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Driving Design Thinking-led Digital Transformation in Customer Experience (CX)

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Introduction

Increasing globalization and customers' access to information is compelling enterprises to fight harder than ever to keep customers delighted. Even the best product or process innovation stays exclusive or relevant only for a limited time, before it is commoditized and loses the ability to create differentiation for brands. Companies are thus faced with the task of ensuring customer stickiness and brand loyalty. Delivering superior Customer Experience (CX) is one way by which enterprises can create memorable impact and make their offerings stand out from competitors. As customers are the core assets for enterprises, it is imperative to ensure they have a positive experience. In the last few years, the most successful companies have been ones that have focused on customer experience to differentiate themselves even in the most crowded sectors. In fact, these firms have set new benchmarks for customer experience and have become the barometer for what customers should expect in terms of customer service.

At a time of increasing uncertainty in the wake of COVID-19, customer experience has become critical for organizations, as they grapple with challenges on multiple fronts. Managing customer experience, by showing resiliency and the ability to adapt to changing customer expectations, is key to enterprise success, and in many cases, even survival.

Digital has become one of the key components for delivering superior CX. While many enterprises have already embarked on their digital CX transformation journeys, others are looking to start within 12-18 months. However, digital CX transformations are seldom easy and have multiple aspects associated with them, on all of which enterprises need to succeed to drive better outcomes for their customers. Such initiatives require careful planning and a robust roadmap for successful execution. Given the high complexities involved in such transformations, enterprises would do well to follow a design thinking-led approach, which puts customers' needs and pain points at the forefront of any such transformation initiative.

A design thinking-led approach can be used across a digital CX transformation initiative and can help maximize the impact of each component involved in such a transformation. It helps enterprises identify and target actual customer pain points and ensures that the solutions leveraged address the core issues and optimally use the available resources.

This viewpoint helps understand various aspects related to a design thinking-led digital CX transformation approach, including:

- Drivers of growth and key elements of digital in CX
- Reasons for the failure of digital CX transformation efforts
- Outlining a design thinking-led digital CX transformation
- Implementation of design thinking in the digital CX transformation journey

Drivers of digital growth in CX

Everest Group perspective

Digital CX is becoming increasingly important, driven by enterprise needs to meet customer expectations, reduce CX delivery costs, gain insights into customer behavior, and create market differentiation. The wave of digital CX transformation is now sweeping across industries that have traditionally been slow to adapt to change, including healthcare.

What is digital CX?

Digital CX refers to the use of digital concepts, tools and solutions, and high-touch human intervention, as needed, to deliver a fundamentally superior customer experience. It goes beyond leveraging digital channels for interaction and covers all digital touchpoints across a customer's brand journey.

Key imperatives for enterprises to embrace digital CX

Almost 89% of enterprises are adopting digital technologies to redefine their CX strategies[1].
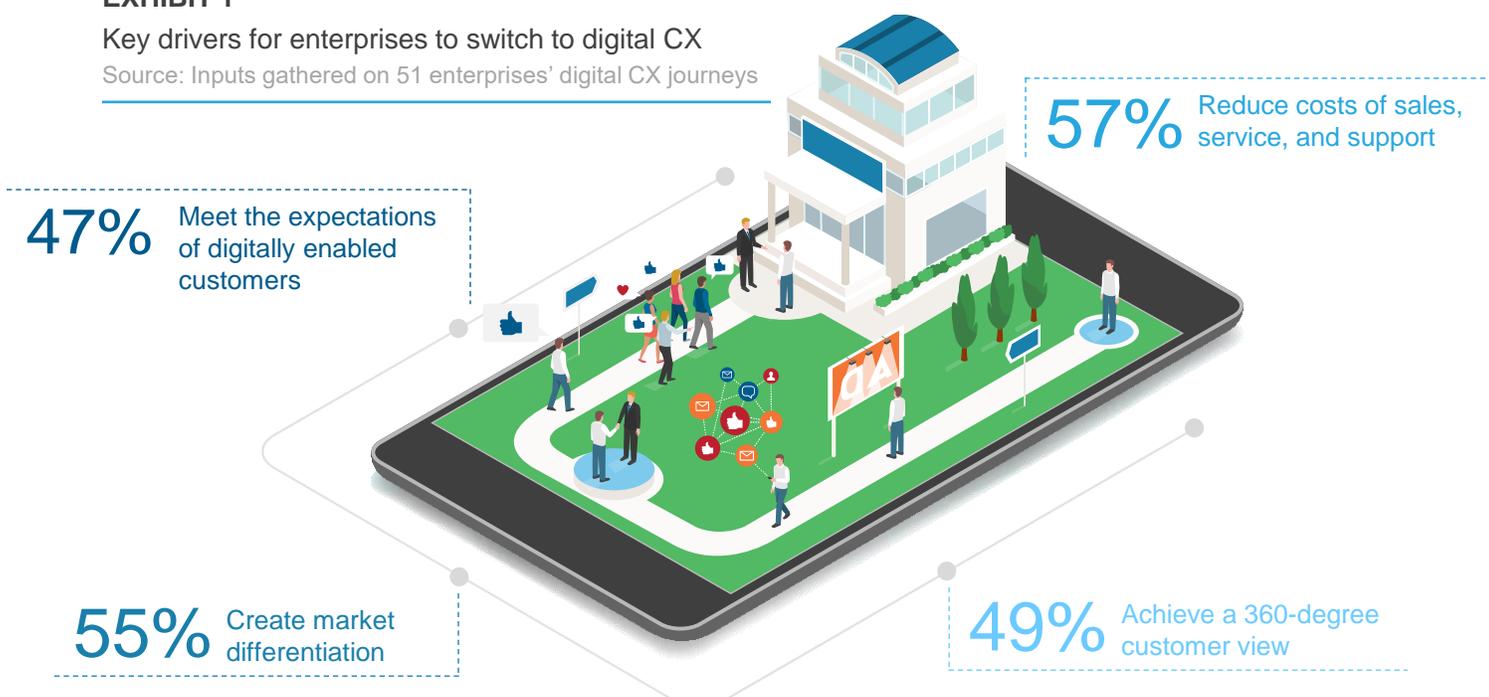
Enterprises globally are grappling with evolving market dynamics, driven by a rapidly developing technology landscape and changing customer behavior. To survive – and succeed – they are prioritizing CX to enable better connect with the customer, all the while bringing down costs for such initiatives.

