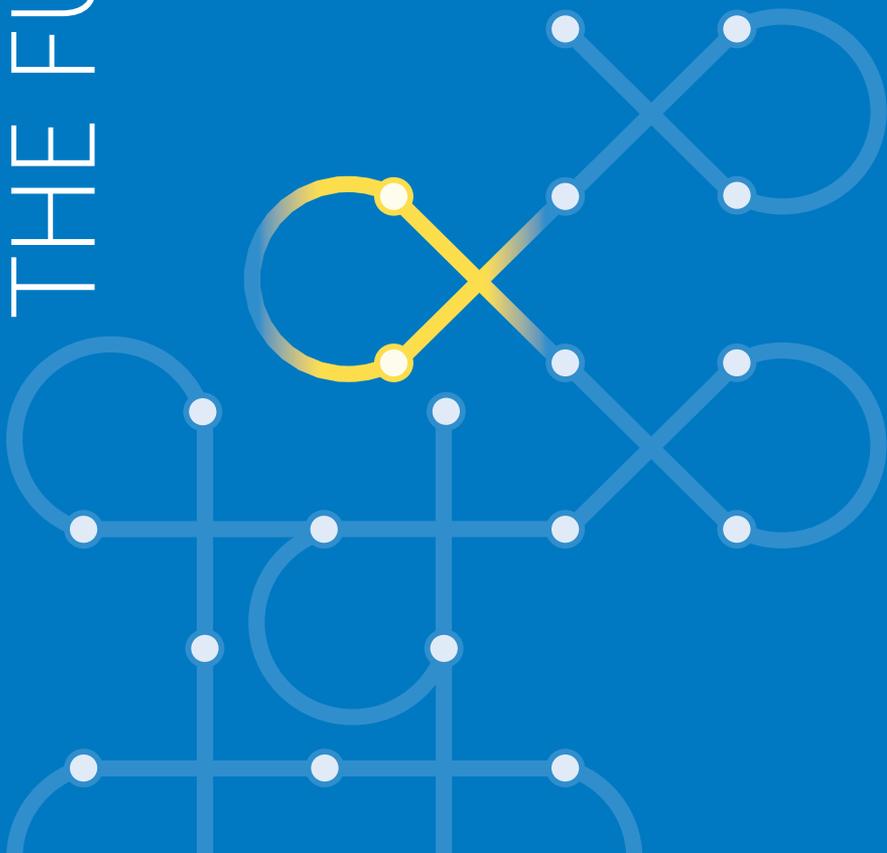


THE FUTURE OF CX

**Why Your CX Must Soon Plug and Play
into a Digital Ecosystem**

**What Comes After CXM?
Helping Customers Help Other Customers**



Why Your CX Must Soon Plug and Play into a Digital Ecosystem

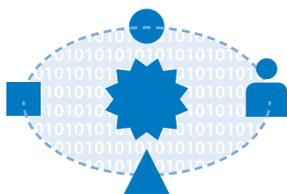
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Digital ecosystems increasingly are coalescing around companies that offer consumers the products and services they need to accomplish major goals—for example, buying a home or car, taking a big vacation, or finding a new job. Companies that are knitting these ecosystems together—think TripAdvisor in travel or TrueCar.com in purchasing autos—will begin setting the standard in the digital experience that customers have become accustomed to. As such, every company that wants to plug into these ecosystems will need to ensure that its piece of the digital experience is on par with those of other companies.

Consider the way consumers buy homes now. When many people look for a new home, they enter sprawling digital ecosystems filled with connected real estate companies, mortgage providers, insurance firms, home inspectors, lawyers, movers, and more. When they search for a new car, they find themselves in a digital ecosystem comprising dealers, insurers, motor vehicle registries, and even in-car entertainment systems sold by a variety of providers. And when they take a vacation, they dip into another digital ecosystem of hotels, restaurants, tour companies, entertainment venues, and so forth.



Companies at the forefront of digitizing their businesses recognize that they must compete in digital ecosystems, which Gartner defines as groupings of “enterprises, competitors, customers, regulators, and other stakeholders that exchange information and interact electronically.”⁷³

These digital ecosystems first began to emerge approximately 20 years ago, starting in travel (e.g., Expedia, Priceline, Travelocity) and automobiles (Cars.com), and later in sectors such as music (e.g., iTunes launched by Apple in 2003⁷²). A recent Gartner survey of more than 2,500 CIOs in 93 countries found that 79% of top performers participated in digital ecosystems compared with 49% of average performers and 24% of trailing companies.

