

A photograph of a business meeting in a modern office. A man in a light blue shirt and khaki pants is seen from the back, wearing a black head-mounted display (HMD). He is surrounded by three other people: a woman on the left in a grey blazer, a man in the center in a grey blazer and glasses holding a glass of champagne, and a woman on the right in a white top and jeans. They are gathered around a wooden conference table with papers and a small potted plant. The background is a white brick wall with exposed pipes.

Understanding your journey to data-driven digital maturity

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Introduction

Organisations know they need to innovate. Engaging customers at the highest level, empowers employees, optimises operations and transforms products are just some of the outcomes many strive to achieve. The significant challenge facing most however, is getting on the right path to digital maturity.

Only 28%¹ of companies globally have a digital-first approach, the vast majority are still in exploratory stages. And while businesses are dipping their toes into the digital world, it's often not connected to an overall strategy. Or it's done within business units without much consideration for impact across the business.

Getting on the right path means starting with an integrated digital strategy with data at the heart. This facilitates better decision-making, which in turn, delivers brilliant outcomes.

Specifically, organisations need modern solutions to deliver brilliant experiences. They need systems that connect across the business to provide a complete view of what's happening. People need the right skills and understanding to gather intelligence, while being empowered to drive bold action across the business.

That's the theory, but is it happening in practice?

To understand more, Microsoft Australia commissioned a study of 505 medium to large Australian organisations, with a focus on finance, retail and government sectors. We sought to understand where the priorities lay, how organisation currently performed, what's stopping them and what do they need to help them achieve their goals.

So, *"Do we walk the walk? Or just talk the talk?"*

1. Source: IDG, *Role & Influence of the Technology Decision-Maker 2017*

Executive summary

Not quite 'walking the walk'

Conducted by leading Australian business to business research agency, Colmar Brunton, our study identified that Australian organisations are talking the talk, but not quite walking the walk.

Despite saying there is an integrated digital transformation strategy, outcome delivery against four major organisational goals is lacking. These goals being customer engagement, employee empowerment, operational optimisation and product transformation.

Is it misplaced confidence? Or just a lack of genuine understanding as to what constitutes an integrated digital strategy?

The story unravels with the discovery that for the most part, a company-wide data sharing strategy is absent. There are more organisations that share little to no data at all than those with a holistic strategy.

As you can imagine, with no all-inclusive strategy, organisational maturity to intelligently extract value from data is low. This leads to poor performances across the four major goals.

Specifically, within each of the four goals, there are series of sub-outcomes organisations need help with:

- Engaging Customers: Obtaining a 360-degree view of customer interactions.
- Empowering Employees: Improve employee productivity with task automation and embedded tools.
- Transforming Products: Customising offers and bundle product/service.
- Optimising Operations: Pre-empting maintenance with integrated artificial intelligence.

But there is one beacon of hope – customer experience (CX).

Relative to the other goals, organisations have gained traction, with those in the financial services sector excelling to a much larger degree. And despite the comparative success with CX, organisations are not complacent. It remains a top digital transformation priority and focus area – and for good reason. The number of failed projects and wasted dollars is far too high for comfort among a significant number of organisations.

Over the following pages, we take a deeper dive into the overall story and the statistics that sit behind it. As well as provide a high-level picture of our three core focus industries:

- Finance
- Retail
- Government



1.0

Are we truly integrated?

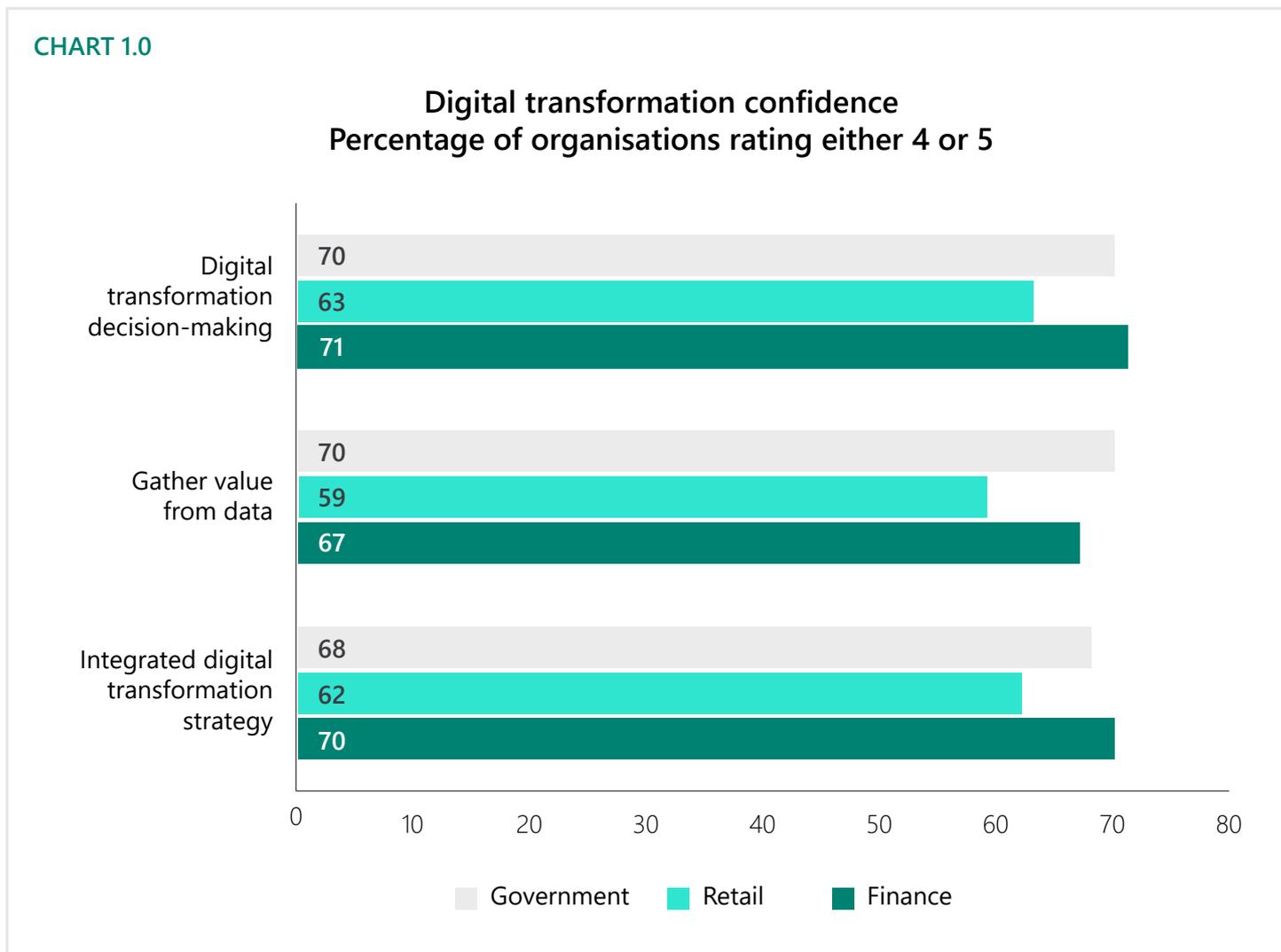
The truth about digital transformation strategies