Exhibit 1 showcases the key enterprise drivers for switching to digital CX.

EXHIBIT 1

Key drivers for enterprises to switch to digital CX

Source: Inputs gathered on 51 enterprises' digital CX journeys

57% Reduce costs of sales, service, and support

47% Meet the expectations of digitally enabled customers

55% Create market differentiation

49% Achieve a 360-degree customer view

1   Based on an analysis of 138 case studies shared by leading ITS providers with Everest Group

Let us take a closer look at each of these drivers:

- **Meeting changing consumer expectations:** With digital-savvy millennials joining the consumer pool, customer expectations are fast evolving. Today's customers expect personalized experiences from enterprises rather than basic customer support, even at the cost of brand loyalty. Enterprises thus need to deliver on parameters such as personalization, emotional connect with the brand, and superior support on customers' channel of preference, all of which can be achieved through digital intervention

- **Reducing CX delivery costs:** Several industries are under immense margin pressures and are looking at digital intervention to compete with new-age disruptors on CX quality without impacting their bottom lines. Removing redundant steps in building and delivering CX, encouraging self-service, identifying customer needs beforehand, and enabling better workforce management are some ways in which enterprises expect digital to help them realize significant cost savings

- **Creating market differentiation:** CX plays a large role in the customer value equation and building differentiation through digital can provide a competitive edge to enterprises. If an enterprise can understand and meet most customer expectations across the entire customer journey, it can create stronger brand loyalty

- **Gaining a 360-degree customer view to offer hyper-personalization:** Digital CX can allow enterprises to capture richer insights on customer behavior through real-time data and advanced analytics. Additionally, by weaving together insights captured through different sources, it helps create a 360-degree customer view. This, in-turn, allows enterprises to offer a hyper-personalized customer experience, which can strengthen the customer-brand relationship further by focusing on individual customer requirements

- **Gathering real-time customer feedback:** Customer experience is as much about gathering feedback as it is about meeting customer expectations. With digital CX in place, enterprises can leverage multiple avenues that customers can use to provide feedback in real-time and interact with the brand regarding their concerns. These inputs can be leveraged to understand customer sentiment, diagnose problems, and, subsequently, improve offerings. This leads to a customer-driven design process wherein customer insights feed into the design process

- **Assessing performance and measuring impact:** Measuring user experience is imperative to understanding the effectiveness of any product/service that users interact with, and design teams must develop the metrics that can measure it. Digital CX provides enterprises with more reliable metrics to track and assess their initiatives and helps them take a more informed approach when designing experiences

Beyond these objectives, digital CX also allows enterprises to stay abreast with the industry's dynamic and rapidly evolving service standards and drives enterprise investment into experiences that customers associate with the brand.

Given these far-reaching implications, digital CX has become a necessity for enterprises to compete in a market where new entrants have challenged even the strongest and largest incumbents. The wave of digital CX transformation is now sweeping across industries that have been slow to adapt to change, such as healthcare.

Why do digital CX transformation initiatives fail?

Everest Group perspective

Most digital CX transformation initiatives are doomed for failure even before they begin due to the absence of a coherent strategy that can identify and address customer pain points. Such initiatives should start with a design exercise that helps answer how such an initiative can resolve key issues. In the absence of such a strategy, most digital CX initiatives will end up as ballooning technology experiments that further add to bottom-line woes.

