subsidiary, launched a voice-based biometric authentication system for its customers earlier this year. The system can automatically identify a person based on the sound patterns created by his or her voice within 15 seconds. This cuts down the time required to authenticate a customer by at least 30 seconds from the 45 seconds it normally takes through existing authentication capabilities, which require PINs and answering verification questions. With this new method, Citi India hopes to save nearly 100,000 customer call hours annually.

Virtual Reality Shopping Experience. Tommy Hilfiger, the American clothing label, made one of its fashion shows available to be experienced in virtual reality in select stores around the world. Shoppers received a Samsung GearVR headset to watch a 360-degree, three-dimensional experience of the show, giving them a virtual front-row seat to the acton. Tommy Hilfiger said, "From the incredible set and music to exclusive backstage moments, consumers will be able to watch the clothes move and see the collection in the original show environment; it's a compelling and interesting elevation of the traditional shopping experience." Stores running this initiative also made the collection that consumers viewed in virtual reality available for purchase, instantly capturing customer interest and book sales orders.
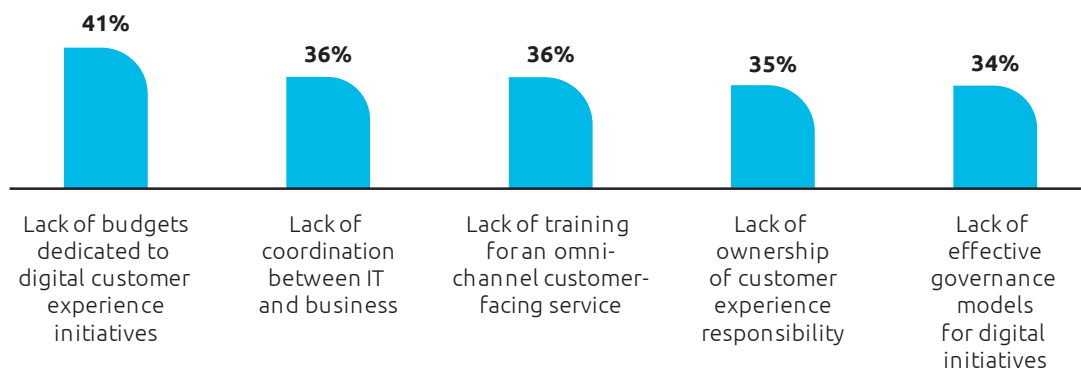
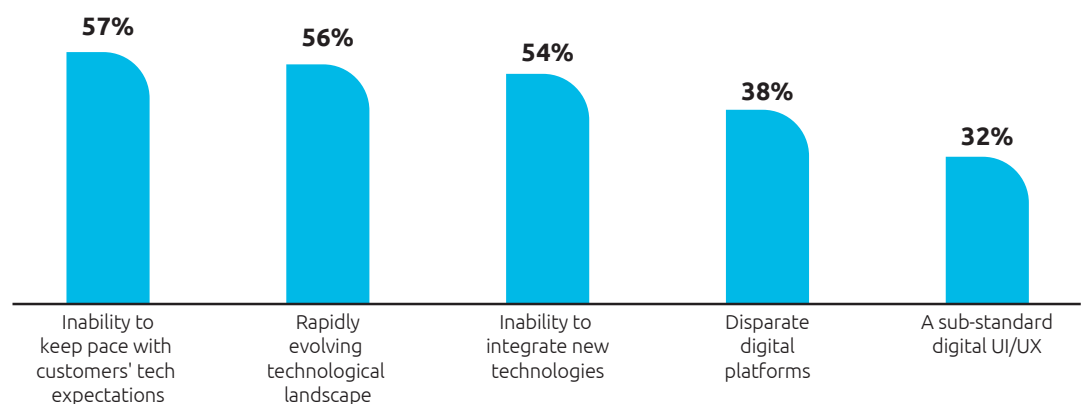# A roadmap to steer the digital customer experience strategy

Organizations face a range of challenges as they design and deliver a customer experience strategy, on both an organizational and technological level. As Figure 12 shows, organizations struggle to overcome a number of hurdles, from lack of financial resources to the pressure of trying to keep pace with customers' technology expectations.