Australian organisations have a high degree of confidence and ability in their digital strategies. Of the 505 medium to large organisations surveyed across a variety of sectors, **69 percent** rated themselves either a four or five (out of five) in terms of how well integrated their digital transformation strategy was.

Furthermore, **68 percent** rated themselves either a four or five (out of five), as to how well their organisation gathered value from data.

As a result, it's logical to deduce that organisations believe they are making good digital transformation decisions. Confirming this, **72 percent** of organisations said they were, rating themselves either a four or five (out of five).

Chart 1.0 highlights the view across our three core industries.



1.0 Are we truly integrated?

The truth about digital transformation strategies

Data falling short of delivering digital outcomes

This confidence however is short-lived. When asked about data sharing, just **28 percent** said they had a company-wide data sharing strategy. In fact, more organisations (**30 percent**) said they shared little to no data at all.

As a result, there is a profound effect on the ability to intelligently using data across four major digital transformation goals, those being:

- Engaging customers
- Optimising operations
- Empowering people
- Transforming products

CHART 1.1

Maturity in intelligently using data



2. The net score was calculated by subtracting those who rated their ability at 0-6 from those who rated either a 9-10.

1.0 Are we truly integrated?

The truth about digital transformation strategies

Respondents were asked to rate their maturity in intelligently using data across the four goals on a scale of zero to ten, producing a **'Net Data Intelligence Score'**². When the four digital transformation goals are viewed through this lens, only 'engaging customers' manages to score positively with a net overall score of **2**. The four outcomes scored as follows:

The industry picture presents a more telling view, highlighting major issues across two of the three. While finance performs relatively well, retail and government organisations are struggling to intelligently use data across these four goals.

But when it comes knowing what's important right now and how effective organisational performance is. Just how well are they doing?

CHART 1.2

Maturity in intelligently using data across industry

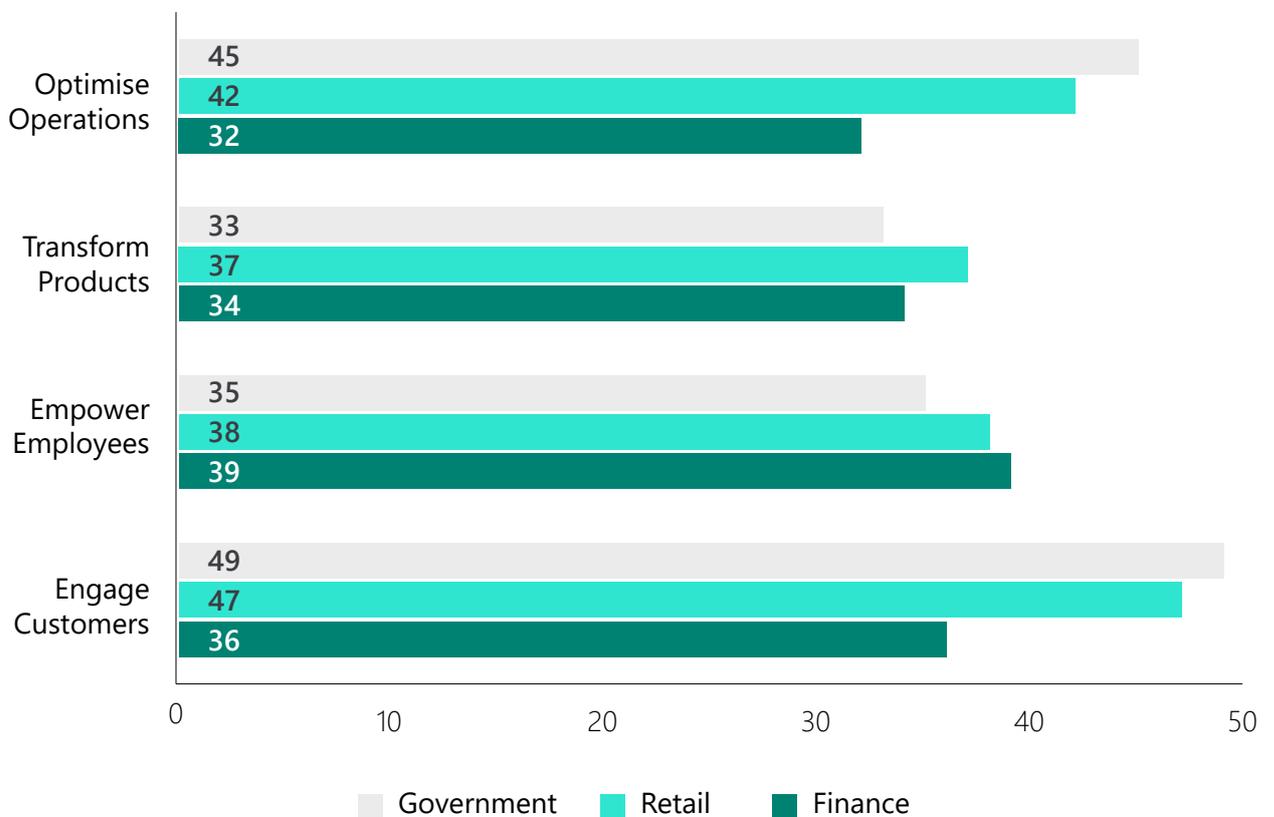


2.0 Digital Transformation Priorities and Performance

Extending the four digital transformation goals further, we looked at their importance to organisations both now and in the future. In addition, we considered how well they were performing against these goals, while also delving deeper into some of the specific sub-initiatives that sit within them.