Challenges in driving digital CX transformation initiatives to success

While the benefits of digital CX are well established, enterprises still struggle to understand the need for such projects and the ability to drive them to completion, which often results in failures. Digital transformation is as much about process transformation as it is about driving a change in the organizational mindset. Enterprises need to keep customer requirements in mind and drive the transformation initiative toward that goal. They need to be nimble to adapt to changing customer demands, irrespective of their current size or success with the traditional product-/process-centric approach. Bringing about this change in mindset that prioritizes customer needs ahead of other objectives is the foundation of any transformation effort.

However, having the right mindset does not alone ensure success. Digital CX transformation initiatives can be quite complex and often involve revamping multiple processes, getting buy-in from various departments, driving a strong culture for innovation led by a supportive management, and overcoming technical challenges due to legacy systems. But chances are, even if they get all the ticks in the boxes, they will still fail.

In Exhibit 2, we take a look at the key reasons for the failure of enterprise digital CX transformation initiatives.

EXHIBIT 2

Top reasons for the failure of digital CX transformation initiatives
Source: Everest Group (2020)

Absence of a customer-oriented mindset

Absence of executive buy-in

Incoherent strategy and disjointed initiatives

Lack of dedicated skill set

Siloed operations

- **Incoherent strategy and disjointed initiatives**
  A lack of clear understanding of customer pain points and the inability to chalk out a comprehensive path that identifies the right solutions push enterprises to retrofit old objectives into new plans, thereby creating more complexities and hindering a clear vision

- **Absence of executive buy-in**
  Enterprises fail to see the Return on Investment (RoI) for experience design and hesitate in establishing an experience practice within the organization

- **Siloed operations**
  The lack of collaboration among different business units within an organization creates silos, resulting in poor user experience

- **Lack of dedicated skill set**
  Organizations lack dedicated talent for design thinking and usually leverage a team of designers rotated across different teams. Enterprises often focus on developing a design team with people specializing in visual design, interaction design, UI/UX, and developer skills

- **Absence of a customer-oriented mindset**
  Enterprises fail to prioritize customer expectations alongside other objectives and end up creating experiences that do not resonate with customers

Thus, before undertaking any kind of digital CX transformation effort, it is vital for enterprises to draw a program design that can answer key questions around customer pain points and help assess how such a transformative project can address them.

Driving design thinking-led digital CX transformation

Everest Group perspective
Design thinking leverages a human-centric approach to customer problems and identifies the best possible solutions through an iterative process that allows enterprises to step into the customer's shoes. It encourages leveraging digital CX solutions that can resolve customer pain points and maximize the impact on user experience.

Why design thinking

Design thinking can help enterprises ascertain where to start and how to go about their digital CX transformation projects. It encourages a fully human-centered approach and can enable enterprises to focus on the desired business and customer outcomes from such transformation initiatives. It can also help define the right problem to solve and offer a wider range of potential solutions that meet user needs. By discovering what people actually want, enterprises can understand and anticipate future, unarticulated needs and align these to their business objectives.
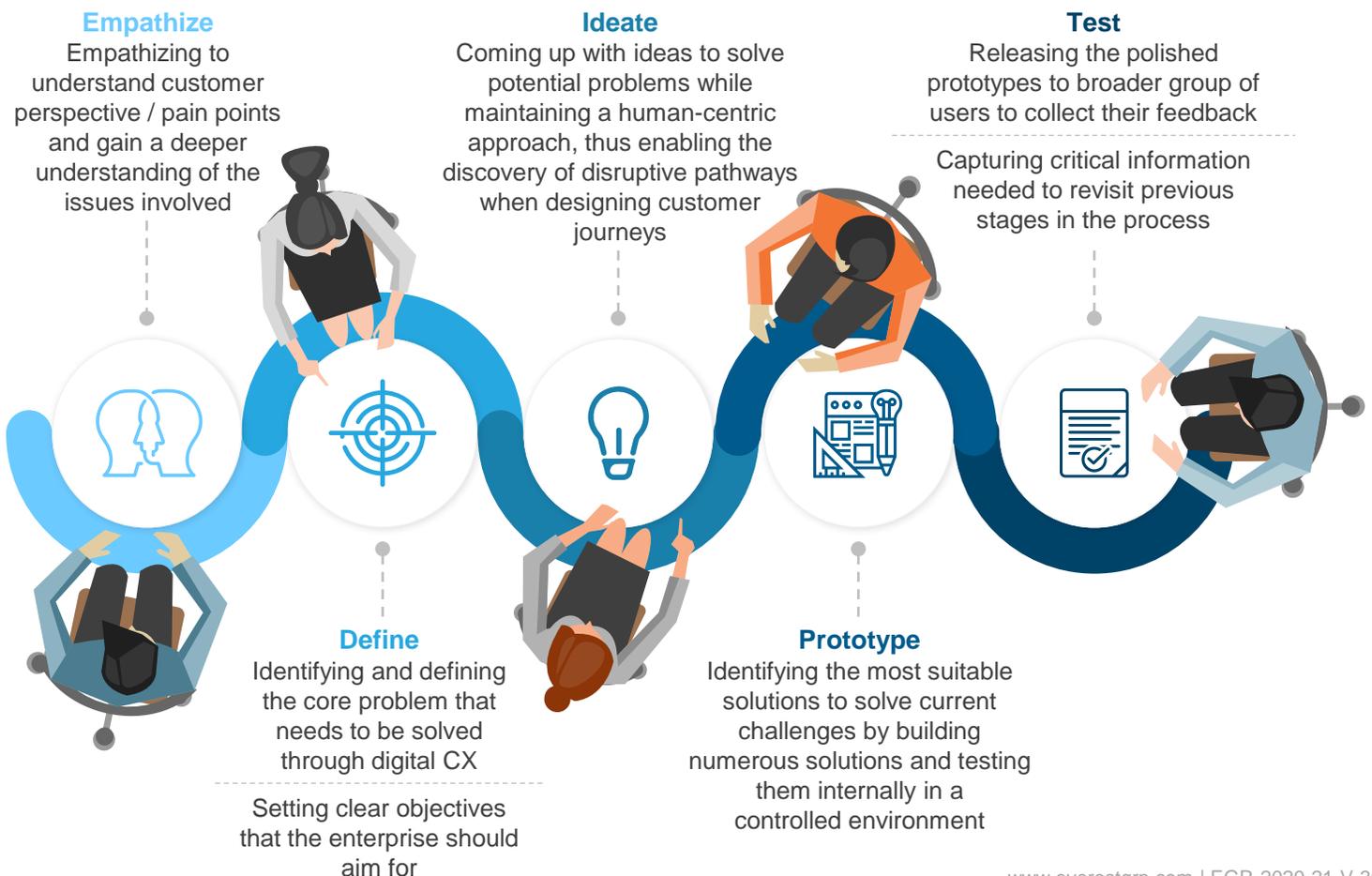
How does design thinking work for digital CX?