Figure 12: Key challenges in formulating and executing customer experience strategy

Top organizational challenges and people related challenges

41%	36%	36%	35%	34%
Lack of budgets dedicated to digital customer experience initiatives	Lack of coordination between IT and business	Lack of training for an omni-channel customer-facing service	Lack of ownership of customer experience responsibility	Lack of effective governance models for digital initiatives

Top technological challenges

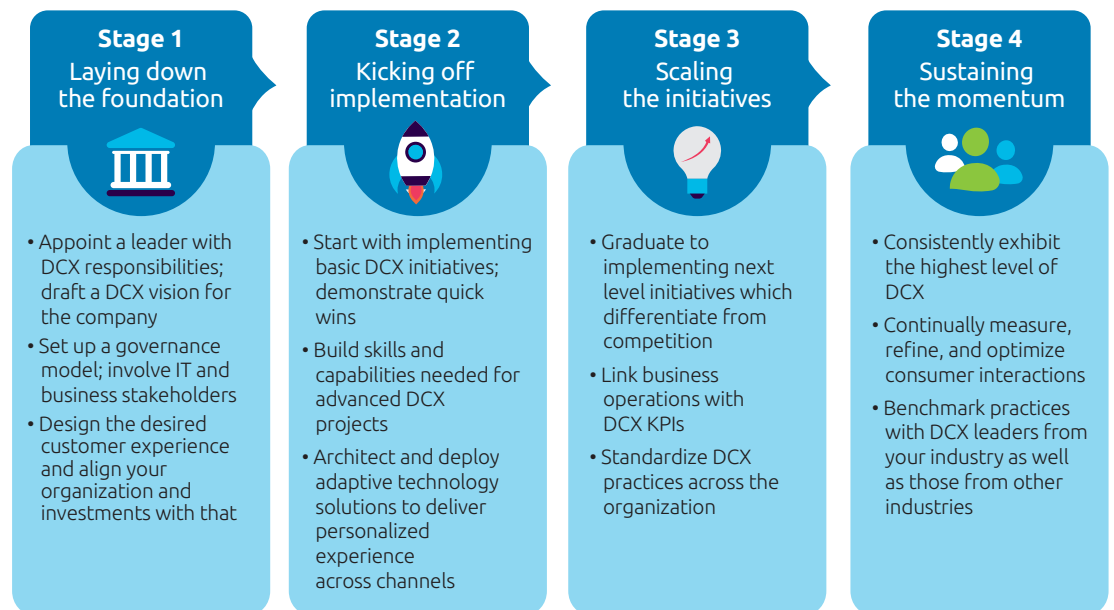| 57%	56%	54%	38%	32%
Inability to keep pace with customers' tech expectations	Rapidly evolving technological landscape	Inability to integrate new technologies	Disparate digital platforms	A sub-standard digital UI/UX

N = 150 companies. Percentages indicate share of organizations that rank an option as one of its top three challenges. Percentages do not total 100 due to multiple-choice selections.

Source: Capgemini Digital Transformation Institute analysis; Capgemini digital customer experience executive survey February–March 2017, and consumer survey March 2017

Drawing on our research, and our experience working with leading companies to establish best practices, we suggest that companies tackle these challenges through a measured step-by-step approach (see Figure 13).

Figure 13: A roadmap to steer the customer experience strategy

Stage 1 Laying down the foundation	Stage 2 Kicking off implementation	Stage 3 Scaling the initiatives	Stage 4 Sustaining the momentum
• Appoint a leader with DCX responsibilities; draft a DCX vision for the company • Set up a governance model; involve IT and business stakeholders • Design the desired customer experience and align your organization and investments with that	• Start with implementing basic DCX initiatives; demonstrate quick wins • Build skills and capabilities needed for advanced DCX projects • Architect and deploy adaptive technology solutions to deliver personalized experience across channels	• Graduate to implementing next level initiatives which differentiate from competition • Link business operations with DCX KPIs • Standardize DCX practices across the organization	• Consistently exhibit the highest level of DCX • Continually measure, refine, and optimize consumer interactions • Benchmark practices with DCX leaders from your industry as well as those from other industries