CHART 2.0

What's most important to organisations now and into the future



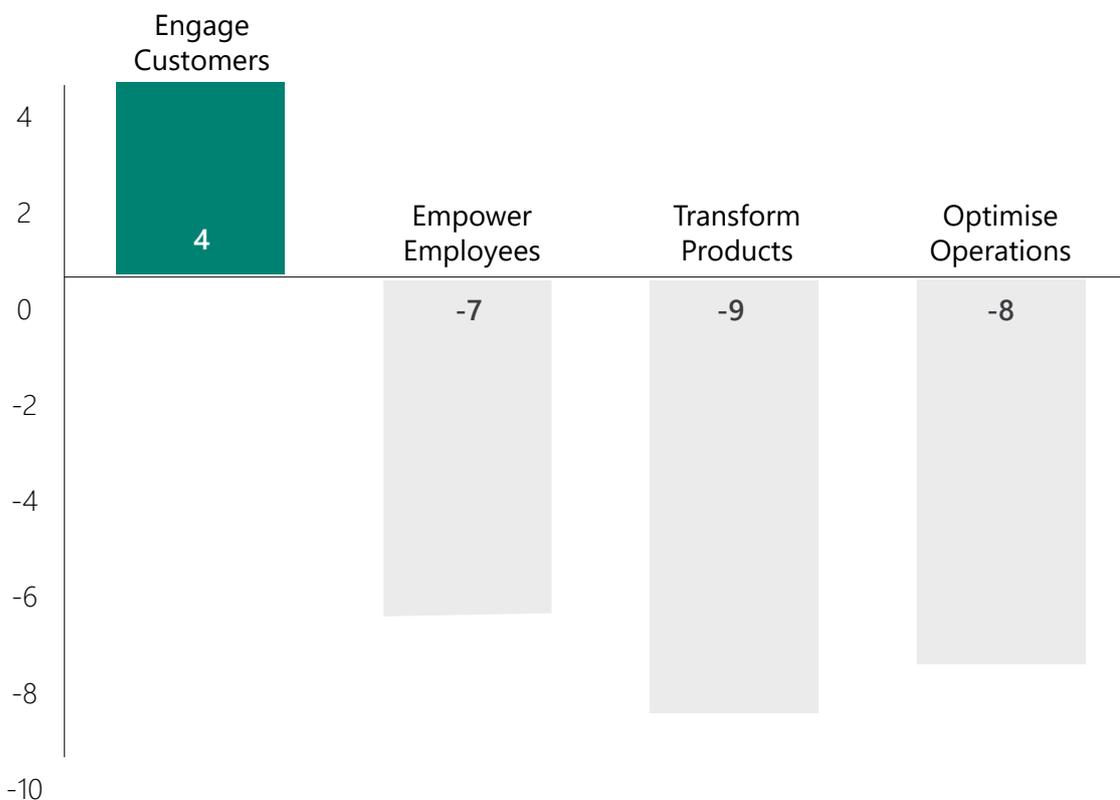
2.0 Digital Transformation Priorities and Performance

As noted, customer engagement was the only goal to achieve a positive score for using data intelligently to help understand it further. So, it comes as no surprise to highlight that it's the most important outcome for organisations, both now and in the future³. What's interesting however is the slight variations seen across the three core industries.

Within the finance sector, we see a differing priority emerging, that of empowering employees. While in the retail and government sectors, 'optimising operations' ranks as a higher priority than in the finance sector. Is the finance sector now focused on making sure the backend supports the investments to deliver at the front end?

CHART 2.1

Current organisational success in delivering against each outcome



3. Respondents were asked to rank a series of 20 outcomes across the four digital transformation goals. This ranged across six different options from 'not important now or in the future through to extremely important now and in the future'. The graphic related to this question above (chart 2.0) highlights the percentage of those who answer 'extremely important now and in the future'.

