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THE DIGITAL INDUSTRY
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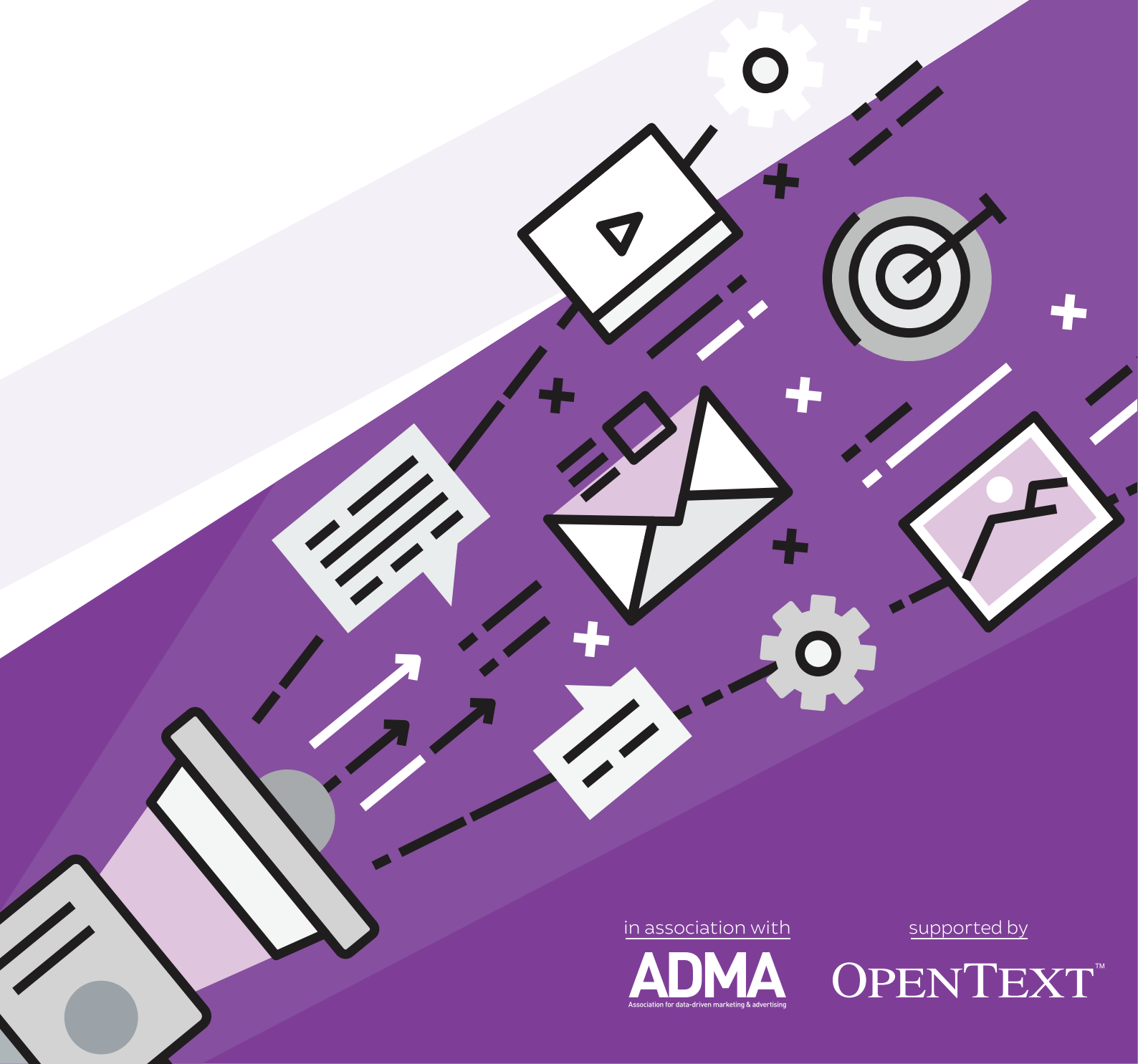
Building A Bridge To CUSTOMER ENGAGEMENT



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FOREWORD

We are living in an increasingly digital world where most customers are engaged with brands through a variety of digitally-enabled channels. Business is blurring the distinction between the digital and physical worlds and creating transformation that leverages the integration of process, people, and things.

At the centre of this transformation is the customer. Customers are increasingly in control, dictating how they want to be communicated with. As a result, customer experience is becoming the battlefield for digital business transformation. It is now a mission-critical objective and a competitive differentiator.