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Consider a company like TripAdvisor, which has carved out an important niche in the \$1.3 trillion global travel market. The company hosts some 465 million reviews on 7 million hotels, motels, restaurants, and tourist attractions. Visitors to TripAdvisor will find links to more than 200 websites where they can research and book hotels. TripAdvisor’s 390 million unique average monthly visitors have earned the company \$1.5 billion in revenue and \$120 million in net income in 2016.⁷⁴

⁷² Quartz Media, iTunes is 13 years old—and it’s still awful, April 28, 2016, accessed May 15, 2017, <https://qz.com/666078/itunes-is-13-years-old-today-and-its-still-awful/>

⁷³ Gartner, Gartner Survey of More Than 2,500 CIOs Charts the Rise of the Digital Ecosystem, October 17, 2016, accessed May 2, 2017, <http://www.gartner.com/newsroom/id/3481117>

⁷⁴ TripAdvisor, Q4 2016 Results, February 2017, accessed May 2, 2017, http://files.shareholder.com/downloads/AMDA-MMXS5/4209184980x0x928194/54F610B1-184F-429C-AD46-DA4C90846520/Q4_2016_Investor_Presentation.pdf

Naturally, TripAdvisor profits from the ecosystem it has built. But the company is only successful because its ecosystem partners are also successful. The benefit for travelers is convenience and information. They can find lodging, dining, and entertainment options, all in one spot. And from that one spot, they can compare prices, reserve rooms, make dinner reservations and so on. Call it the aggregation of their purchase journey.

The businesses that participate in the ecosystem must compete fiercely for attention—primarily by continually improving their offerings and the customer experience (CX). But access to TripAdvisor's vast audience of potential customers makes the competitive pool well worth swimming in.

Delivering Better CX Through Journey Aggregation

Just as TripAdvisor has aggregated the customer's purchase journey for travel, so other journey aggregators will soon arise to establish digital ecosystems in just about every industry. These aggregators will succeed by simplifying complex purchase pathways, offering consumers a more streamlined, one-stop shopping experience. Even niche players and startups can grab significant market share (and put established competitors on notice) by participating in these ecosystems, thereby improving the customer journey while offering a better CX.

The opportunities in the digital universe are too large, too numerous, and too fleeting for any single company to capture on its own. But by assembling diverse coalitions of partners, developers, collaborators, suppliers, and others into mutually beneficial digital ecosystems, companies can explore new possibilities they could not hope to reach by themselves. The question will become this: Who should assemble these coalitions, and should the organizer be a consortium or an independent and impartial organization?

Many companies aren't waiting to find out. Take Kabbage, a startup upending the world of small-business lending. The company recognized that small-business owners needed a faster, more convenient way to apply for and get decisions on loans.⁷⁵ The company lets customers apply for loans through its website or mobile app. Loan applicants give Kabbage permission to access their data on payment processing, accounting, shipping and more, drawing from a long list of ecosystem partners like PayPal, eBay, Etsy, Square, Stripe, Intuit QuickBooks, Xero, and UPS. They can even let Kabbage gauge the strength of their social networks.

All this data helps Kabbage analyze revenue consistency, cash flow, and other factors that determine whether an applicant is a good credit risk, allowing it to make a lending decision

in minutes. If a customer is approved for a line of credit up to \$150,000, they can start using the funds the same day.

More recently, Kabbage has been forming partnerships and licensing its lending technology to banks such as Santander and Scotiabank. As of May 2016, the company had extended \$2 billion in funding to 75,000 small-business customers based on more than 1 million data points.⁷⁶

Kabbage's partners are the lifeblood of its digital ecosystem. They possess the data Kabbage needs to make funding decisions and improve its customers' borrowing experience. And if its partners' customers get loans, they will be able to do more business with the firms in Kabbage's digital ecosystem. That means more payment processing for PayPal, more shipping for UPS, and more accounting business for Intuit's QuickBooks.

There's another reason for companies to participate in digital ecosystems: If they don't, they risk ending up on the outside looking in.

⁷⁵ Forbes, The Six-Minute Loan: How Kabbage Is Upending Small Business Lending -- And Building A Very Big Business, May 6, 2015, accessed April 28, 2017, <https://www.forbes.com/sites/darrendahl/2015/05/06/the-six-minute-loan-how-kabbage-is-upending-small-business-lending-and-building-a-very-big-business/#6ee968429042>

⁷⁶ Wikipedia, Kabbage, accessed April 28, 2017, <https://en.wikipedia.org/wiki/Kabbage>

Higher Customer Expectations, Higher Stakes

Because so much business now is transacted digitally, customer expectations for their digital experience have risen.

Customers want instant service and convenience; they want a smooth interface. And many of them—especially those who have grown up in a world where people post details of their private lives on Facebook, Snapchat, YouTube, and more—are comfortable sharing their data with trusted companies if doing so will make their lives easier. Indeed, Kabbage's COO and co-founder (Kathryn Petralia) says improving CX was the firm's central goal. She predicts that the financial space will continue to evolve to provide "more seamless, flexible options."⁷⁷

But don't be fooled into thinking that digital ecosystems are just for startups like Kabbage. Allianz, the Fortune Global 500 insurer, has created an ecosystem that extends from companies that provide sensing and monitoring services to plumbers, engineers, and health service providers, building open APIs as a platform for connectivity.⁷⁸ So does the American insurance company USAA, which provides many products and services for its military family customers in their online car-buying journey⁷⁹.