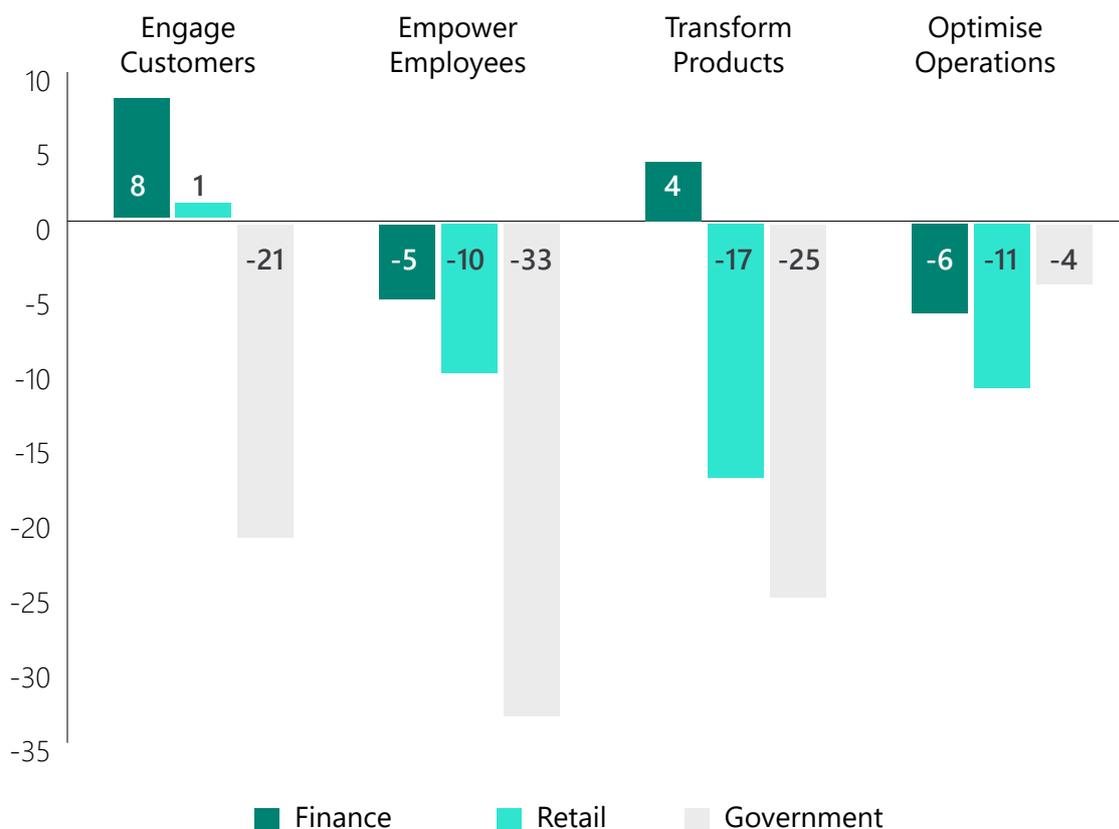
2.0 Digital Transformation Priorities and Performance

However, successful delivery against all four digital transformation goals was relatively poor. Again, respondents were asked to rate successful delivery on a scale of zero to ten, with a 'net success score' produced for each. As seen in chart 2.1, engaging customers was the only outcome to achieve a positive 'net success score'. Mirroring the results for intelligent data use.

The industry picture paints a picture of misplaced confidence, particularly in the retail and government sectors. Finance performs strongly for 'engaging customers' and well for 'transforming products', with some further work to be done on the other two goals.

CHART 2.2

Organisational success against outcomes per industry



2.0 Digital Transformation Priorities and Performance

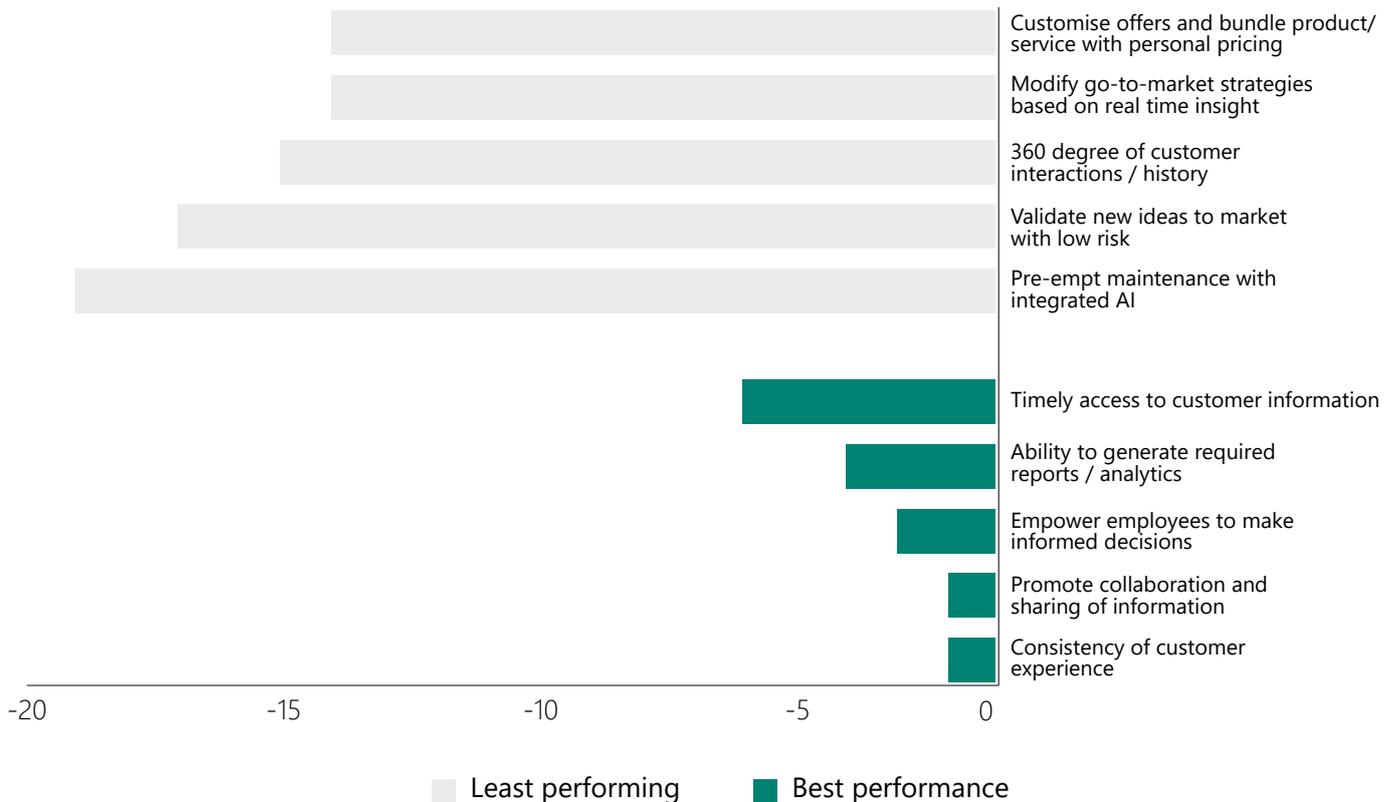
Delving deeper into the specifics that sit within each of the four goals, respondents rated 20 outcomes according to how well their organisation was currently delivering on them. Once again, this was done on a scale of zero to ten with a 'net outcome success score' calculated.

