

The 5 key drivers of digital transformation today

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RESUMEN (ENGLISH)

Building on this theme, Greg Van den Heuvel (@VdHGreg), COO of Software Solutions at Pitney Bowes, shared insights from their research which indicates that 73 percent of customer prefer to do business with brands that personalize their shopping experience and 80 percent of customers express frustration when their identity and current actions are lost when switching between channels. Brian Hopkins, VP and Principal Analyst at Forrester outlined the stakes by elaborating on the reality that "digital predators" are changing markets all around us and are leveraging the power of technology to drive customer expectations to new heights. Digital transformation means business transformation It's Forrester's view that most digital transformation efforts are too timid and that enterprises need to recognize that evolving to a true digital value proposition isn't just about digital, but requires in many cases a re-invention of major portions of the business including core technology systems, operating processes and business models. Nigel Fenwick, Vice President & Principal Analyst, offered a definition of digital transformation meant to emphasize this scale and scope, "Digital transformation is a fundamental shift in how a firm delivers value and drives revenue." David Fleischman, VP of Global Product at Expedia provided examples of the long reach of digital transformation, such as the need for Starbucks to redesign the layout of their stores to accommodate the logistics of "order ahead" customers, and the fact that when Hilton wanted to allow customers to unlock doors through their app, they faced not only a software development challenge,...

TEXTO COMPLETO

A few times each year, senior digital executives from around the world assemble at Forrester's Digital Transformation Summit to check in with each other and Forrester analysts to discuss the current state of digital evolution. I was pleased to be invited as a guest to the sold-out event, held in early May in Chicago. For those who couldn't spare the two days, here is a summary of key insights and trends.

While there were updates on familiar themes from prior years, such as Agile practices, the Internet of Things (IoT) and cloud computing, the major shift this year has been a central focus on Artificial Intelligence (AI) across industries and a need for an even more aggressive approach to digital transformation in order to compete. This shift breaks into five inter-related insights.

1. Customer expectations continue to rise

Tyler McDaniel, VP Data Insights explained Forrester's model for the empowered customer, which divides customers into five tiers, from Progressive Pioneers to Reserved Resisters. The empowered customer, according to McDaniel, is increasingly savvy and expects a highly personalized experience, one that is consistent across channels.

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The cause of this rising expectations is fairly clear and Uber, Amazon and Netflix are to blame. Brendan Witcher, Principal Analyst explained, "Each time a consumer is exposed to an improved digital experience, their expectations are immediately reset to a new higher level."

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predators" are changing markets all around us and are leveraging the power of technology to drive customer expectations to new heights. This means digital transformation needs to be a very high priority for legacy companies so as to avoid becoming "digital prey."

2. SPEED is more important than ever

Continuing the theme of avoiding becoming digital prey, many speakers emphasized an ever-increasing priority around speed. As Eric Pearson, CIO of the InterContinental Hotel Group said "It's no longer the big beating the small, but the fast beating the slow."

One of the challenges to achieving the necessary velocity of change, Hopkins described, is one of mindset. Technology change is occurring non-linearly as evidenced by principles such as Moore's Law and Metcalfe's Law, but businesses still "think linearly." In many cases, by the time they have devised a perspective on how to respond to an opportunity or threat, the world has changed by an order of magnitude.

Mark Grannan, Senior Analyst at Forrester invoked the famed quote from William Gibson (who coined the term Cyberspace), who said, "The future is already here its just not widely distributed." And indeed the challenge for many legacy brands is that they struggle to move as rapidly towards the future that digital disruptors have already staked out.

3. Customer insight continues to be essential

Being able to rapidly respond to the expectations of today's empowered customer clearly starts with a strong focus on customer insight. Forrester analyst Andrew Hogan highlighted Jeff Bezos' recent letter to Amazon shareholders, in which he states "Good inventors and designers deeply understand their customer. They spend tremendous energy developing that intuition. They study and understand many anecdotes rather than only the averages you'll find on surveys."

Today, that insight needs to be implemented at several levels - understanding your customer base overall, understanding the needs of individual segments and, increasingly understanding the needs of each individual consumer so that their experience can be personalized.

Achieving this level of insight means not only developing customer intuition and gathering anecdotes, but also leveraging data to continually feed organizations the pulse of our customers. Mary Ransom, GVP of Ecommerce for Bloomingdale's shared with the group the philosophy she employs at Bloomingdale's, which is that in any key decision "data should have the last voice at the table."

4. AI is front and center

There's no question that the fastest emerging priority is AI, inspired in part by the growing popularity of "conversational" interfaces such as Siri and Alexa. Several presenters quoted eBay CEO Devin Wenig (@devinwenig) who said earlier this year at ShopTalk "If you don't have an AI strategy, you're going to die in the world that's coming." In my discussions with many attendees across a wide range of industries, it was clear that the practical definition of "AI" - beyond the sci-fi connotations - is unclear to many.

Fortunately many sessions provided more insight into what practical AI really means today and how enterprises are and can be applying it now. Multiple models for AI interaction were provided, both by several Forrester analysts and guest presenters. However most seemed to be congealing around the same core ideas - that AI systems are really made of five key components:

1. Sensing - components which receive input such as text, voice, image, video or data triggers from systems.
2. Comprehension - components which discern what the data actually means (such as converting spoken language not only to text but to its underlying semantic meaning).
3. Analysis - components which leverage algorithms (rules) and data sets in order to arrive at either some kind of informational response, or to take some action.
4. Guidance, when needed, in which the system checks with humans as to whether its certainty that it has the right answer is high enough or when an action requires confirmation.
5. And lastly Action which may simply mean communicating the "answer" to the user or taking an automatic action such as adding something to the calendar, paying a bill, or firing a missile.

Forrester's Hogan described the future this way, "Today you build apps and sites and expect people to interact with Graphical User Interfaces (GUIs), but that won't always be the case." Instead he predicts more and more AI interfaces will provide natural language inputs and outputs, proactively make decisions on users' behalf and check for errors when tolerance is low.

5. Digital transformation means business transformation

It's Forrester's view that most digital transformation efforts are too timid and that enterprises need to recognize that evolving to a true digital value proposition isn't just about digital, but requires in many cases a re-invention of major portions of the business including core technology systems, operating processes and business models.

Nigel Fenwick, Vice President & Principal Analyst, offered a definition of digital transformation meant to emphasize this scale and scope, "Digital transformation is a fundamental shift in how a firm delivers value and drives revenue."

David Fleischman, VP of Global Product at Expedia provided examples of the long reach of digital transformation, such as the need for Starbucks to redesign the layout of their stores to accommodate the logistics of "order ahead" customers, and the fact that when Hilton wanted to allow customers to unlock doors through their app, they faced not only a software development challenge, but also the challenge of changing tens of thousands of locks at their properties as well as retraining facilities teams on how to properly repair and maintain the new locks. Martin Gill VP, Research Director for Forrester shared a fun and original metaphor about the three key personalities needed for successful digital transformation. There is the risk-taking digital executive who is ready and willing to try (and fail) as needed to achieve victory - who Gill equates to James Bond. Then there is the technical genius who supports the Bond-like digital visionary, who of course is equated to Q, maker of Bond's pen cameras and watch bombs. And lastly there is M (Moneypenny), the oversight function that tolerates Bond's risky approach but also makes sure its focused on the ultimate strategic objectives and demands Bond deliver results.

Despite the fact that we are many years into the digital wave of change, it was clear from both the presenters and the dialogue with attendees that things are only escalating - the stakes are growing faster than ever, the speed of change is getting faster than ever, and for many, the determination to drive large enterprises to the winner's circle of the digital world is more profound than ever.

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