

MODERNIZING YOUR DIGITAL STRATEGY

A perspective in creating digital-first ecosystems to support a leading organizational digital strategy.



As organizations continue to seek better methods to achieve speed-to-market, build lasting and impactful customer experiences, and maximize investments, reevaluating the digital strategy becomes an important focus area to support business objectives.

Consumers are engaging differently with businesses by using a blend of digital channels such as web, mobile, text, chat, and voice. The proliferation of these engagement methods is prompting organizations to change how they think about their supporting digital ecosystems – to meet customers where they are and anticipate where they are headed. In short, this necessitates an evolution in both the design mindset and the supporting solution architecture:

Shifting from a channel-based view of the world (e.g., mobile-first or responsive design) to a channel-agnostic, action-driven approach (e.g., experiences delivered effectively regardless of channel). This will improve customer retention, simplify infrastructure, reduce expansion costs, engage new audiences, and expand potential revenue streams.

To accomplish action-driven design, it is important for design teams to focus first on the experiential needs of their target customer segment before determining the channels through which they will deliver the experience. This can be done on a foundational, channel-agnostic solution fabric that supports the needs of any engagement method. A well-crafted solution-fabric should provide seamless support for business changes.

OUR PERSPECTIVE: A DIGITAL-FIRST ECOSYSTEM TO SUPPORT GROWTH AND RESPOND TO CHANGE

While organizations look to evaluate and modernize their digital strategies, building a “digital-first ecosystem” is often the center point for the long-term digital strategy. What is often overlooked in building a successful digital-first ecosystem are key organizational constructs. Answers to important questions around these constructs will shape the strategic approach and maximize the business impacts from the modernized digital strategy:

- What is the **Organizational Mindset** needed to build and execute the strategy?
- How will the **Design Paradigm** need to be reshaped?
- What **Solution Architecture** is best suited for the digital strategy?

Not addressing the organizational constructs FIRST often results in overinvestment, underperformance, and misalignment with customer needs.

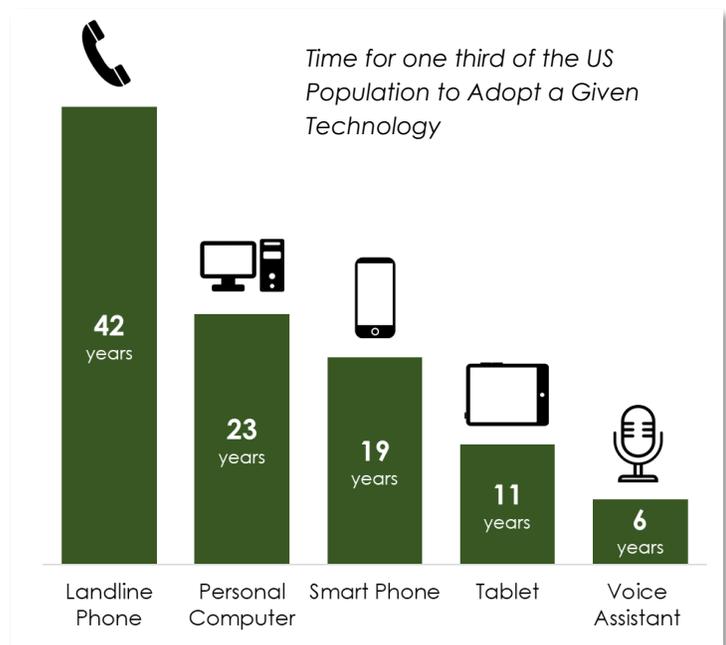
Leading organizations who embrace an evolution in mindset and champion organizational change are better able to rapidly scale digital ecosystems and respond to customer needs – creating sustainable customer value and improved brand equity.

The need for change is driven by more than ROI...keeping pace with customer and market progression is critical to the success of a digital-first ecosystem.

In recent years, digital-first architectures have meant mobile-first design, and conversely mobile-first architectures. Organizations have therefore made heavy capital investments in modernizing systems through the lens of a particular (often mobile-centric) digital channel.

After shifting to a digital-first approach and modernizing legacy architectures for mobile, many organizations still lack an action-driven focus – resulting in a design mindset still targeted at channel-specific outputs. This approach typically inhibits the ability to quickly scale the digital footprint across channels and has left organizations slow to respond to the rapid change in the expectations of their customers. As a result, organizations are ill-equipped to deliver compelling experiences across the myriad of means by which their customers wish to engage.

Using the U.S. population as an example, the channels that customers are leveraging have expanded at a blazing pace. First, landlines gave way to cell phones, which led to smartphones, and most recently chat and voice assistant technology (which seem to be gaining market share more rapidly than their digital predecessors). This expansion is a use case to demonstrate the importance of designing resilient and flexible digital platforms that suit the preferences of customers as they evolve over time.