Perhaps dishearteningly, not one outcome scored positively across the entire 20. This was different however when analysed by industry. The overall top and bottom five scores are highlighted in chart 2.3 below.

The strong connection with customer engagement and the associated performance of the organisational outcome lends itself to deeper investigation. Our next section provides deeper insight into the types of CX projects organisations are focused on. It also highlights some of the barriers that exist, along with an assessment of how well they think they're performing.

CHART 2.3

Highest and lowest performance scores by business outcome



3.0

The customer is still King

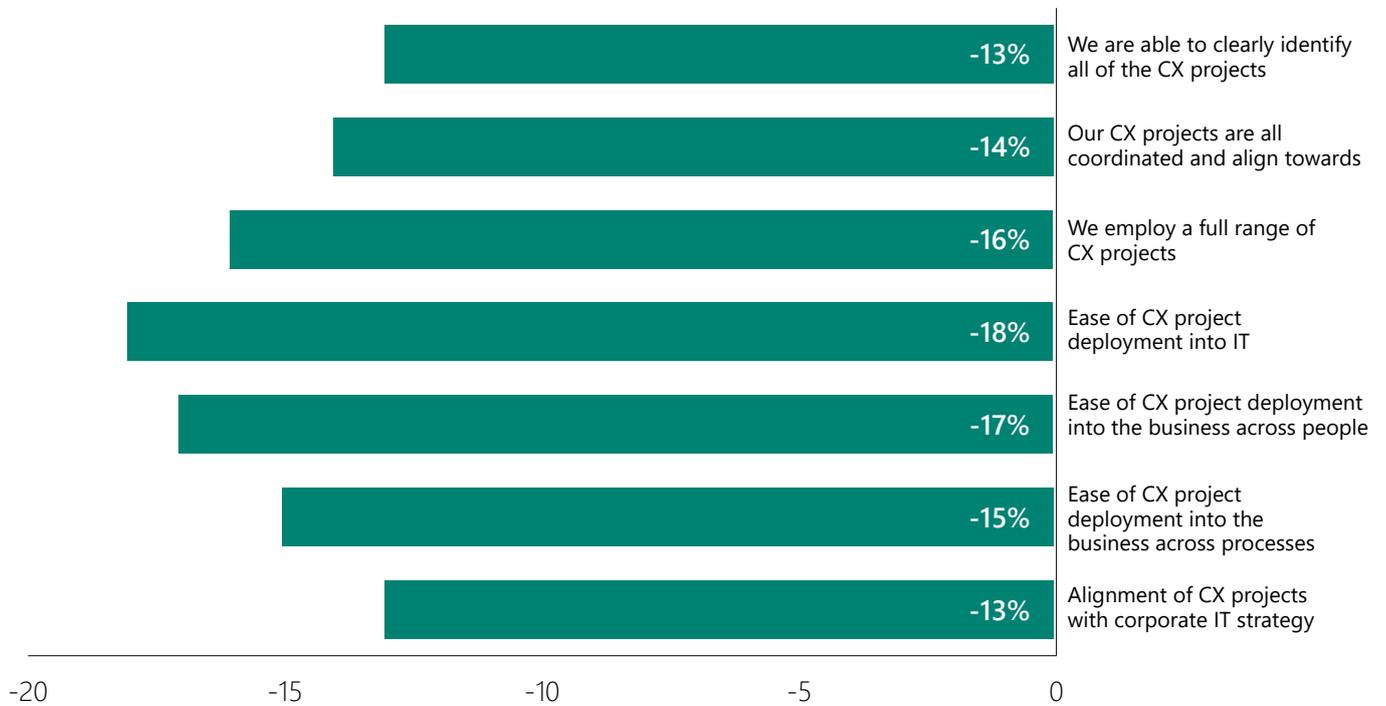
But what do the insights mean for customer experience specifically?

Customer engagement scored positively from both a data intelligence use, as well as relative organisational performance success. And while there is still work to be done across all four digital transformation outcomes, that doesn't mean organisations are being complacent about CX.

When asked about what percentage of digital transformation projects were focused on improving customer experience (CX), **44 percent** said that between 60-100 percent were for just that. Within government, this was significantly higher at **55 percent**. To understand CX initiatives more deeply, we looked at the challenges organisations faced, where they need help and how they're currently performing on a range of CX outcomes.

CHART 3.0

Organisational ability to manage CX projects by 'net challenge score'



4. Organisations were asked to rate themselves on a scale of 0-10 in relation to how well they were able to manage some customer experience challenges. The 'net challenge score' is calculated by subtracting the number of people who rated themselves 0-6 from those who rated themselves 9 and 10.

3.0 The customer is still King

But what do the insights mean for customer experience specifically?

