ACTION**IQ**

The True Costs of Your Technology Choices

4 Approaches to Become a Customer-Centric Business

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I. A Crucial Time to Invest in Customer Experience

Winning on customer experience (CX) requires a shift to a customer-centric operating model that can keep pace with change. The benefits of such a shift, as this McKinsey paper found, can generate a 20 to 30% uplift in customer satisfaction and 10 to 20% improvement in employee satisfaction, and revenue growth of 4 to 8% above the market.

Central to a customer-centric operating model is having the organization's people, processes and technology connecting and orchestrating through a single intelligent hub. A hub that leverages data to facilitate a perpetual understanding of, and responsiveness to, customer behaviour across channels. Business leaders get this. And yet, for many, transforming into a truly customer-centric organization is still a distant dream. What's stopping them? Of the 83% of executives who said that silos existed in their companies, 97% said they have a negative effect on business outcomes. These silos manifest as manual, slow and reactive processes; disconnected teams; and fragmented technology. They obstruct the goal of a customer-centric operating model.

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Many organizations – even those on the path to digital transformation – continue to feel the impact of silos on their business, in the form of:

- Incomplete understanding of the customer

- No ability to manage customer experiences at scale

- Low efficiency and productivity of teams, technology, and spend

- Inability to innovate or pivot business strategy

- Compliance and regulatory risks

- Declining CSAT and LTV, lowering profitability and shareholder value

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The resulting inability to walk the CX talk is inflicting a heavy toll on revenue, ROI, and efficiency-related metrics, ultimately threatening business survival. It is time for business leaders to ask if they want to limp along the CX curve hindered by legacy solutions, technical debt and inadequate systems that were not built to deliver CX at scale; or take the plunge towards building a truly change-resilient operating model powered by data and built to deliver results even in the most dynamic environment, today and in future.

II. Choosing the Optimal Approach to Customer-Centricity

Winning on CX requires leaders to take decisive action on creating a new CX-centric operating model to:

- Eliminate organizational silos
- Integrate people, process, and technology around the customer
- Orchestrate experiences to acquire and retain customers
- Build in organizational resiliency to shifting market dynamics

At this decisive time, executives are weighing the costs and benefits of different approaches to build a truly CX-centric operating model. But despite the awareness that change in design and delivery of CX is imperative, and a strong intent to be a CX-led business, many run the risk of failure with the wrong choices.

Organizations typically choose one of four paths to address the CX challenge, each of which come with its own costs and benefits:

APPROACH	SHORT-TERM COST	LONG-TERM COST	LIKELY OUTCOME
Do Nothing Do nothing and hope to ride out disruption	Low	High	Irrelevance
Improvise Existing Improvise existing tech stacks to solve new use cases	Moderate	Moderate	Stay the same
Build from Within Build technology solutions from within to control the process	High	High	Failed project
Invest in Smart Hub Invest in a smart hub approach to transform the operating model	High	Low	Agile operating model

1. Do Nothing

Some businesses are **doing nothing or delaying investments in change** in the hope that existing solutions will get them through the disruption. This has the short-term benefit of avoiding the efforts and costs that accompany change.

THE COST OF DOING NOTHING

When a business decides to save money by doing nothing and continuing to live with increasingly out-of-date operating models, they fail to see the costs they are incurring in lost customers and revenue opportunities. 69% of consumers are ready to change their bank, retailer or insurance provider due to a disconnected experience, and this is costing businesses upwards of $75 billion a year in lost opportunities and revenues. They also miss the hidden costs of lost productivity and time due to sub-optimal processes and technology, perhaps until it's too late.

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WHY IT WILL FAIL

With disruption as the new constant, businesses need operating models that can keep pace with change to consistently deliver growth and profit. It's not just the many unseen and unaccounted costs, but **market irrelevance that will ultimately inflict the highest price – the viable existence of the business itself.**

2. Improvise Existing Technology Stacks

Some businesses are choosing the path of **continuing with current vendors**, believing their solutions can be improvised over time as viable solutions for future CX challenges. For instance, choosing to rely on legacy on-premise tools or existing marketing clouds to address current and future CX goals. These businesses are betting that layering on point solutions will suffice needs as they arise. This has the benefit of spreading costs and effort over time to manage change.

THE COST OF IMPROVISING

Adding on point solutions or trying to stretch the capabilities of marketing clouds to address the strategic CX imperative will cost the business in steadily mounting license fees and complex stacks, perpetuate silos, drain IT time in futile 'integration' efforts, and expose the business and its data to compliance or security risks as they get funneled into disconnected systems.

WHY IT WILL FAIL

While these solutions are great at the specific data or digital marketing use-cases they were designed for, they are already behind when it comes to solving for the complex, dynamic nature of omni-channel CX. Such tech stacks, as we see from this Gartner study, are incapable of allowing data flow across touchpoints, or enabling different functions to act on it, even as 74% of marketers say the ability to integrate is the most important feature of marketing tools! **Such solutions lack the sheer integration and data processing power needed for real-time, omni-channel, personalized CX at scale.**

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3. Build from Within

Some companies become **heavily invested in building complex in-house solutions** assembled by IT. This approach, though effort and resource intensive, helps keep control and ownership of the final solution within the company.