Source: Capgemini Digital Transformation Institute Analysis

Lay down a foundation of leadership, vision, and governance

Sprint, one of the largest telecom companies in the US, had ambitious digital goals: boost sales three to five times, increase digital upgrades three to seven times and provide world-class digital care in three years[10]. The company appointed Renato Derraik as head of its digital transformation program in early 2016 and he spelled out the company's ambition at an industry event: "The traditional models we had to deliver customer satisfaction are turned on their heads. This is why we are fundamentally redesigning our digital experience." His vision for Sprint is to provide digital sales that match Amazon, create customer engagement that rivals Candy Crush, and provide digital care at the same level as Apple.

In just four months, Sprint saw a 150 percent growth in digital sales and a 180 percent increase in digital sales call volume through focused DCX initiatives. It streamlined upgrades, communications, and sales, so that processes require less "clicks" by the consumer. By building up its talent base in artificial intelligence and advanced analytics, it fully utilizes unstructured data and potentially untapped data sources such as social media comments or location data.

For leaders to succeed, they need to know which experiences matter and where to begin. We believe that the customer experience is about creating five key connections, as Figure 14 shows. These include both external connections (with the customer) and internal connections (with the various units and functions within the organization). As we saw earlier, organizations with stronger links between business operations and customer experience metrics enjoy greater benefits.

Figure 14: Making five crucial connections at the foundation of an all-round digital customer experience

External Connections	**Customers**	What experience do the customers want? What do they value and what do they care about?
	Brands	What experiences does your brand create for your consumer?
Internal Connections	**Touchpoints**	How do you manage interactions at customer touchpoints?
	Data	How does the data from the touchpoints flow through your organization?
	Technology Platforms	How does customer data connect to the technology that enables that flow?
	Processes	How can you reimagine the business processes that underpin and maximize data and tech platforms?
	Organization	How is your organization structured to manage and meet the expectations, desires, and needs of your customers?

Source: Capgemini Digital Transformation Institute Analysis

Kick-off implementation by examining quick wins and developing capabilities

As a firm starts to implement these practices, it is crucial to build a digital talent pool. In our survey, we found that 21% of organizations cited a lack of digital talent as one of their biggest customer experience challenges. As Figure 15 shows, five capability areas are important.

Scale the initiatives to the organizational level

As digital customer experience initiatives start to take root, organizations need to ensure they can scale up and mature. This is critical to ensure that you not only benefit from the economies of scale, but also manage to create a unified brand experience. At this stage, the required DCX practices that must be implemented reach a higher level of complexity and effort. For example:

- Provide a truly omni-channel service that offers seamless execution across multiple physical and digital channels
- Integrate physical and digital channels and disparate data sources
- Fine-tune products or offerings based on customer feedback and usage behavior
- Ramp up investment in IT to both support the launch of a new digital brand and to improve customer service quality

Figure 15: Core capabilities for enabling digital customer experience

CREATE A CONTEXTUAL VIEW OF THE CONSUMER AND ITS JOURNEYS WITH THE BRAND

A qualitative and quantitative understanding of the consumer and the journeys that they want to take with the brand

DESIGN AND EXECUTE COMPELLING, ENGAGING EXPERIENCES

Imagining and designing a simple and impactful experience regardless of channel, across the entire journey and over time

MEASURE, REFINE AND OPTIMIZE

The effective measurement of each interaction and the attribution of interactions across the customer journey

ARCHITECT AND DEPLOY ADAPTIVE TECHNOLOGY SOLUTIONS

The "Experience Engine" that will power the aggregation of data, insights, technologies and processes to deliver personalized, adaptive experiences across channels.