Technology can be the driver for these newly critical customer demands which is why Open Text has partnered with ADMA to promote a better way for organisations to work with information and help design a continuous and connected customer experiences that help increase engagement, drive revenue and maximise customer lifetime value for the benefit of customers.

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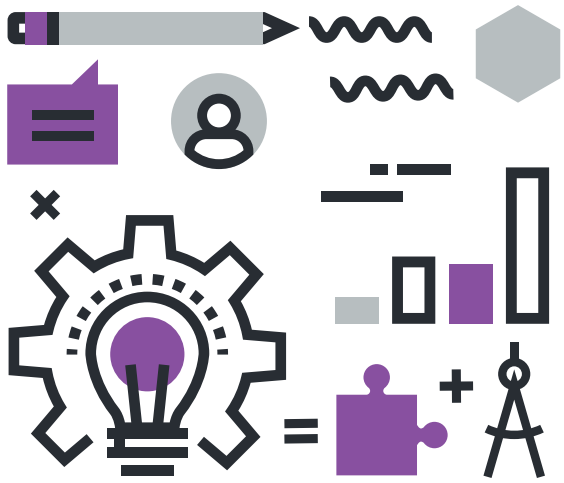
INTRODUCTION

Technology is evolving so quickly — and customer expectations are rising so rapidly — that even the best-equipped organisations find they benefit from bringing in external help.

The combination of in-house knowledge and external expertise should give companies the best chance at meeting the needs of customers. In an age when technology is becoming more focused on utility and less on internal efficiency, marketers — and the digital agencies they employ — see technology as a bridge to great customer engagement and, ultimately, higher lifetime customer value.

But technology alone will not deliver these outcomes. Getting the right people, and deciding on the right execution strategy, are critical.

These issues — especially as they relate to emerging technologies — featured prominently in a series of roundtables hosted jointly by ADMA and AIMIA in Sydney and Melbourne recently.



Participants included marketing executives and digital agency heads with direct experience in building systems, processes and campaigns for customers, using digital platforms.

The roundtables looked at the kinds of problems that are emerging, how they are being solved, and what the future holds.

There was also discussion of specific technology problems —such as the importance of getting the basics right, the influence of Artificial Intelligence (AI) and the importance of data management.

THE CUSTOMER MOMENT

Customer experience sits at the heart of most development conversations marketers have with their internal IT providers and their external digital agency partners.

This focus on the customer has also drawn senior executives much more into the conversation, according to participants in the Melbourne round table. According to a senior digital executive, “CMOs are morphing into chief customer officers”.

As companies adopt a digital-first approach to engaging with their clients, an interesting trend has taken hold. Great online experiences delivered by digital leaders like Uber, AirBnB, Apple, and Google have driven consumer expectations sky high. But they have done something even more interesting than that: they have shifted expectations of great online experiences into the world of real things.

SELF-SERVICE, WHERE EXPECTATIONS ARE MADE

Initially, many companies — and more than a few CFOs — saw online self-service as a way to save money. They were often wrong but, happily, the end result was better outcomes. Smarter companies soon realised that there are significantly more benefits to "turning the business inside out" than simply pushing the cost of service onto the customers.

The idea of using digital channels to drive a self-service approach for customers often starts from the wrong motive: a desire by finance to cut costs by pushing the work onto the customer. But that is the wrong way to think about it, according to both the marketing leaders and the digital agency heads involved in the roundtables.

This approach was considered to be a very narrow way of viewing self-service. Better to think of it in terms of the overall engagement with the customer.

As one marketing executive stated, "For us I think it's more about service than it is about cost control, to be quite honest. It's the customers that are asking for this way of engaging with us, and we need to meet that need".

In fact, building an effective self-service channel is no cheap option. "It's going to cost us a heck of a lot of money to turn our company around to operate in that way. Over time, will we see cost savings?"

Self-service is ironically creating more contact with customers in some cases. Another executive described an interesting and seemingly contrarian trend. "It's interesting, with the increase in smartphone penetration, calls to the call centre are actually not slowing down."

The reason? Technology. "Because it's so easy to click the button, make the call." Just as importantly, our industry leaders said a digital-first approach should not cause you to lose sight of the fact that digital does not define the whole customer experience. Retailers need to be just as concerned about in-store experiences, banks about

their branches, and the travel sector about the actual experience a client has on their travels — not just the process they go through getting there.