Customer experience challenges

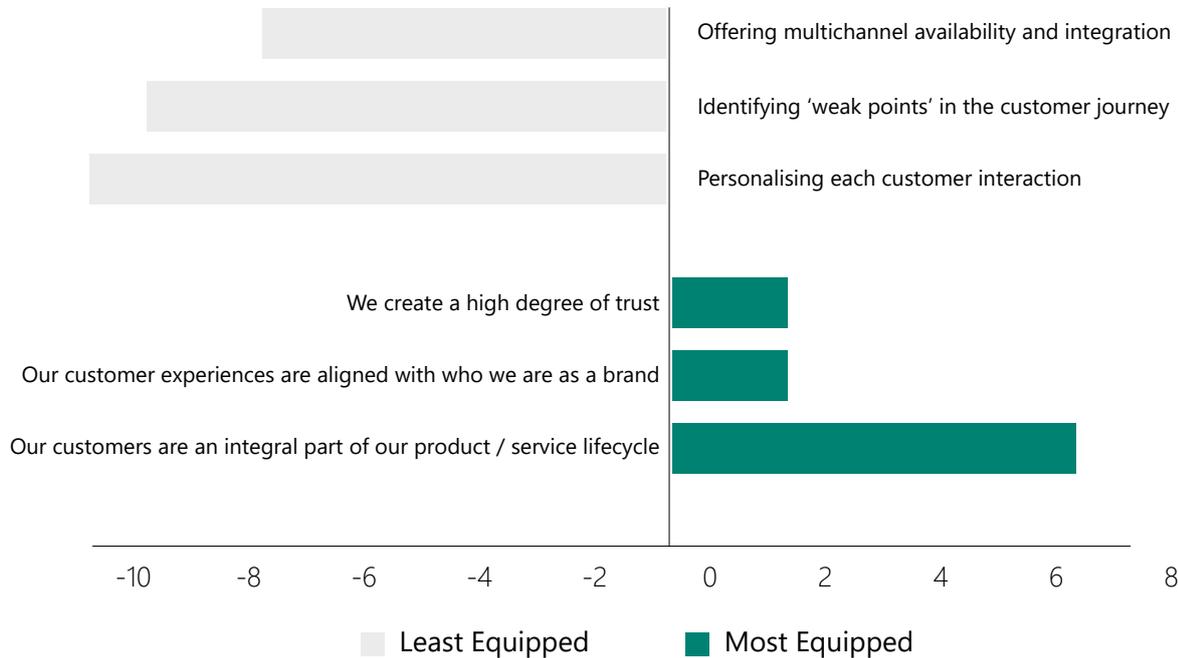
While there is focus on the customer experience, it doesn't mean challenges in the delivery don't exist. Again, by calculating the 'net challenge score'⁴ it highlights that regardless of industry, Australian organisations are struggling with everything from 'being able to clearly identify all of their CX projects', through to the 'alignment of CX projects with the corporate IT strategy'.

What CX initiatives do organisations need help with?

Again, respondents were asked to rate (on a scale of zero to ten), how well equipped they were to deal with a raft of current customer experience initiatives. We've identified both the areas where they feel most equipped and where they may need help, producing a 'net readiness score'⁵ in chart 3.1 below.

CHART 3.1

How well equipped organisations are to deal with CX initiatives by 'net readiness score'



4. Organisations were asked to rate themselves on a scale of 0-10 in relation to how well they were able to manage some customer experience challenges.

The 'net challenge score' is calculated by subtracting the number of people who rated themselves 0-6 from those who rated themselves 9 and 10.

5. 'Net readiness score' is calculated by subtracting the number of people who rated themselves 0-6 from those who rated themselves 9 and 10.

3.0 The customer is still King

But what do the insights mean for customer experience specifically?

How does this affect the performance of customer experience outcomes?

Given the relative success of engaging customers across the four digital transformation outcomes outlined, Australian organisations are achieving successful outcomes specific to customer experience.

Respondents to the study we asked to rate their organisation's performance to date in undertaking and delivering across nine different CX outcomes, the results of which are outlined in chart 3.2, viewed through a 'net customer experience performance score'.

CHART 3.2

Net customer experience performance score

	NET Score	Financial Net Score	Retail Net Score	Government Net Score
We collect and analyse feedback from customers and staff, using it to make changes and improvements	3%	7%	-7%	2%
We analyse data captured from our tools and systems to make changes and improvements	-4%	-1%	-15%	-4%
We have implemented an advocacy index such a NPS (Net Promoter Score) or CSAT (Customer Satisfaction Score) to drive changes and improvements	-5%	8%	-15%	-8%
We design the customer journey based upon the experience a customer would expect, rather than what's easiest for our organisation	0%	3%	-5%	0%
We act as a single entity, providing a consistent, complete, timely and reliable customer experience	2%	7%	-7%	4%
We are open and transparent with our customers, creating a high degree of trust	8%	10%	-1%	0%
We create personalized customer experiences to provide superior customer experiences	-5%	3%	-20%	-6%
We empower our employees to take ownership of the customer to deliver great experiences	-2%	5%	-13%	-4%
We plan for and design experiences based on what a customer wants from us	-1%	-1%	-9%	-2%

3.0 The customer is still King

But what do the insights mean for customer experience specifically?

Despite these efforts however, the harsh reality is a significant proportion of CX projects are failing.

Thirty-seven per cent said that between 20-40 per cent or more of their projects had failed. Furthermore, this translates into significant wasted dollars – 17 per cent identified they had thrown between \$250,000 and \$500,000 or more on failed projects down the drain. And organisations aren't beating around the bush when it comes to the reason as to why these projects have failed. Leading the way is 'customer resistance to change'.

Where next?