ACTIVATE AND TRANSFORM PEOPLE, GOVERNANCE AND ORGANIZATIONS

Proven methodology which identifies all aspects of work flow, procedures, and structures realigning them to fit emerging business objectives

Source: Capgemini Digital Transformation Institute Analysis

- Become digital first: make digital the default channel for customer interaction and use physical channels either as backup or a way to resolve particularly contentious or complex issues
- Proactively communicate with customers throughout the customer journey

A leading North American quick service restaurant chain and Capgemini client provides a good illustration of this sort of program. Our client wanted to expand beyond traditional customer geographies and demographics by offering an engaging experience to millennials and Gen Z customers. The company sketched out buyers' journeys and digital preferences, using in-store and online surveys. It then devised a customer experience strategy that tracked the buyer journey and offered them customized experiences across different touchpoints. This included relevant content on its website, social media, and other digital channels to encourage customer interaction. The restaurant chain then designed an engaging mobile app with intuitive customer loyalty features, such as quick ordering, personalized menus, and reward points. These initiatives helped the organization to better align with the millennial demographic, molding them into a loyal customer base.

Sustain the momentum to have a consistent edge over competitors

Customer expectations continue to change at frighteningly quick speed, with new, agile entrants emerging rapidly to target customer pain points. It's critical, therefore, that organizations improve and maintain momentum. To continue setting the bar high, driving innovation and continuous improvement, organizations should link business operations with customer experience metrics and benchmark their initiatives against those of companies both inside and outside their sector with the following:

- Provide a seamless cross-channel experience, such as a completely seamless purchase process across digital and physical channels
- Use digital tools to manage and monitor customer journey in real-time
- Provide loyalty and referral programs on digital channels
- Ensure the highest level of customer data security and privacy practices. For example:
  - Give users control over viewing, editing, and removing their personal data
  - Be transparent about data privacy and security policies and any changes to them
  - Provide a fair value in return for customers sharing their personal data
  - Safeguard customer data from breaches and thefts

Conclusion

Consumers are ready to reward better experiences. This is a big opportunity for organizations that execute on their digital customer experience strategy. Our research points to a clear link between a firm's digital customer experience, its NPS and stock performance. Moreover, firms that closely tie business operations with customer experience will enjoy greater benefits. A careful examination of leading DCX best practices and a methodical approach to steer the digital customer experience strategy will place firms on a sure footing and yield big gains.

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3. Internet-based services firms are leading pure-play online companies providing services such as: internet search, email, social networking, cab hailing, travel and hotel booking, e-commerce, and entertainment etc.

4. Net Promoter Score (NPS®) is an industry-standard metric for measuring customer loyalty and satisfaction. It is calculated as a difference between a firm's percentage of promoters and its percentage of detractors. Promoters and detractors are ascertained based on their response to a single question: how likely is it that you would recommend [brand] to a friend or a colleague? Respondents are asked to rate the brand on a scale of 0-10, with 10 being "extremely likely" and 0 being "not at all likely". Respondents rating the brand a 9 or 10 are classified as promoters, whereas those rating from 0 to 6 are termed detractors. More info: https://www.netpromoter.com/know/

5. The increase in NPS® and willingness to spend observed by companies upon increasing DCX Index assumes that all other factors remain constant. The actual increase will depend on company characteristics. The closer is the company to an average company in our sample in terms of its NPS® and DCX Index, the more likely it is to observe the stated gains and vice versa.

6. For executives, we asked if their company's NPS® increased in the last three years and if yes, by how much. For consumers, we calculated the NPS® growth as follows: we asked each consumer the standard NPS question on whether they would refer a company to their friends or relatives. This led to the current NPS of the company upon aggregating the responses of all consumers of a company. We also asked consumers, what would they have rated the company on the same question three years ago. The difference in the current NPS and the NPS from the past rating helped us calculate NPS evolution of companies as per consumers.