Organizations must make smart investments in their digital strategy and aim to get more from their investments, especially amid an economic climate where both agility and cost-cutting are imperative. The paradigm is no longer mobile-first design, but rather a channel-agnostic solution architecture. Similarly, design teams within organizations need to establish a new mindset, restructuring themselves to focus not on channels, or channel-specific design systems, but on designing engaging experiences that equip their target customers with the tools they need via any channel through which they wish to engage.

Make smart investment decisions to support evolving customer preferences

A transformation in organizational mindset

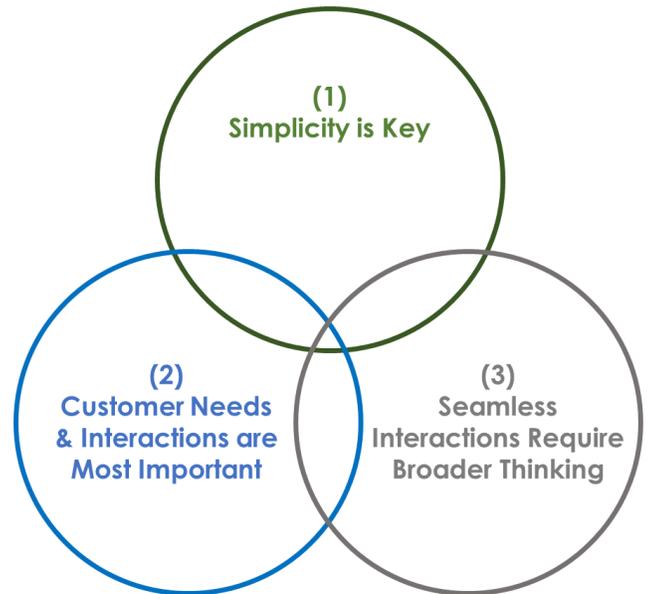
Adopting a new way of thinking across the organization is a critical first step in building successful digital-first ecosystems.

(1) Simplicity is Key: To reduce support costs and increase customer retention, organizations should seek to engage their customers via the path of least friction. While recent history has hoisted mobile apps as the most frictionless path for users, it is no longer safe to make such assumptions. Text, chat, and voice assistant (smart speaker) technology has eliminated the need for customers to login and traverse complex menu structures, serving as a more convenient engagement method for many user demographics. **Simplicity, therefore, means finding the path that enables the customer to take the minimum necessary action**, independent of channel. This enables the customer to transact business and satisfy their immediate desires with the lowest level of cognitive load. It also reduces customer touch points, thereby limiting experiences that lead to customer dissatisfaction.

(2) Customer Needs & Interactions are Most

Important: Organizations principally exist to participate in value exchanges with customers. Often the value to the customer is provided as captivating experiences in exchange for fees. Even when the experience itself is not monetized, the repercussions of a bad experience can be detrimental to customer retention, support, and revenue generating activities. **Regardless of business model, experience-first product decisions need to be at the forefront of the planning process.**

At the core of everything a customer does is an unmet need and an action that can be taken to meet that need – via either digital or physical channels. As a result, organizations should avoid building for a specific channel or treating every channel and interaction as independent. Instead, they should build for an experience and treat the engagement method, service layer, business logic, and data as interconnected parts of the same technology infrastructure. Specifically, start with the action (i.e. task) the user must perform to satisfy their need, and only then determine which channels can be used and how they can complement each other (i.e. act via one channel, react via another). This may mean fulfillment via store, receive a notification via mobile, and get voice confirmation via voice assistant. After all, the channel customers choose to use is simply the most frictionless way an end user can solve for that need based on their context.



(3) Seamless Interactions Require Broader Thinking:

Historically, organizations have treated every interaction as part of an application. Even mobile-first design anchors an organization to thinking about problems in a siloed fashion. For example, designing channel-first may anchor a team to designing for how a button will appear on a phone, yet this thinking ignores the broader customer experience implications that, when considered, may render the need for a button unnecessary. This is especially true when the preferred interaction method for a customer is through a channel that diverges from where the organization's investment dollars are targeted. If instead you **fund the experience and treat everything a human does as action-based interaction within that broader experience**, your platform becomes a channel agnostic product as opposed to a series of disjointed applications through which your customers interact.

Additionally, organizations need to remember the whole is greater than the sum of its parts and shouldn't sub-optimize their customer experience by optimizing underlying systems for channel-specific interactions. They should instead build robust core APIs that ensure any current or future channel can leverage a common set of business rules and channel agnostic "action-based" experience APIs.

Organizational Implications and Imperatives

Leveraging the expertise of key partners across the organization is fundamental to the success of a digital strategy.