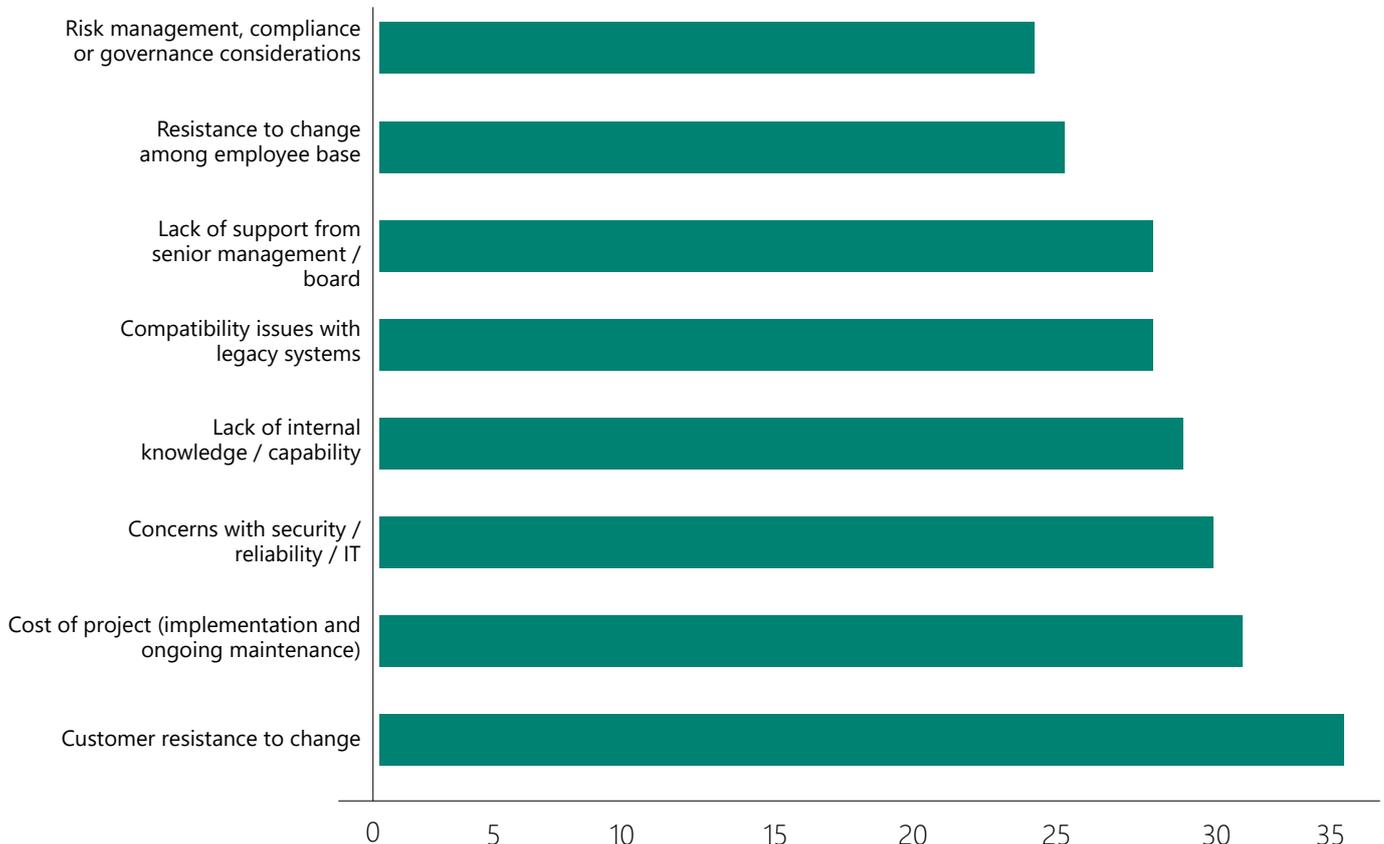
The study has clearly shown that while organisations think they're on the right track with digital transformation, outcome performance tells quite a different story. But what does this mean for your organisation and what are the steps you can take to identify your own journey?

We understand that outlining results by industry and business size doesn't always translate into the reality of what's going on inside your own organisation.

Taking things a step further, we've broken the study down by customer behaviours and trends (regardless of industry, business size etc...) to identify four stand-out segments that will help you understand if you're on a similar path. They could help you pinpoint what exactly you wish to achieve and the type of support you may need to get there

CHART 3.3

Why customer experience projects fail



4.0

Your journey

Understanding your requirements to deliver digital experience outcomes

Whether you're part of the 72 per cent of companies still in the exploratory stages of your digital transformation journey. Or if you're part of the 28 per cent of those that have a digital-first approach, then our view of the different types of clusters that exist will help you to understand where your journey could head next.

We've identified a series set of patterns and behavioural trends that align organisations into four specific groups.

For each segment, we've defined a set of unique characteristics that bring these organisations together. It ranges from what they're looking for to take their business to the next level, to high level firmographic information that can help you identify if your business aligns with one, or perhaps more than one of these profiles.



Optimised Experimenters



Structured Traditionalists



Late Bloomers



Established Enthusiasts

Optimised Experimenters



Fear of failure is not a consideration for the Optimised Experimenters.

They've learned to fail fast and report significant digital transformation success across their business accordingly. Their digital transformation strategy is integrated and their decision-making, decisive. And they have the results to back this confidence up.

They're typically 'lean' but not necessarily a 'younger' business; it's a mixture of established and youth. Companies in telco and pockets of government exhibit Optimised Experimenter behaviours. One of which is a stringent regulatory environment. Perhaps their efforts to optimise digital are driven by necessity. They innovate and invest to differentiate in a competitive, controlled industry.

This mindset has created an enviable digital platform, where their ability to extract maximum value from data is high. They have an inherent confidence in their digital infrastructure that encourages experimentation to optimise their products and processes even further. They have also created a high degree of trust and their customer experience projects are well coordinated and deployed successfully into IT. They understand their weaknesses, identifying means to improve, with a strong focus on optimising operations.

Getting on the right pathway – your next steps

Optimised Experimenters already have a strong digital transformation platform. Here are the three things to consider when choosing a digital transformation partner:

1. Despite being digitally mature, choose a partner that can take you to the **next level**. Consider a one that's bold, comes up with new ideas and is willing to take a risk
2. And if things don't always go to plan, make sure your partner is **flexible** enough to deal with change and scope mid project if needs be
3. Finally, make sure they have the **expertise** to deliver what you want – providing you with new options to expand on an already successful base.

Key stats

- Optimised Experimenters report an average of 27% of customer experience projects have failed within their organisation.
- 66% of Optimised Experimenters rate digital transformation integration as five out of five, 'extremely well', and 74% report digital transformation decision-making is implemented 'extremely well'.
- 53% of Optimised Experimenters rate their industry's regulatory environment as the most stringent possible, 25 points higher than the other segments.
- 71% of Optimised Experimenters rate their organisation's ability to gather value from data as highly as possible. (5/5 'Extremely Well').
- Optimised Experimenters over-indexed on their preference for 'the ability to customise' and 'knowledgeable staff' when ranking considerations for choosing a new partner.

Late Bloomers



Late Bloomers are at the beginning of their digital transformation journey.