At the Sydney roundtable, participants considered these issues in the context of the insurance sector.

Prior to the Global Financial Crisis (GFC), customers had a strong preference to speak to a bank or a broker, and to collect all the information they needed before they took the next step towards a purchase. That changed as a result of the GFC, as people grew nervous about trusting financial service providers. Customer behaviour changed, and people started doing a lot more of their own research online.

This all happened during a period when technologies like smart mobility emerged, and there was a general shift toward the online provision of information.

For insurers, suddenly customers were coming to the conversation with a much higher level of education and knowledge. The asymmetrical information advantage the seller had traditionally enjoyed evaporated.

> ***"It's more about service than it is about cost control, to be quite honest. It's the customers that are asking for this way of engaging with us, and we need to meet that need."***

From a marketing perspective, the customers were taking care of much of the top of the funnel and mid-funnel journey themselves.

Today, insurers will sometimes engage with the customer directly, and sometimes through the network itself. As one insurance industry executive described the problem, "The complexity arises as the shape of the customer changes and the customer demands, and what they expect out of our brand and our service changes along with it."

That change can happen quickly, and many companies are still not equipped to deal with the shift.

VELOCITY AND THE CURSE OF CHANGE

> *Your call centres are being blasted, because your IT team can't keep up with the technology changes. A lot of the issues that all of us face are the result of the fact that the technology environment changes so quickly.*

Agency heads said one of the biggest problems they see among their client base is a failure to maintain pace with the rate of change.

One digital agency head noted that "The customers are already there. They wanted DIY for years and companies are only now starting to deliver. But the customer has already moved on because of their experiences in other areas."

"For instance," asked one executive, "How many companies right now have a Chat Box implemented?"

He explained the problem. "Your call centres are being blasted, because your IT team can't keep up with the technology changes. A lot of the issues that all of us face are the result of the fact that the technology environment changes so quickly."

Keeping up is hard — if only because organisations can't sustain the operational cost of these constant shifts. Legacy systems have to be tied into the new wave systems, but they can't talk to each other.

As our roundtable participants describe it, "A lot of the time, we look at it like we're doing a new thing, but we're not. We're always playing catch up."

A NEW REALISM

> *There is a huge mistake that people make when they think about customer experience and it is this: customers don't know what they want.*

The multitude of pressures acting upon companies is forcing a significant change in the way they operate.

Incumbency clearly comes with advantages: resources, scale, and distribution. But the organisational infrastructure required to maintain these advantages comes at a cost: agility.

Successful incumbents will be those that are able to mimic the advantages that insurgents bring to a market.

The Managing Director of a Sydney-based agency expressed the view that, over the next 10 years, all companies will need to start operating like startups. An important part of that is to stop thinking of the world in digital versus non-digital terms. It's a problem that afflicts both brands and digital agencies.

Many agencies set up digital teams as a way of accelerating up-skilling and building a reputation in the rapidly emerging digital space. Many brands built digital teams to circumvent internal resistance to new digital models. But the end result was an arbitrary distinction between the physical world and the digital world that, ultimately, made no sense to a customer.

Worse still, in some cases — such as media — the digital teams hastened the demise of their host organisations by rapidly developing business models that undercut the existing business without any real strategy to transfer value.

All that talk of creative destruction yielded an awful lot of destruction and very little creativity.

The good news is that lessons have indeed been learned. The shift to consumer empowerment, which has driven customer experience to the very top the marketing department's agenda, has brought with it a new realism about how problems should be solved.

Gone is the gimlet-eyed optimism that most marketers —with little experience in the pitfalls of technology projects — brought to their early work.

Consider the discussion marketers and digital agencies had about approaches to the issue of customer experience.

It started with this clear-headed acknowledgment of the problem by the Managing Director of a Sydney digital agency.

“There is a huge mistake that people make when they think about customer experience and it is this: customers don’t know what they want.”

He was being provocative, but when he explained the nuance the point was well made.

Ask a customer to suggest incremental ways that a product or service might be improved, and you are likely to get useful and actionable feedback. But what you won’t get is truly revolutionary insights or innovation. That, instead, is the realm of the disruptor.

According to the agency CEO, “They don’t know what they want. Innovation has to be done in isolation and tested, whereas evolution within a product needs to be customer-centric. Customers know what tomorrow looks like, but they don’t know what the world 10 years down the road looks like.”