For Product Managers...

- Focus on the overall experience – avoid treating each channel as a separate product with independent product ownership.
- Establish the backlog and roadmap around the broader customer experience – look beyond just the application or delivery channel.
- Leverage research and insights that enable prioritization of work toward the highest-volume, highest-value experiences.



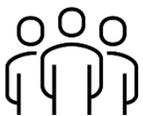
For Product Designers...

- Focus on the need, not the channel – avoid designing an interaction via a specific channel without first understanding the broader content of how that interaction fits into the broader customer journey.
- Strive for simplicity by identifying the lowest friction channels through which customers can interact to achieve their desired outcomes.
- Break away from the thought process of building features into an app (e.g., application experience) and think about how the design plugs into the customer's broader problem space (e.g., customer experience).



For Enterprise Architects...

- Think first about how solutions enable a superior customer experience and interactivity across multiple channels.
- Incrementally invest in building a solution that is agile, flexible, channel agnostic and leverages lean solution principles, standards, and tools.
- Design solutions that provide seamless data access, aggregation, and business intelligence built on channel-agnostic and scalable APIs.
- Move beyond a 'system thinking' mindset to a platform architecture that reflects customer engagement needs not internal organizational structures.
- Ensure user experiences and customer value are key drivers of the solution design.



For Development Teams...

- Focus on the minimum viable need via any critical channel and augment those experience as needs change.
- Incrementally invest in automation tools that enable agile, scalable, high-quality, continuous feature releases that can be turned on and off as needed.
- Act with agility and unlock greater value by swarming to problem areas across channels.
- Avoid creating unwavering commitments to backlog completion within a single channel.
- Seek funding based on the outcomes the digital product provides and avoid funding in channel-specific silos (e.g., mobile team, web team, etc.) that focus on disparate backlogs with independently prioritized work streams.

Common Terms

Channel: The physical or digital means by which a customer engages with an organization – web, mobile, voice, chat, direct API, etc.

Action: The task-based goal that a customer has for each interaction with an organization. They act as miniature "Experiences" that result in the completion of a task or the meeting of a previously unmet need (e.g., return a purchase, pay a bill, create an account).

Object: An entity in which the customer interacts with in order to do business with an organization, as defined by the customer (e.g., purchase, bill, account).

Product: Something that creates value for a customer, and for the organization that provides it.

Digital Product: A product delivered through any digital channel.

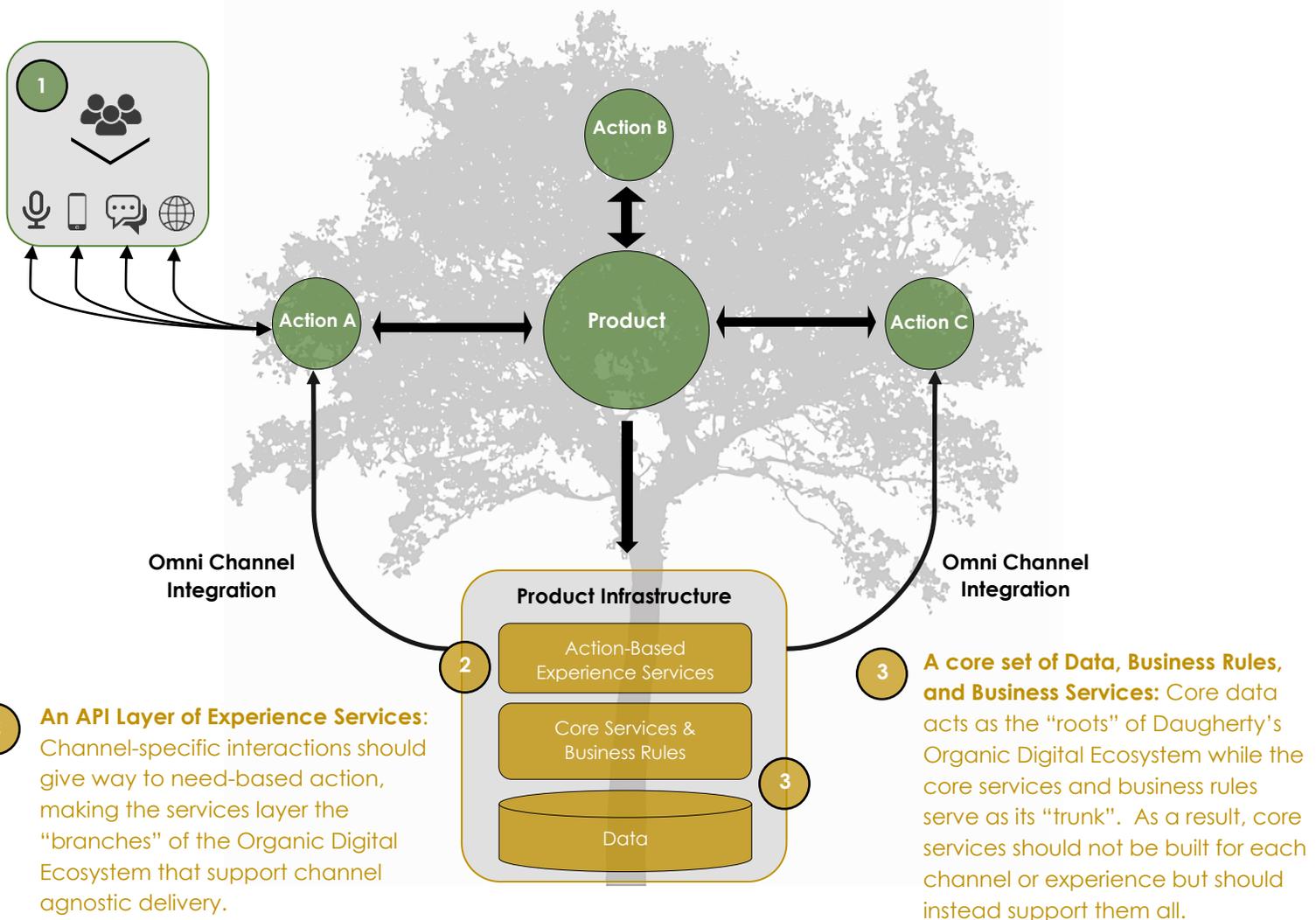
Design System: A standard collection of principles, practices, components, patterns, and templates used to manage design at scale.