They're cautious, investing the least in customer experience projects and even say they will decrease spending over the next three years. Not a great start for those who are playing catch-up.

Unfortunately, they see significant challenges in their ability to integrate digital transformation across the business, as well as in their level of digital transformation decision-making.

Yet, despite this, Late Bloomers have had some success in engaging customers (relative to other outcomes) and feel they are progressing somewhat in terms of employing a full range of customer experience projects.

However, their confidence hasn't yet translated into digital transformation success. By and large, successful projects seem to be smaller, individual trials or proofs of concept. Late Bloomers find the most difficulty in having a strategy in place for designing customer experiences, implying the range of customer experience projects they implement are neither consistent or strategic.

This lack of direction is often apparent. The group noted challenges with standardising and scaling products and services, perhaps influenced by their difficulties in analysing data to make changes and improvements.

Getting on the right pathway – your next steps

The Late Bloomers are at the very start of their digital transformation and customer experience journey. Here are the three things to consider when choosing a digital transformation partner:

1. **Credibility, trust, and reputation** are vital to you. So, do your homework and select a partner that can prove to you they've done it all before.
2. **Integration with existing legacy systems** is another deal breaker. Make sure your chosen partner has the right expertise and experience to work with you existing assets.
3. **Finally, consider a partner that can take** a whole view of your business **and develop an overarching digital transformation strategy for you that binds your projects together.**

Key statistics

- 43% of Late Bloomers invested less than \$100,000 on customer experience projects in the past year and 34% say those figures will stay the same or decrease in the next three years.
- 55% of Late Bloomers rate their ability to integrate digital transformation across the business at moderate (3 out of 5) or worse, and 54% rate their digital transformation decision-making at moderate or worse.
- The Late Bloomers saw the second highest rate of failed customer experience projects (23%), and the lowest proportion of digital transformation projects focused on the customer (50%).

Structured Traditionalists



Structured Traditionalists never saw a risk they weren't averse to.

Generally from the bigger end of town, they have significant numbers of sales and customer service staff, and are likely to be more than 20 years old. They often come from industries including retail, healthcare, and professional services.

While they registered low levels of failed customer experience projects, investment is also low. And will remain so.

It comes as little surprise they lack an integrated digital transformation strategy - citing cost of implementation and a lack of relevant internal skills as big barriers. But they retain a strong emphasis on engaging customers and empowering employees, even if their approach is less focused on digital solutions.

You'd consider these guys the 'old school'. Organisationally strong, bureaucratic and process-driven, which may mean they've created siloes of information. Consequently, they struggle with customer experience approaches that require more stringent use of customer data. Benefits like personalised customer interactions, product transformation, and multichannel availability remain distant – and their lack of extracting value from data means they are poorly equipped to identify weak points in their customer journey.

Getting on the right pathway – your next steps

Structured Traditionalists understand the value of customer experience, and have some background in implementing digital transformation at an organisational level. Here are the three things to consider when choosing a digital transformation partner:

1. Being risk averse means you need a partner that can move at your pace, providing a **credible, reliable** solution that **emphasises value for money**
2. Make sure they can show you they've done it before too with **actionable proof** of working on like for like projects
3. Finally, to complement your team internally, make sure your chosen partner has the **depth and breadth of skills** you need to make your digital transformation project a success.

Key statistics

- More than half of Structured Traditionalists (52%) expect spend on customer experience improvement projects to increase by less than 10%, and 27% expect it to stay the same or even decrease.
- 29% of Structured Traditionalists rated the integration of their digital transformation strategy into their business as moderate (3 out of 5).
- Structured Traditionalists believe the overall importance of engaging customers is extremely important (54%) alongside the overall importance of empowering employees (50%).
- Only 18% rate their ability to gather value from data as extremely well (5 out of 5).
- 36% of Structured Traditionalists believe customer experience projects fail due to customer resistance to change – the most cited challenge

Established Enthusiasts



Established Enthusiasts are largely successful organisations with a good understanding of the importance of both digital transformation and customer experience. They've invested strongly in customer experience projects and expect that to increase in the coming years. But despite the enthusiasm, there is evidence digital transformation and customer experience projects may remain somewhat separate.

A majority report no overall data sharing strategy and issues with data integration into a single platform, leading to being less adept at gathering value from data. As such, they need help with visibility into customer interactions, customer experience deployments into IT, customer personalisation, and the ability to analyse customer opinion across multiple sources.

These difficulties are exacerbated by a lack of internal knowledge and the common established organisation focus on efficiency. Customer experience projects are generally well coordinated, but the cohort identified issues with IT implementation.

Despite challenges, they show a low rate of customer experience project failure, likely due to the established nature of these firms. They primarily hail from the established financial services, retail and media industries.

Getting on the right pathway – your next steps

Established Enthusiasts report a low level of customer experience project failure. Here are the three things to consider when choosing a digital transformation partner:

1. Gaining customer experience outcomes is vital, so choose a partner who can help you gain **customer data visibility, analysis, and value extraction** to provide you with the full picture.
2. Pick a partner that can **educate you**, assist you with training, while also provide value through cost-efficiency.
3. You need a partner with the ability to **integrate into your legacy systems**, but at the same time, someone who's able to show you what's possible beyond the realm of your current operations.

Key statistics

- Established Enthusiasts report an average of 59% of digital transformation projects are focused on improving customer experience, with 47% expecting their organisation's total spend on customer improvement projects to increase by more than 11% in the next 3 years.
- 70% of Established Enthusiasts report that they don't have a company-wide strategy that ensures data is shared across the business.
- 35% of Established Enthusiasts say they gather value from data extremely well, compared to 71% of Optimised Experimenters.
- 30% of Established Enthusiasts note that their customer experience projects are generally well coordinated aligned across the business, but a similar figure (30%) rated ease of project deployment into IT was low (0-6 out of 10).

Contact us:

If you'd like to know more about this study and the trends identified, or even understand how Microsoft could help you on your digital transformation journey, please contact us: 1800 765 138