Instead, he said, that’s where “You need the Steve Jobs of the world to figure that out”.

His point is that there are two very different considerations. On the one hand, there are the incremental changes that build extra value into the product and increase the value of the customer to the brand. On the other hand, there are the genuinely disruptive ideas that change the rules of the market.

PROBLEMS AT THE COAL FACE

> *You get this agile sprint mentality now. People will say 'hey let's run two campaigns in two-week short bursts — because it's agile'. But they are really just applying the new ideas to old ways of thinking.*

Agency leaders were forthright about the problems some of their peers had created. Too many agencies are focused on taking advantage of the fear, uncertainty and doubt that attends rapidly changing markers said one participant. And this was from an agency head!

"It just bamboozles us," he said. "If anything, organisations like agencies feed on two things from clients: fear and naivety. We feed on fear — 'Oh, you don't know social media, oh, we've got gurus, it's only been out for a year, but we're already a guru, so pay us and we'll do it for you' — and naivety, because you actually believe that we're gurus."

"The reality is we're all trying to figure out what's going on as much as the clients."

Rather than getting lost in the fog of all the change in the market and rapid advances in technology, managers need to get back to basics. The simple question to ask is, "What problem are we trying to solve". You figure out the solution and then you use technology to enable the solution.

Marketers today are also much more familiar with the kinds of cultural resistance that can cripple a project — as this example from one of the Sydney roundtable participants describes.

A mini case study

"A number of years ago I worked at a major car manufacturer, and I got handed social media when it was first coming out. The conversation was like , 'Here's the money and here's a division to start doing it'.

"So we started asking, 'Okay, so what do we do?' And management's answer was, 'You figure it out.'

"That was fine until we learned that they didn't really mean it. That became clear when they said, 'Well, you can't touch the dealers since they are the ones who sell the cars. You can't get involved in that.'

"It became clear that all they really wanted was for the team to produce some content and spray it around the world.

"The real message management was sending would be familiar to many marketers — 'We hear there's this great new thing. You're marketing, go make this great new thing work for us. But don't change anything because that will rock the boat'."

Sadly, tactics not strategy

Line managers often only think in terms of their own deliverables, rather than how the experience they provide customers plugs into the overall brand story. And agencies confirm that many times they are commissioned to solve tactical problems, rather than being given insight into the overall corporate strategy.

Yet customer experience, by definition, requires an understanding of all the touch points that determine how customers engage with a brand.

Too many companies think in terms of campaign bursts, say the industry leaders we spoke to. They are looking at the short-term bump, rather than thinking about how to build an experience long term .

Even concepts like agile have been a bit debased. "It's funny, because you get this agile sprint mentality now. People will say 'hey let's run two campaigns in two-week short bursts — because it's agile'. But they are really just applying the new ideas to old ways of thinking."

Regulating innovation

Many insurgent upstarts take only a passing interest in the regulations of the sector they are breaking into. And a good many flout them altogether. Incumbents don't have such a luxury.

Here's a simple example: Starbucks in the US is said to be carrying several hundreds of millions of dollars worth of liabilities in the form of free coffees on customer loyalty cards. Yet there is little oversight or regulation. No bank or airline or Telco would ever be given such an easy ride on this level of debt.

Marketers need not only to react quickly to rapidly rising customer expectations, but to do so in an environment where regulatory compliance tends clearly towards inertia.