Design thinking is an iterative process that allows enterprises to understand customer pain points and enables easier identification of the best possible solutions though a methodical approach to address the issues. A design thinking-led approach begins by looking at what the customer wants and then develops solutions around those needs instead of creating solutions first and trying to sell them to customers. Adopting design thinking-led transformation ensures that enterprises do not lose sight of their customers' needs while adopting next-generation solutions such as Artificial Intelligence (AI), automation, and analytics. Design thinking is not a linear process and involves significant back and forth across the five steps involved in its implementation (illustrated in Exhibit 3 below) before enterprises can identify the best approach to take forward their digital CX transformation journeys.

Also, design thinking does not end at finding a solution or a set of solutions for a given problem. Enterprises need to continuously monitor customer pain points and devise ways to enhance customer experience. By creating an environment that puts customer needs first, design thinking can help enterprises prepare for an internal change in approaching digital CX transformation and redefining success in terms of customer advocacy.

EXHIBIT 3

Steps involved in design thinking
Source: Everest Group (2020)

Empathize
Empathizing to understand customer perspective / pain points and gain a deeper understanding of the issues involved

Ideate
Coming up with ideas to solve potential problems while maintaining a human-centric approach, thus enabling the discovery of disruptive pathways when designing customer journeys

Test
Releasing the polished prototypes to broader group of users to collect their feedback

Capturing critical information needed to revisit previous stages in the process

Define
Identifying and defining the core problem that needs to be solved through digital CX

Setting clear objectives that the enterprise should aim for

Prototype
Identifying the most suitable solutions to solve current challenges by building numerous solutions and testing them internally in a controlled environment

Enhancing digital CX delivery through design thinking

Design thinking helps improve enterprises' digital CX delivery by:

- Finding areas/problems for which leveraging digital solutions can maximize impact
- Clearly defining the boundaries of what is possible with the current technology, thus setting the right expectations from the start
- Infusing a human-centric approach to ensure that customer pain points are effectively resolved
- Charting out a path to ramp up successful projects

Embedding design thinking across the different core technology aspects of CX delivery can enable enterprises to derive higher value and deliver higher customer and employee satisfaction, greater process optimization, and lower costs.

Nearly 69% of enterprises are adopting digital technologies to redefine their customer experience strategies

Core technology solutions for CX delivery

Let us now look at how design thinking can help enterprises achieve higher impact across the core technology elements of CX delivery:

- **User interface design:** The principles of design thinking perfectly complement the elements of user interface design, as both these concepts are built around user centricity. Design thinking can help designers create interfaces that are simple, intuitive, and enable all the required functionalities. It can also help create seamless and consistent interfaces across devices, thus creating a unified experience

- **Self-service:** Design thinking is based on empathy, which is a key pillar of any self-service solution. The effectiveness of a self-service solution depends on its ability to solve problems with ease. Design thinking brings a human touch to solutions which helps build a solution that is effective and user friendly

