



Not Just for the Kids

Too many directors are still struggling to understand the need for an integrated physical and digital strategy. Criticaleye finds out how knowledge gaps are being filled and what progressive boards are doing to gain a single view of the customer

Directors may say they're committed to making organisations smarter about how information is captured, disseminated, analysed and proactively used to drive insight across multiple customer channels, but how many fully grasp what needs to be done?

Holes in customer strategy are easy to spot. Just try some old fashioned mystery shopping and in all likelihood you'll find conflicting phone numbers, broken URLs, inconsistent pricing, blind alleys and unintelligible instructions. It's confusion as opposed to convergence because nobody is taking the lead.

Moves are underway to improve knowledge and awareness. It's interesting to see the emergence of 'digital natives', 'shadow boards' and 'reverse mentoring', whereby those who lack seniority but

understand technology discuss fresh ideas with executive and non-executive directors alike on how a business can connect and collaborate more effectively with customers.



There's nothing wrong with these measures per se, but doubts remain about whether they will get to the heart of the matter. [One report last year canvassed 1,709 CEOs](#) globally and 72 per cent of the respondents said they needed to both improve their understanding of individual customers and their response time to marketing needs.

The findings suggest there are systemic problems which businesses have to address. These range from marketing and the use of data, to cultural resistance and the skill-sets needed to be successful, including the competency of the board (for many British businesses, it's becoming that serious).

It's no coincidence that the organisations which are evolving radically by integrating channels have buy-in from a digitally savvy, highly motivated and passionate board of directors. As **Bill Payne**, General Manager of Customer Experience and Industries at IBM, says: "It's not a generational thing – it's a vision thing."

Over the following pages, find out how the rules of engagement have changed – and will keep changing – given the power now lies with the customer.



Simon Johnson
Group MD, UK & Int.
HarperCollins

“Anybody who produces a product today is going to be... impacted by digital”

Data that falls into the right hands and which is used properly can be incredibly powerful. Unfortunately, many people have lots of data and either don't use it properly, don't use it at all, or draw conclusions from it that can be quite dangerous.

I started my career as a mathematician at an investment bank, a so-called 'quant', building mathematical models with data sets for the purpose of valuing complex financial products in order to help traders make better decisions and quantify risk on a portfolio.

A few years ago, when we saw how HarperCollins' digital business was starting to explode, I thought it might be fun to try and recreate that sort of skill-set in a media company, to see if we could draw any meaningful conclusions from our data. So we built a team of data scientists to look at data around pricing our e-book catalogue.

I now have a team of PhD mathematicians who put code together, manage big data sets and are engaged with the board so they understand the context of the data, and they use that to provide recommendations on how we should price our catalogue on a real-time basis. My initial conclusion is that it has been incredibly powerful in terms of the insights we get around our products and I think that we are really scratching the surface of what those types of skills can bring.

The media industry is at the forefront of change, providing clues for how many other industries will in time also be disrupted by technology. The questions are universal – the way that we distribute our workforce, the way that younger generations communicate with each other, the way we learn about new ideas and products and then buy them, indeed, anybody who produces a product today is going to be in some way, probably fundamentally, impacted by digital.



Bill Payne
GM, Customer Experience & Industries
IBM

“Buzzwords are used but without any real understanding or feeling”

Frankly, the level of understanding – is it ignorance? – among directors on some British boards is disturbing. Phrases and buzzwords are used but without any real understanding or feeling for what it is to build a multichannel business.

Their organisations are not joined-up at the customer interface. It's very easy for someone to say they 'get it' but that's not good enough. The lack of passion is profound and very few are looking at the absolute necessity of owning the end-to-end customer experience.

What does this 'ignorance' mean in layman's terms? Well, how about a company with bricks and mortar, web, mobile, contact centre and social customer contact all run by different parts of the organisation? Increasingly we as consumers are channel agnostic so why don't companies 'get' that we want them to be the same? Time and again I hear people talk about

a 'multichannel/omnichannel strategy' but when you take a closer look, lo and behold, the channels are not integrated.

In the emerging markets and the US, people are more savvy about realising the importance of rolling-out technology quickly – as opposed to through achingly protracted IT cycles – or are proactive in addressing legacy issues.

Shadow boards, digital natives – for me, these are somewhat ridiculous and obscure distractions. It's another example of leaders living in denial about why they have to be the agents of change. It's not a generational thing – it's a vision thing.

There's something beautiful about the pace of innovation and new technology. The ugly side is the disruption to traditional business models, but you need to be absolutely clear that this upheaval is necessary because it's all being led by the customer.



Peter Horrocks

Director

BBC Global News and World Service

“Convince via data... and create a culture that can transform”

If boards aren't fully grasping everything digital, it's not necessarily a generational issue. I'm in my mid-50s and I'm a digital enthusiast, so I think it's more about attitude and people's preparedness to change.