Simplifying the approach to digital-first ecosystems

At Daugherty we believe in a simplified approach to designing a digital-first ecosystem. This requires an organic fabric of interconnected experiences that can grow alongside the organization, rooted in a stable but evolving infrastructure.

Daugherty's Approach to Digital-First Ecosystems: The Organic Digital Ecosystem

- 1 A Modular, Light-Weight, But Consistent Set of Experiences:** Organizational design systems must advance beyond the two-dimensional design systems of today (component and pattern libraries), to multi-dimensional design systems that provide all the ingredients needed for actions, channels, and re-actions that occur across channels.
 - When designed properly, each customer touchpoint acts as the “leaves” of the Organic Digital Ecosystem – modular but consistent experiences that are supported by the multi-dimensional design system.
 - Essentially, a multi-dimensional design system acts as the connective “veins” of the tree that enable designers to rapidly implement design aspects across omni-channel touch points through which their customers interact.



- 2 An API Layer of Experience Services:** Channel-specific interactions should give way to need-based action, making the services layer the “branches” of the Organic Digital Ecosystem that support channel agnostic delivery.

- 3 A core set of Data, Business Rules, and Business Services:** Core data acts as the “roots” of Daugherty's Organic Digital Ecosystem while the core services and business rules serve as its “trunk”. As a result, core services should not be built for each channel or experience but should instead support them all.

Once organizations implement a channel-agnostic digital strategy, their digital ecosystem behaves like a well-groomed tree – enabling them to build lightweight, value-driven experiences that can be pruned to support new growth as user needs change over time.

Keys to Success in approaching your digital-first ecosystem.

An evolved level of thinking and organizational change is necessary to rapidly scale your digital ecosystem and respond to customer needs in a business-agile way.

- By avoiding channel-driven *product management* silos, organizations can unlock business agility through delivering greater value with each experience they prioritize in the roadmap. A tangible first step is to **organize product management by outcome, not by channel**.
- By changing the design mindset, *product designers* can avoid the frustration of designing pixel perfect experiences that either get implemented ineffectively or result in low customer adoption. A good first step is to **enable a design-thinking mindset within the organization** by building a strong marketing-UX relationship and a multi-dimensional design system.
- By building a channel-agnostic *enterprise architecture* and scaling channel-specific actions on top of the platform, organizations can respond to the most pressing user needs without the need to play catchup as new channels and interaction methods emerge. Organizations can start to **build out a channel-agnostic, experience-driven API layer** that can help obfuscate underlying system complexity and business logic from development teams. This enables a more rapid buildout of experiences for end users.
- By reorganizing your *development* teams around a product-centric mindset and aligning them to user-driven experiences, organizations can deliver more effectively. An initial step is to **invest in outcomes, not channels, and organize teams around the expected outcome** – enabling them to swarm to solve the highest value problem.

Relevant Daugherty Capabilities



CUSTOMER EXPERIENCE

Integrate Outcomes into the Journey

How do we design a digital experience that addresses customer pain points?

- Establish comprehensive customer journeys & personas
- Create digital customer experience roadmaps
- Define compelling omni-channel interactions

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