- **Analytics:** Relying on insights generated from prescriptive and predictive models, without defining the problem's scope and specificity can lead to much bigger problems. Essentially, analytics can provide right answers for the wrong questions. It can also offer solutions that are not feasible in the current environment and with the existing technology, thus making the whole exercise redundant. Design thinking helps understand which key issues and consumer pain points can be resolved through data. It can also define the ways in which these insights will be leveraged. By resolving actual problems, analytics can offer solutions that are technologically feasible and have an impact on CX

- **Automation:** Leveraging automation for one process or in a specific environment offers limited benefits, as inefficiencies can still exist across the larger process. It can also inhibit other departments from benefiting from automation. Design thinking can offer engineers a view of the end-to-end process and help identify the pain points that can be targeted through technology intervention. It also allows enterprises to scale up successful automation pilots, as well as humanize automation to bring about bigger cultural shifts in the organization related to the digital journey

- **AI/cognitive:** Design thinking can allow ways to leverage AI capabilities across cross-functional processes and create an environment that encourages AI adoption. It can also help identify the most promising areas for AI deployment that can truly impact CX and answer questions such as:
  - Is the problem complex enough to be solved by AI?
  - Is there enough data to leverage AI for a given problem?
  - Are the benefits of leveraging AI worth the investment?
  - Which is the best architecture to be used for a given problem statement?
- **Emerging technology:** Emerging technology is empowering new levels of experience design and helping enterprises redefine interactions. Organizations can employ design thinking to create innovative experiences for customers by leveraging 5G, edge computing, digital reality, and blockchain

Exhibit 4 offers a snapshot of the core technology solutions leveraged for digital CX delivery and their impact:

EXHIBIT 4

Core technology solutions leveraged for digital CX delivery and their impact
Source: Everest Group (2020)

User interface design
Enhances the intuitiveness and ease of use of the human-machine interactional layer through a human-centric design

Self-service
- Identifies the set of queries/problems addressable through self-service
- Improves intuitiveness to facilitate ease of use

Analytics
- Helps understand key issues and consumer pain points to address through data
- Identifies ways in which insights can be leveraged through analytics

Automation
- Provides an end-to-end process view to identify the pain points to target through technology intervention
- Helps scale up successful pilots to ensure wide-reaching benefits

AI/cognitive
- Helps devise ways to leverage AI capabilities across cross-functional processes
- Helps identify the most promising areas for AI deployment that can actually solve consumer problems

Emerging technologies
Help identify gaps in existing customer experience solutions and build innovative and immersive experiences to improve customer satisfaction

The future of CX will be marked by humans and technology working together to drive efficiencies, while ensuring empathy and human connect with customers. Design thinking can enable enterprises to overcome hurdles around designing such an environment, which is characterized by opportunities to integrate technologies across operations, back-end infrastructure, and applications, while ensuring that enterprises do not lose the human touch.

Design thinking helps orchestrate digital technologies

Design thinking also allows enterprises to plan for a digital environment that seamlessly integrates and orchestrates various digital technologies together. Such an environment, where different tools such as analytics, automation tools, accelerators, and various platforms can interact and enable a cross-flow of information, offers enterprises a more holistic and inclusive approach to transformation, which touches across the entire process cycle and ensures that local bottlenecks do not derail the entire initiative.

Case study

AGL's customer experience transformation via design thinking principles

Client details, objectives, and challenges

AGL Energy Ltd. is an Australia-based listed public company involved in the generation and retailing of electricity and gas for residential and commercial use. The company wanted to:

Objectives

- Redesign services to enable a connected customer experience with improved stability and cash flow
- Achieve stability by driving centralized and consistent client experiences
- Leverage AI to deliver personalized experiences and engagement
- Switch to an agile delivery model

In achieving these objectives, the firm faced the following challenges:

Challenges

- Inconsistent customer experience stemming from multiple disjointed solutions to support customers
- Presence of different customer engagement solutions on a single platform to deliver a centralized solution
- Limited engagement with customers through digital channels

Design thinking helped AGL enable a centralized, consistent, and **connected customer experience**

Solution

AGL partnered with TCS to design a unified, personalized, seamless service across channels. The solution leveraged design thinking principles to re-imagine the customer life cycle, including customer onboarding, meter-to-cash, and customer retention. The elements of design thinking that were pivotal to AGL's successful CX transformation initiative were:

- **Human-centered design approach:** Design thinking principles helped AGL take a human-centric approach to design solutions and experiences that address the core needs of its customers
  - The firm undertook significant customer research in the early stages to understand customer needs and problems
  - It leveraged design thinking in the ideation phase to develop innovative solutions to solve customer problems
- **Customer centricity:** The core principles of design thinking helped AGL build experiences around customer problems and expectations
  - Design thinking helped understand customer pain points and build processes to address them
  - It helped AGL keep pace with changing customer dynamics and demands and rapidly prototype solutions and test them to obtain customer feedback before scaling them up
- **Experience tracking:** An important aspect to taking the design thinking route was using measurement platforms to track the success of the experience delivered
- **Customer outcome-focused quality and agent incentive models:** Design thinking helped construct process flows for superior customer outcomes. It also helped AGL in creating agent incentive models that not only improved productivity, but also ensured better agent satisfaction and experience