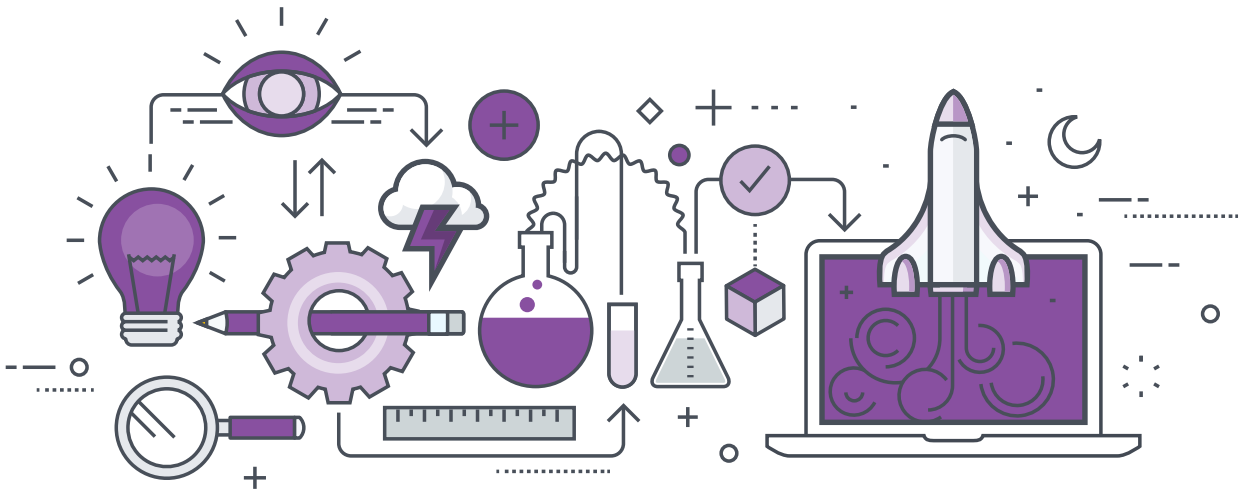
One finance industry executive describes her situation. "Obviously there's a heavy regulatory environment framework. In the financial services sector you have to be quite conservative. Our legal department is very conservative, so we often do things that are not in the best interest of the customer with regards to our communication."

She said that often this leads to fragmented customer communication that complies with the law, but does little to inform the customer. "We know the problem. We know we are not prioritising the customer experience, not solving problems, and streamlining communication."

There is a culture in Australia — driven by compliance — which is holding us back, say industry leaders. Legal teams and the procurement team are driving innovation down.

Buyers are part of the problem, says an agency leader from Melbourne. "If you have a novel solution and you are signing a contract with an airline you are signing the same contract as the guy who sells them gas."

KEY TECHNOLOGIES



Participants also discussed the kinds of technologies they saw as likely to have the most impact in the medium term.

Some of the agency leaders — from the Melbourne think tank in particular — said they expected to see a rationalisation of technology investments, and a shift back to the basics of IT. "Right now we are not getting even the basics right. You are still getting drop-off rates on web sites and cart abandonment rates over 90 per cent.

"It's optimisation and personalisation. It might not be sexy (like AI or data science) but that's what gets you the uplift."

Others suggested that the greater focus ought to be on data, and not on technology at all. "For me, it's all about how well you connect the data. That's what actually makes you successful — more than any piece of technology." This was just a sample of the skepticism expressed about the amount of investment going into technology.

That led to discussion of the difference between evolutionary and revolutionary technology. The interesting point is that both can usher in disruptive change.

Take Uber and AirBnB as examples. Both companies built their platforms on mature, long-established technologies. Yet each wrought havoc upon their market. The same could easily be said for Tinder, which reached market saturation in months and upended the online dating industry because it leveraged the advantages of smart mobility better than its rivals.

Likewise Facebook and photography. Facebook's insight that its platform was really visual rather than textual occurred early enough to allow it to transform itself and, ultimately, the world.

The head of a Melbourne digital agency told participants in that discussion that "People have been sharing photographs of their kids and their holidays forever. Facebook just made that quicker, easier and more fun.

> *The ability of a machine to hear me and respond to me — that takes things to the next level.*

The technology tapped into an existing behaviour."

Compare that to something like augmented reality, where the application of technology genuinely ushers in new platforms.

"Customer expectations change as the environment around them changes. While it sounds ridiculous today, people are going to be dating based on advice from robots in the future. It might not be next year but in 20 years' time it will just be normal," said another, echoing comments by Tinder's CEO that AI would revolutionise the dating game.

According to the CEO of a digital agency with a personal interest in the subject, "I think one revolution comes from the intersection of technology and biology. Touch is one example. Voice is another. He said "The ability of a machine to hear me and respond to me — that takes things to the next level."