THE COST OF BUILDING FROM WITHIN

Just because you can build something, doesn't mean you should. A do-it-yourself approach can be tempting to larger organizations with mature IT and engineering teams. In the end, teams that choose this approach become mired in data transformation issues, applications and systems that don't integrate, and generally terrible user experience for non-technical users. Marketers in this survey reported that, on average, they lose more than 1.5 days each week in productivity due to homemade technology that is unable to keep pace with changing user needs. **Compounded over time, the greater downside of building from within is slower speed to market, slower technology innovation, and missed revenue opportunities.**

WHY IT WILL FAIL

Have you seen many in-house IT solutions easily and cost-effectively enable agile responses to new market opportunities or unforeseen challenges like the recent COVID-19 crisis? Have you seen them lower employee dependence on IT or integrate easily with point solutions? Studying over 5,000 IT projects initiated in-house, McKinsey finds that on average, large IT projects run 45% over budget, while delivering 56% less value than predicted. Worse, in about 17% of the cases, these cost overruns can threaten the very existence of the company. This approach is not equivalent to building a cohesive, organization-wide and customer-centric operating model for the business.

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4. The Smart Hub Approach

Decisive change requires investment in an operating model designed around CX that sustains even in dynamic environments. The smart hub approach is emerging as the preferred way to achieve this because it is designed for scale, flexibility and change-resilience. A smart hub powered operating model is **anchored by data and brought to life by the people, processes and technology that are collectively focused on delivering superior customer experiences.**
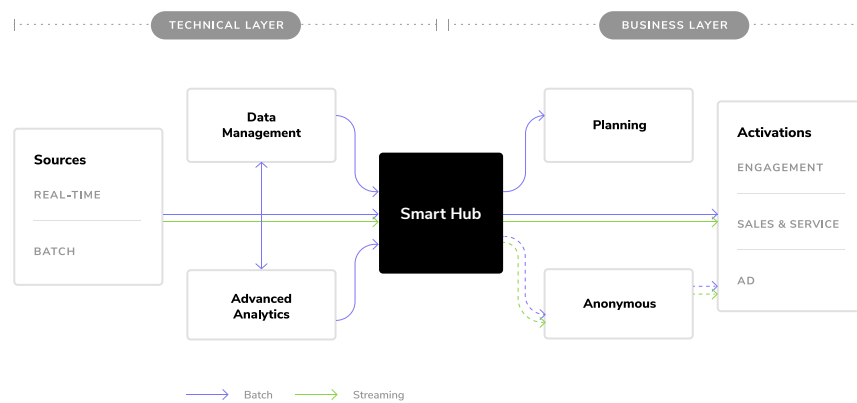
By centralizing customer data and decisioning within this central smart hub, the enterprise can build CX into the core of its operating model.

THE COST OF THE SMART HUB APPROACH

While choosing a transformative approach come with a price (i.e. organizational change), it is far less than what your business will pay for irrelevance in a rapidly changing world. In the mid to long run, not only is this approach more cost effective, it also brings higher ROI and faster time-to-value than the alternative approaches.

WHY IT WORKS

This customer-centric approach delivers an average of 522% ROI in the first three years of adoption.

In practice, smart hubs are enabled by purpose-built customer data platforms (CDPs) that are designed to:

- **Handle new, ever-more complex data** formats internally, reducing dependence on third-party or IT teams

- **Build a complete view of each customer** across channels, connecting customer intelligence from multiple platforms onto a centralized database

- **Integrate various systems and tools** to activate data seamlessly, without reinventing the existing CX stack

- **Serve needs of multiple business users** with easy access, free flow of data and insights, and reduced effort to manage internal distribution endpoints

- **Respond to market dynamics with agility and speed**, even at scale, predicting next best actions and enabling optimal, data-driven campaigns

- **Reduce organizational friction**, boost productivity and cost efficiencies

This customer-centric approach delivers an average of 522% ROI in the first three years of adoption. Brands such as ELF Cosmetics in CPG, American Eagle in retail, and The New York Times in media, are all outperforming their category with a smart hub CDP, which **builds the ability to understand and respond to changing consumer behavior right into the operating model.**

Adapt and Thrive

In just the past 20 years, we have seen iconic brands fade away, all due to an inability to pivot to new business models in response to changing customer expectations. Less than 50% of Fortune 500 companies that featured on the list in 2000 are still on it today.

Smart hub CDPs are emerging as the preferred approach to building a customer-centric operating model because they produce a compelling impact on key performance metrics: customer growth, lifetime value, and marketing ROI.

The time for decisive action to build a CX-centric operating model is now. Today, 80% of customers are more likely to purchase a product or service from a brand that is able to provide personalized experiences powered by data and technology. In these challenging times, it also helps to remember the lessons from the 2008 economic recession, when companies that prioritized customer experience realized three times the shareholder returns compared to the companies that did not.

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Doing nothing, improvising or building technology within are sub-optimal approaches to create winning CX, which will cost the organization dearly in the end. And in today's digital-first world, 'the end' can arrive much faster than you expect. These approaches, as this paper shows, are dangerously out of touch with customer expectations. They will ultimately constrain responsiveness to new business opportunities and cause irreparable damage from which even large organizations find recovery difficult.

→ For more information on CDPs and building a modern CX tech stack, visit our resource library.

About ActionIQ

ActionIQ is at the center of a data-driven revolution that is changing the way brands think about customer experience, digital transformation and the value of customer data as a core corporate asset. We concentrate on solving enterprise data challenges so that teams are empowered to create authentic customer experiences across all brand touchpoints. ActionIQ helps G2000 companies by connecting their first-party customer data, providing an easy-to-use interface for business users to access customer insights, and enabling customer experience orchestration across channels. We are helping brands like Morgan Stanley, The New York Times, Pandora Media, The Hartford, Shopify, American Eagle Outfitters and others grow customer satisfaction and revenue.