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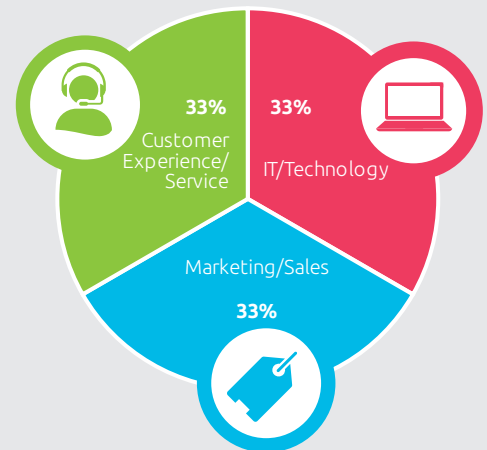## Research Methodology—Digital Customer Experience Executive Survey

We surveyed executives from 150 companies:

- Executives belong to companies headquartered in: Australia, China, France, Germany, India, the Netherlands, the UK, the US.
- Five industries: Consumer Products, Utilities, Retail, Retail Banking and Internet-based companies.
- 450 executives (3 from each of the 150 companies): Senior executives (senior managers and above) from three key functions of each company:
  - Customer experience and service
  - IT and technology
  - Marketing and sales.

Designation

Designation	Percentage
Vice President	25%
Director	31%
Senior Manager	25%
C Level Executive	19%

Function

Function	Percentage
Customer Experience/Service	33%
IT/Technology	33%
Marketing/Sales	33%

Industry

Industry	Percentage
Utilities	20%
Consumer Products	20%
Internet-Based Services	20%
Retail	20%
Retail Banking	20%

Geography

Geography	Percentage
South America	1%
Africa	1%
Australia	3%
Asia	14%
North America	33%
Europe	47%
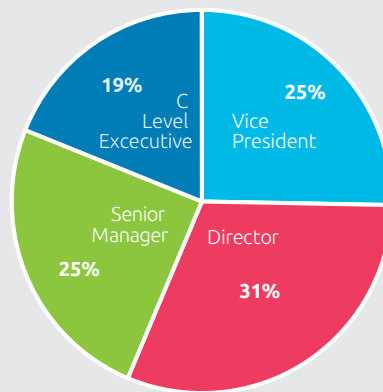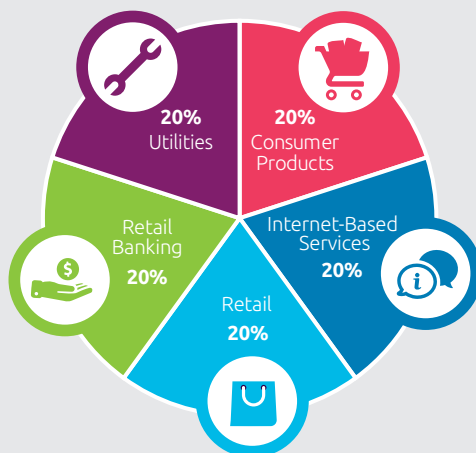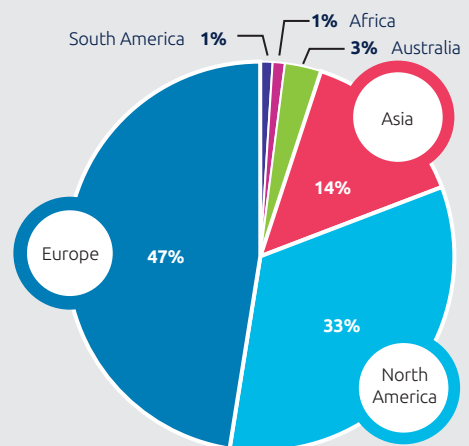
Research Methodology—Digital Customer Experience Consumer Survey

We surveyed 3372 consumers:

- These were customers, drawn from Utilities, Consumer Products, Retail, Retail Banking, and Internet-based services. This company sample was made up of organizations drawn from the executive survey detailed on the previous page.
- Geographically, they were drawn from Australia, China, France, Germany, India, the Netherlands, the UK, and the USA.