Impact

The transformation helped AGL achieve the following outcomes:

- Drive a unified single-contact service
- Reduce repeat contacts and improve productivity
- Enable webchat expansion, leading to volume deflection to digital channels
- Achieve more than 90% customer satisfaction
- Create agile workforces offering higher efficiencies

Design thinking helped AGL **understand** and **build experiences** that addressed **customer pain points** and expectations

Embedding design thinking in the digital CX transformation journey

Everest Group perspective

Design thinking can be challenging to leverage for CX transformation initiatives. However, with the right approach and cultural shift to promote a design thinking-driven attitude to problem solving, it can be embedded across different phases of a digital CX transformation journey and help realize the intended objectives.

Challenges in adopting a design thinking-led approach

While design thinking is easy to grasp as a concept, enterprises often struggle with its implementation in digital CX transformation initiatives. This is due to a number of reasons, including:

- Lack of prior experience in leveraging design thinking in operations
- Analytical and problem-focused culture in the organization
- Lack of design thinking champions to mentor and help teams and individuals adopt the design thinking approach

These challenges can be overcome by driving a cultural shift in the organization that regards customers first. Also, a human-centric approach that encourages sharing best practices can help organizations adopt a culture that promotes design thinking-driven problem solving.

Leveraging design thinking to overcome challenges in the digital CX transformation journey

Once organizations have overcome the initial hurdles, they should integrate design thinking across the entire digital CX transformation journey to ensure higher impact and success at every step. As design thinking is not a linear process, its different elements are used time and again across the different stages of the CX transformation process. This minimizes rework and produces outcomes that are close to the initially envisioned objectives. The human-centric approach in design thinking can also help manage the governance and change management issues that usually plague such transformational efforts. Finally, design thinking also makes it easier to take learnings from such CX transformation initiatives and replicate them in the future or in other departments within the organization.

A human-centric design thinking approach embedded across the entire digital CX transformation journey elevates experiences

EXHIBIT 5

Overcoming hurdles to implement digital CX transformation via a design thinking-led approach

Source: Everest Group (2020)

Identify customer pain points
Empathizing with customers and stepping into their shoes can help understand the key challenges across the entire customer life cycle

Identifying operational gaps to address pain points
Conducting rigorous ideation and brainstorming to identify the current gaps in delivery and the best possible solutions to address them while maintaining a human-centric approach

Setting clear expectations for the CX transformation effort
Defining the problem that the CX transformation will solve can help in setting reasonable expectations

Bringing everyone on board
- Empathizing with different teams and stakeholders to understand their key concerns
- Defining and deriving consensus on the actual problem and ideating by brainstorming to establish a path of least resistance going forward

Piloting promising solutions
- Prototyping to identify the solutions that can have an impact on the problem at hand
- Going back to ideation if no solution meets expectations
- Testing a wider rollout by releasing the prototyped solution to a broader group of customers

Scaling up and continuously monitoring
Sharing best practices across teams and looking for other customer pain points that can be resolved; tracking KPIs continuously to measure success against intended outcomes

The next normal: navigating CX through the pandemic

Everest Group perspective

With experience and trust at the forefront in a post-pandemic landscape, enterprises will need to accelerate and prioritize their technology investments, develop a strategy for external collaboration, and adopt the right skill sets to compete with peers. Additionally, they will need to ensure trust and empathy in their digital CX through human-centered design to strengthen their relationships with customers.