For example, when we were first encouraging BBC news correspondents to blog on our website, there was this eureka moment when a journalist discovered that a member of the royal family had consumed a piece of news about the royal family on the BBC website. The journalist had previously been quite reluctant about blogging but suddenly realised this was a great way to make sure stories are noticed and for developing a relationship with the audience.

Organisations can use different channels to reinforce each other. It's not about new replacing old because traditional channels are important too. BBC television and BBC radio are still more

important than BBC online; make them a mutually reinforcing system and you build success. The key steps are: convince via data, build early successes and create a culture that can transform.

Furthermore, I don't think there needs to be a digital native on the board. You need enthusiasts, of course, and I think it's important for those people to take some decisions within organisations, perhaps by creating innovation funds which they can use to get on and do things, make some mistakes and experiment.

It's slightly unrealistic to say that you could have an alternative management structure. There should always be clear, single accountability at the top of organisations. And for digital to be truly successful it's got to be integrated into the existing business.

If it's just seen as a calamity or as cannibalising the organisation then it could become quite self-destructive.



Cath Keers

Non-executive Director

Telefónica O2 Europe

“It's about understanding the pace of change that digital brings”

The more we can engage boards into living their life with technology, the better. Just using iPads in board meetings has helped in terms of people engaging with technology and demystifying it. And most boards will go out and talk to store managers or they'll talk to people in the call centres or actually engage in social media, listening to what people are saying.

I would be in favour of anything that would help boards understand the consumers and businesses they serve, whether that's through using digital natives, shadow boards or just getting people to use it more and putting them in situations where they're with customers, so they can see how they use it. This will allow them to debate digital in a more informed and constructive way.

But it's not just about understanding digital, it's about understanding the pace of change that digital brings and the

way in which consumers and businesses look at technology. We have a division called 'Giff-Gaff', which is completely run by its customers. They answer each other's inquiries and build marketing campaigns, then when policies are put forward, such as why prices have to be raised, there are discussions about what people think.

However, businesses need to be careful with customer data. Some customers will feel very strongly that it is their data and they will want trusted brands to protect it; others will feel quite comfortable letting people use their data as long as there is a transfer back of value.

Part of the digital revolution is the fact that businesses need to understand they have to build a strong relationship with consumers, so they are trusted to do the right thing with their information.



Debbie Hewitt
Non-executive Chairman
Moss Bros Group

“A data system which gives a business one view of the customer is critical”

A good multichannel strategy reflects the different segments that customers can be grouped by, and the product preferences within those segments.

It offers a seamless link between one channel and the other and so a data system which gives a business one view of the customer is critical to a successful multichannel strategy, as is a delivery system which reflects those individual preferences. There are good examples of businesses excelling at the selling part but the delivery aspect can be much more taxing – it is certainly an area where margins start to erode if the model isn't effectively thought through.

There can be a generational problem with boards. It's the challenge of attracting directors who are experienced enough in business, but who also have the curiosity and are sufficiently exposed to communications beyond email, to grasp what is

happening. It doesn't have to be every board member – but it has to be a sufficient number to challenge how the business model evolves, the skills and investment needed to make the change and the risk management required in a more digitally oriented world.

Every business, no matter how remote it might feel, is being impacted by digital, even if it's just the way it uses data and the way it is exposed in terms of the security of its information.

I've seen digital natives appointed and also shadow boards used as a way to supplement a board's digital skills. Both can work and provide a way of getting all directors up to speed on the trends and also in thinking differently about how a business might develop. I've also heard of businesses doing reverse mentoring, where less experienced people, who have very knowledgeable digital skills, coach those who are more experienced and senior. It seems like a win-win to me.



Jason Keane
CEO
Saffron Digital

“The skill comes in knowing how to get a return on investment”

What we tend to find, especially with retailers, is that they are asking whether they should be investing in digital, because providing a direct-to-consumer entertainment experience across connected devices is very different to the economics of selling DVDs off the shelf.

Without a doubt you need a digital tsar who not only understands the digital channel but also the existing channels and where the business today is very successful.

For example, in retail it would be somebody who understands both bricks and mortar and the digital space – the skill comes in knowing how to get a return on investment from digital.

That's where digital leadership really comes into its own, because it is essentially just a series of data points from which you can track the customer's online journey. So you can

actually present an ROI based on things like the lifetime value of that user and their daily consumption activities. And the digital guru's job in most companies is essentially to demystify the complexity of investing in a digital ecosystem in order to address new market opportunities.

I have been that digital guru before in a previous company, where I was appointed to develop a digital arm of the organisation's existing business. It was my job to come in and say, 'We have a fast-growing demographic that's 25 and younger which expects to be able to consume our content on demand on any connected device, anytime, anywhere and we need to address this with a coherent digital product strategy.'

It was from here that we built out the division's first digital platform in-house to provide rich online video experiences to address that very audience successfully.