Geography

Australia 4%
China 10%
France 8%
Germany 7%
India 4%
Netherlands 8%
UK 10%
US 49%
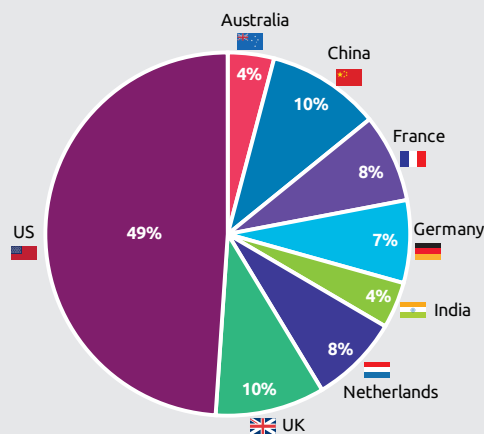
Consuming product/services from

Utilities 21%
Retail Banking 20%
Consumer Products 19%
Internet-Based Services 19%
Retail 21%

Age Distribution

61 years & above 17%
18-24 years 13%
25-34 years 25%
35-44 years 23%
45-60 years 22%

Employment Status

Student 9%
Self-employed 9%
Employed 54%
Others 6%
Retired/off-work 22%
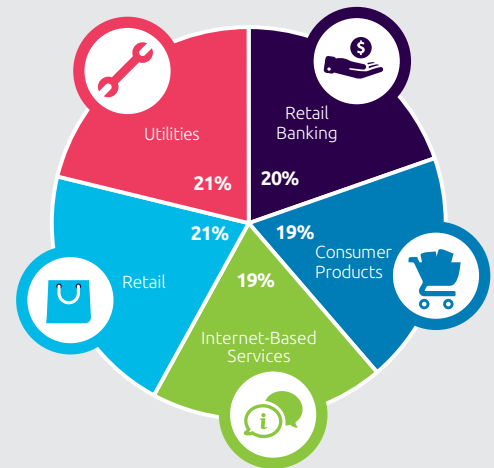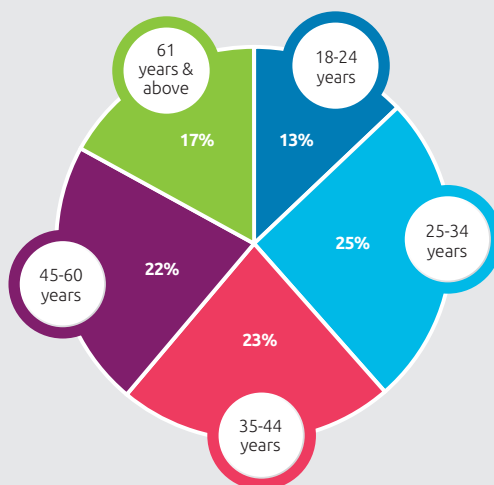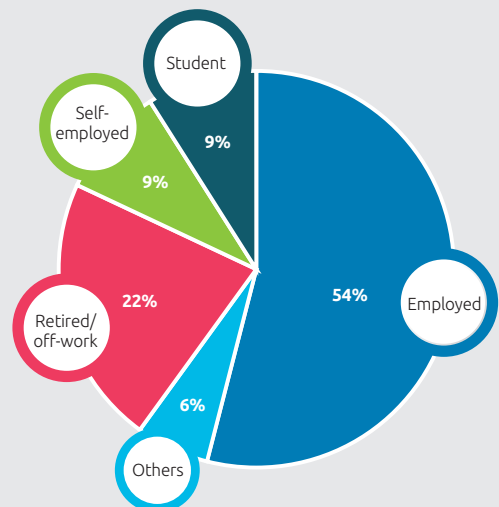
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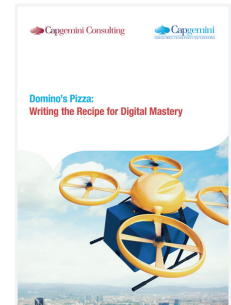
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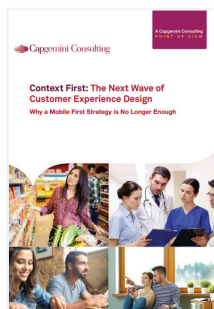
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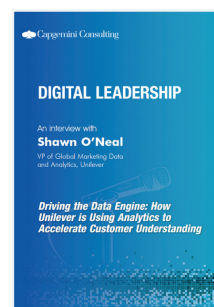
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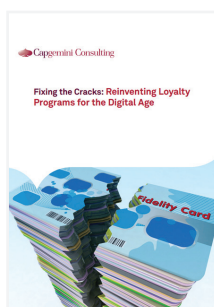
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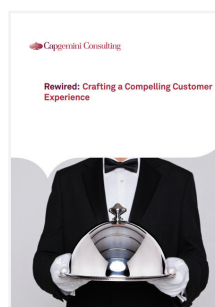
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The Digital Transformation Institute