Rethinking digital customer experience through design thinking

Digital customer experience becomes even more important in the current pandemic scenario, as enterprises need to compensate for the absence of physical experiences and recreate them in the digital realm. They will need to ensure that experience design is as much about creating customer delight as overcoming user uncertainties and fears. Enterprises will have to revamp their design practices and adopt all-encompassing design principles with a human-centric approach at their core to rebuild relationships with customers. This entails providing flexible and omnichannel support to customers to lower existing customer hesitancy. Early movers and firms that provide an enhanced experience will be able to establish stronger ties with customers after the crisis ends.
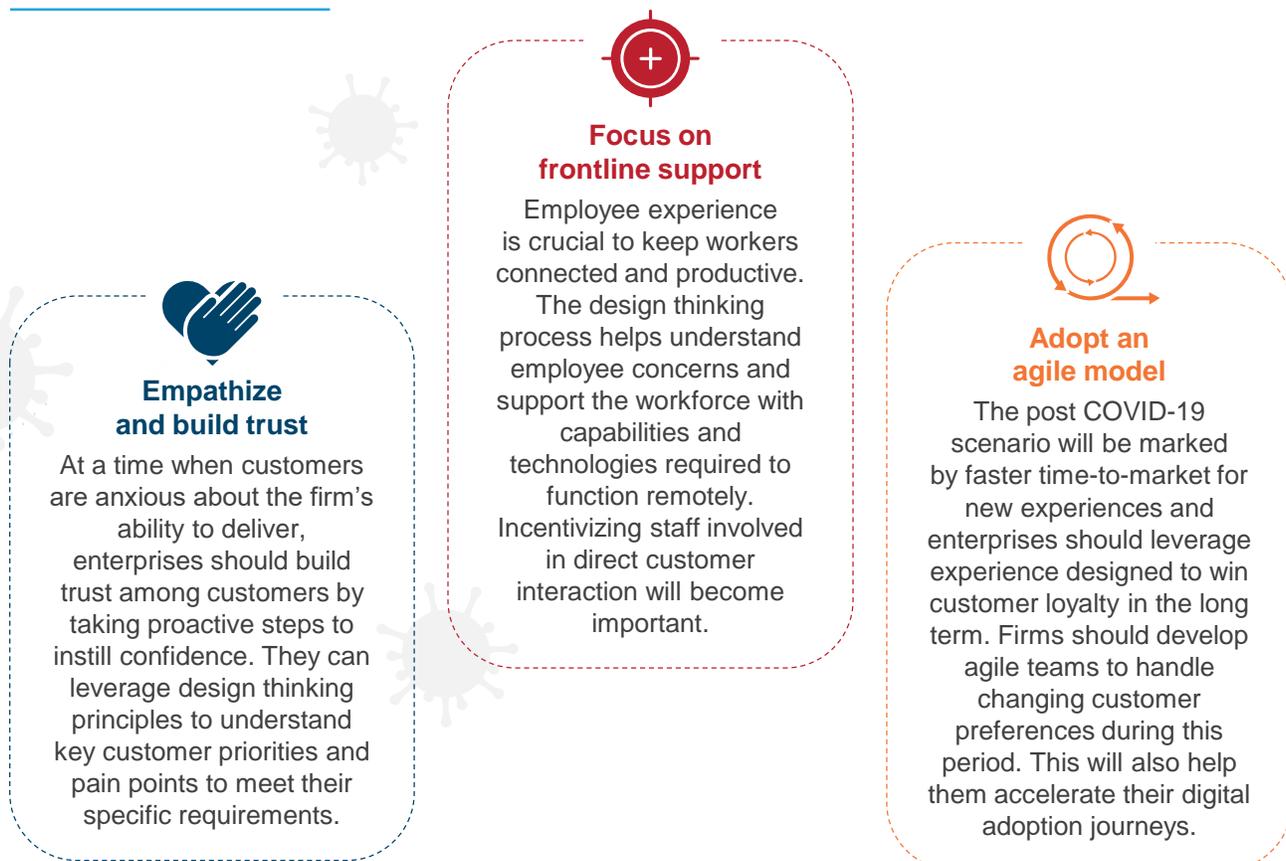
As design thinking helps understand the needs, emotions, and motivations of employees and empathize with them, it will also allow enterprises to create a culture of trust and openness within the organization. Taking a design thinking-led approach to support employees will also drive up motivation and productivity for agents in a remote environment.

Exhibit 6 showcases how design thinking can be leveraged to address concerns amid COVID-19.

EXHIBIT 6

Leveraging design thinking to address concerns in the wake of COVID-19

Source: Everest Group (2020)

Focus on frontline support

Employee experience is crucial to keep workers connected and productive. The design thinking process helps understand employee concerns and support the workforce with capabilities and technologies required to function remotely. Incentivizing staff involved in direct customer interaction will become important.

Empathize and build trust

At a time when customers are anxious about the firm's ability to deliver, enterprises should build trust among customers by taking proactive steps to instill confidence. They can leverage design thinking principles to understand key customer priorities and pain points to meet their specific requirements.