Historically, insurance companies have helped customers recover from disasters. By building a digital ecosystem that utilizes the massive volume of data generated by billions of connected devices that form the Internet of Things (IoT), Allianz sees a future in which insurance companies become proactive, watching over customers to prevent small problems from escalating. Instead of helping people repair their home after a flood, Allianz could alert a customer when a sensor detects a pipe beginning to leak. Instead of paying out a life insurance policy after a customer's heart attack, Allianz could alert medical teams to abnormal data generated by an IoT heart monitor.

⁷⁷ Small Business Nation, Small Business Spotlight: Kabbage, June 2, 2016, accessed on May 18, 2017, <http://uschamberssmallbusinessnation.com/blog/sbn-spotlight-kabbage>

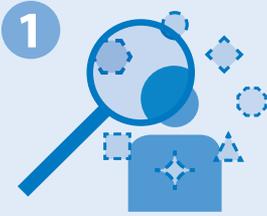
⁷⁸ I – Global Intelligence for the CIO, Allianz: Enriching customer experience through digitalization, June 2016, accessed April 29, 2017, <http://www.i-cio.com/innovation/internet-of-things/item/allianz-enriching-customer-experience-through-digitalization>

⁷⁹ Nunwood, Customer experience best practice: USAA recognised as the USA's leading customer experience brand for another consecutive year, May 18, 2016, accessed May 15, 2017, <http://www.nunwood.com/customer-experience-best-practice-usaa-recognised-usas-leading-customer-experience-brand-consecutive-year/>

How to Deliver Amazing CX Through a Digital Ecosystem

Consumers will soon be purchasing many products and services from companies that participate in digital ecosystems. These ecosystems will make it easier for customers to tackle many steps in a larger purchase decision at the same time—not just searching real estate listings for a new house (step one), but simultaneously finding a real estate agent, a home inspector, a competitive mortgage rate, and service providers for any needed repairs or ongoing needs such as telephony, security, property maintenance, and others—that is, steps two through n , all at once, via a digital ecosystem.

How can a company deliver an amazing CX at every step in the customer’s purchase journey? Here are five steps:



Design to differentiate: Look for the biggest unsolved problems in your customers’ lives related to the product or service that you provide. Getting the basics right is a given; being a follower is no longer an option. To find out what these unsolved problems are, you need to ask your customers about them. Then use design thinking and service design approaches to solve those problems. For example, one insurance company realized its customers often struggled to provide the documentation necessary to replace items lost in a flood or fire. Accordingly, the company let consumers create a digital vault to store electronic copies of purchase receipts, along with photos and other supporting material for their most valuable possessions. This digital documentation helps the insurance company make the claims process faster, easier, and less stressful for the customer.

2



Gain a deeper understanding of customer needs:

The best way to satisfy customers is to understand what they want, where they want it, and when. To calibrate offerings to individual customers, companies must possess robust data collection and analysis capabilities (or, like Kabbage, partner with ecosystem companies that do). When Amazon realized that customers wanted an even faster and easier way to transact, it produced a new device—Echo. Today, millions of people place orders via Echo simply by talking to Alexa, Amazon's virtual agent.

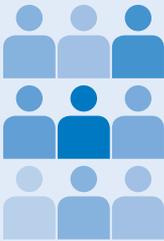
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Design for the future: Technology constantly advances.

As you design the CX for your digital ecosystem, bake in the flexibility you'll need for future upgrades. For instance, a large European telecommunications systems provider recently held a workshop to evaluate changes in CX over the past 100 years. By studying the drivers of past change, the company hopes to predict future change.

4



Include a community network: Consumers trust the recommendations of friends and family more than any other source. Two-thirds said they trusted opinions of other consumers posted online.⁸⁰ TripAdvisor and Angie's List (home services) have established platforms for consumers to share feedback on their experiences. This strategy has won Angie's List more than 5 million members, powering the company to over \$323 million in revenue and nearly \$28 million in adjusted EBITDA in 2016.⁸¹ Incorporating community review into your digital ecosystem makes it more trustworthy. And consumers who trust your ecosystem will be more likely to use it and recommend it, creating a positive feedback loop.

⁸⁰ The Nielsen Company, Global Trust in Advertising, September 28, 2015, accessed April 29, 2017, <http://www.nielsen.com/us/en/insights/reports/2015/global-trust-in-advertising-2015.html>

⁸¹ Angie's List, Angie's List Reports Fourth Quarter and Full Year 2016 Results, February 15, 2017, accessed April 30, 2017, <http://investor.angieslist.com/releasedetail.cfm?ReleaseID=1011942>

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Choose the right partners: The strength of any ecosystem—and the quality of its CX—relies on its participants. Look for partners that are leaders in their field, or startups with promising technological, operational, or strategic innovations. Work closely with your digital ecosystem partners so you can learn from one another and ensure your ecosystem contains no subpar experiences in the customer’s purchase journey.

Digital ecosystems are not a far-off twinkle in a futurist’s eye. In many sectors, they’re already here. In others, they will arise soon. Now is the time to evaluate your CX to see how it fits into the big picture.