The Digital Transformation Institute is Capgemini's in-house think tank on all things digital. The
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The team draws on the worldwide network of Capgemini experts and works closely with academic
and technology partners. The Institute has dedicated research centers in the United Kingdom
and India.

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Digital Customer Experience at Capgemini

Capgemini DCX meaningfully connects you to your customers and consumers by better connecting and aligning your data, your systems, your enabling processes, your partner ecosystem and your people to create extraordinary mutual value. We partner with you to make the right connections across the whole of your enterprise so that you can create experiences that deliver rapid and sustainable value for your customers and your company. For Capgemini credentials and client success stories, please click here.

How we deliver value at speed.

Operating at the intersection of data, design and technology.
We understand what makes a great digital customer experience. It's why our proposition reaches both broadly into the customer environment and deeply into the enterprise.

Collaborating to deliver value for you and your customers.
We believe it is vital to work in collaboration with you to craft the right connections across the entirety of your organization and your partner ecosystem to deliver sustainable value for your customers and your business.

Rigorous methodologies and an adaptive process.
Our experience and expertise is underpinned by a suite of proven tools, accelerators and methodologies which, paired with our highly adaptive process, ensure we can meet the specific digital customer experience needs of your business.

Deep ecosystem relationships.
We have strategically aligned (and co-created with) class-leading partners to accelerate our collective impact.

Sector focus.
Our sector focus keeps us closely attuned to the industries we serve. We further believe that the real magic happens at the intersection of sector and discipline expertise.

A commitment to digital customer experience.
Our teams are broken down into tightly coupled capabilities to get the dual benefit of specialization and collaboration in the pursuit of sustainable competitive advantage for our clients.

Our connected capabilities solve whole problems.

CREATE A CONTEXTUAL VIEW OF THE CONSUMER AND ITS JOURNEYS WITH THE BRAND
- Qualitative & Quantitative Research
- Ethnography
- Journey Mapping
- Persona Development
- Social media and sentiment Analysis
- Segmentation personalization

MEASURE, REFINE AND OPTIMIZE
- Cross-channel attribution
- KPI development
- AB/Multivariate Testing
- Smart Processes Monitoring and Optimization

ACTIVATE AND TRANSFORM PEOPLE, GOVERNANCE AND ORGANIZATIONS
- Organizational Change Management
- Digital Operating Model
- Digitization Strategy
- Process reimagination
- Maturity Assessments
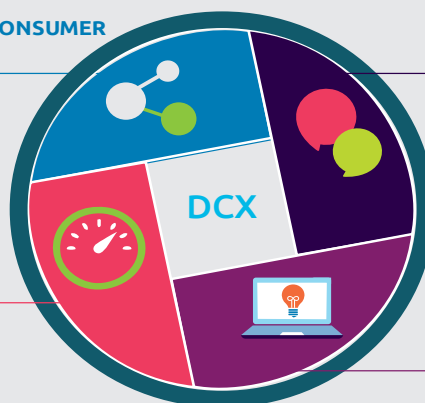
DESIGN AND EXECUTE COMPELLING, ENGAGING EXPERIENCES
- Omni-Channel Experience Strategy
- Omni-Channel Customer Interaction Design
- On and Offline User Experience Design
- Digital Content Strategy
- Digital Content Development
- Campaign Design

ARCHITECT AND DEPLOY ADAPTIVE TECHNOLOGY SOLUTIONS
- Customer Interactions Management
- Content and Knowledge Management
- Customer Management - Customer and Operations Monitoring
- Customer Process Management
- Digital commerce
- IT Digital Platform

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A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of 200,000 team members in over 40 countries. The Group reported 2017 global revenues of EUR 12.8 billion.

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