Adopt an agile model

The post COVID-19 scenario will be marked by faster time-to-market for new experiences and enterprises should leverage experience designed to win customer loyalty in the long term. Firms should develop agile teams to handle changing customer preferences during this period. This will also help them accelerate their digital adoption journeys.
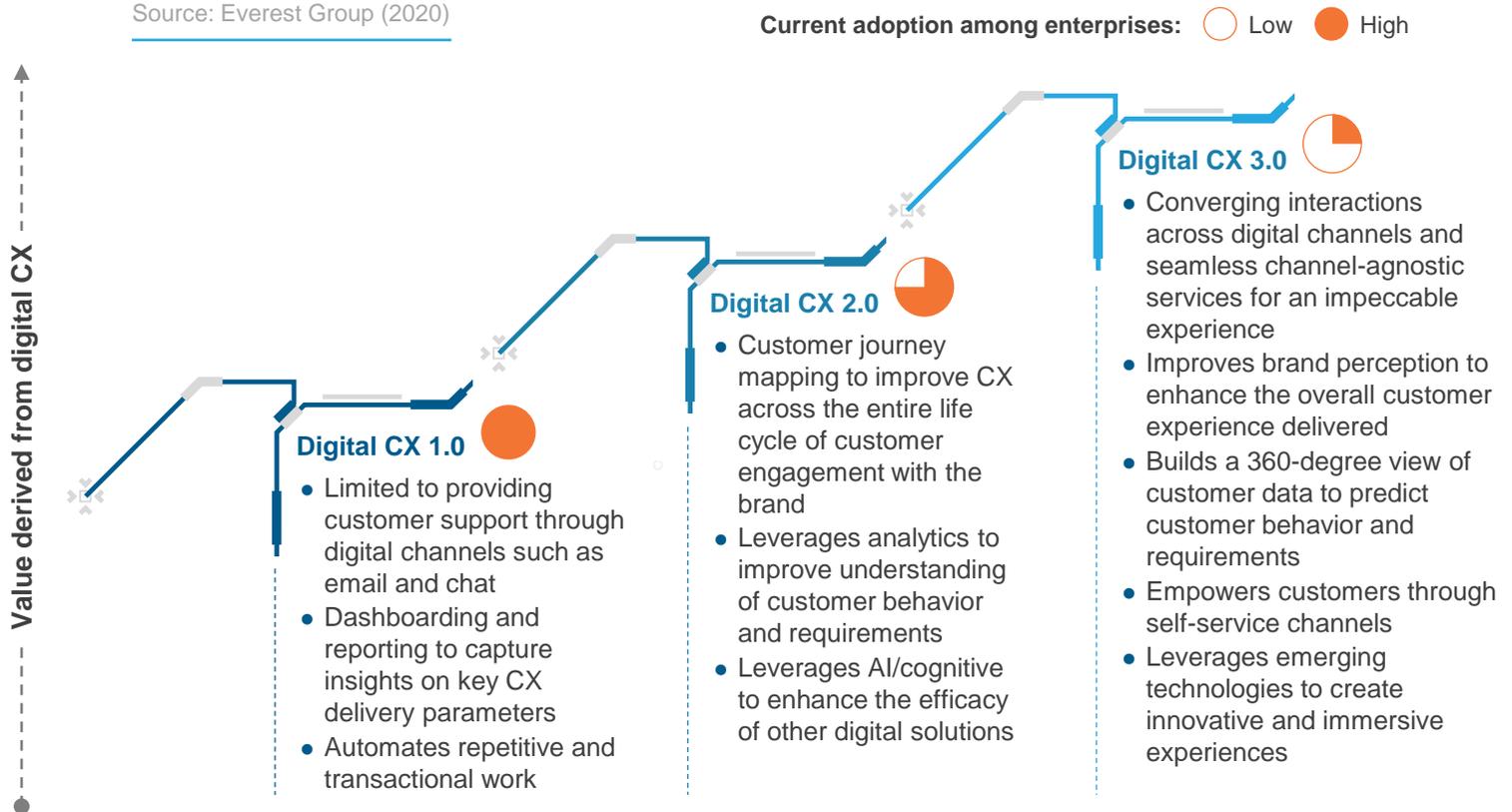
Conclusion

Digital customer experience will be a key enterprise priority in the foreseeable future. With the pandemic impacting most sectors, enterprises need to invest in digital CX capabilities that go beyond the leverage of digital channels and incorporate an environment where various digital solutions work in harmony to create a much superior experience and empower customers.

EXHIBIT 7

Evolution of digital CX

Source: Everest Group (2020)

Current adoption among enterprises: ◯ Low ● High

Value derived from digital CX

Digital CX 1.0

- Limited to providing customer support through digital channels such as email and chat
- Dashboarding and reporting to capture insights on key CX delivery parameters
- Automates repetitive and transactional work

Digital CX 2.0

- Customer journey mapping to improve CX across the entire life cycle of customer engagement with the brand
- Leverages analytics to improve understanding of customer behavior and requirements
- Leverages AI/cognitive to enhance the efficacy of other digital solutions

Digital CX 3.0

- Converging interactions across digital channels and seamless channel-agnostic services for an impeccable experience
- Improves brand perception to enhance the overall customer experience delivered
- Builds a 360-degree view of customer data to predict customer behavior and requirements
- Empowers customers through self-service channels
- Leverages emerging technologies to create innovative and immersive experiences

That said, digital CX transformation is a challenging task, and it is easier to go the wrong way in digital CX transformation than getting it right at the first go. It is, therefore, prudent to follow a design thinking-led approach that not only clearly outlines the enterprise journey, but also ensures that such a transformation is able to address customer pain points and improve customer experience. Marrying design thinking to the key pillars of digital CX transformation also ensures that enterprises avoid journey roadblocks, such as internal resistance to change, legacy systems, talent shortage, unplanned costs, and siloed nature of transformation, which can derail such transformation efforts.

At the end of the day, digital CX transformations are not about going from point A to B. Often, they involve continual remolding to ensure that they achieve their true purpose of improving customer experience and addressing customer concerns. A design thinking-led approach to digital CX transformation can act as a potent tool to make the entire journey smoother and more impactful.

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