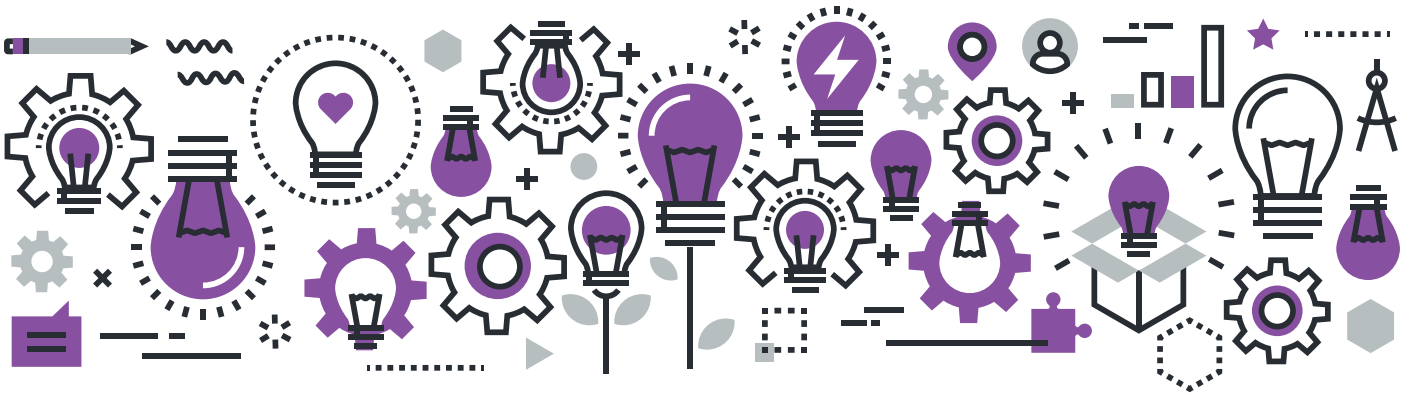
Looking ahead, participants agreed that augmented reality looks like it will have a significant impact — even if many practical applications remain years away. "The billion dollar question is, how do I connect what I see and what I like to what I want to buy?"

Likewise, virtual reality — which today suffers from a clunkiness that would be familiar to any user of a modern mobile device who ever owned a Palm Pilot.

"If and when VR evolves, you will have this massive segment of the population that will log into virtual worlds. Brands will have their own worlds. You might have a mortgage broker, where you log on and speak to a virtual broker."

The industry is betting that AR will roll out first — followed by VR — and will likely be led by the gaming and entertainment industries, according to the roundtable participants.

CONCLUSION



Technology affords companies great opportunities to deliver outstanding customer experiences within the virtual world and the world of real things.

However it is clear — from discussions with marketing and digital agency leaders at a series of roundtables in Sydney and Melbourne — that too much focus is placed on solving short-term problems. And too often, those problems are tactical in nature rather than aimed at addressing the strategic needs of business.

There is good news, though.Marketers have dropped their naïve and often rose-coloured views of what technology can achieve. More importantly they have dropped the impediments to achieving change, and come to the technology discussion better equipped to deal with the realities of product development.

That's just as well, because the rate of change is not slowing. Instead, technologies in the worlds of data analytics and augmented reality will keep the pressure on the need to innovate.

ACKNOWLEDGEMENTS

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ABOUT AIMIA

AIMIA is the Digital Industry Association of Australia, representing companies that have embraced the digital world and organisations that provide digital services and solutions in the online, social, mobile, cloud and internet of things space.

Our members include Australia's digital powerhouses, digital content, services and applications companies, strategy and consulting businesses, digital infrastructure and systems integration providers, and major industry suppliers. Leading the digital industry through an exchange of ideas and insights, we support digital industry professionals to advance their skills through education and resources and we celebrate the achievement of the industry yearly through recognition and awards.

As the hub for the Australian digital industry, our focus is on customer outcomes, through the modernization of business technology. These invitation-only facilitated workshops explore topics related to our pillars: data, technology, content, creative and customer experience.

ABOUT OPENTEXT

Today's world is an increasingly digital one, and most customers are engaged with brands through a variety of digital means. Business is blurring the distinction between the digital and physical worlds and creating transformation that leverages the integration of process, people, and things. At the center of this transformation is the customer. Customers are increasingly in control, with multiple channels with which to be heard, they are dictating how business should be communicating. As a result, customer experience is becoming the battlefield for digital business transformation. It is now a mission-critical objective and a competitive differentiator.

OpenText enables the digital world, creating a better way for organizations to work with information, on premises or in the cloud. OpenText Customer Experience Management (CEM) software solutions create a better way for organizations to combine content and process to deliver optimized, continuous and connected customer experiences that help increase engagement, drive revenue and maximize Customer Lifetime Value. For more information about OpenText (NASDAQ: OTEX, TSX: OTC) visit opentext.com

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