DIGITAL MATURITY INDEX 2011

How well is your organisation keeping up with digital developments?

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We come together in countless ways to provide our clients with the answers they need now and the questions they should ask of the future.

Transform is our strategic and digital consultancy, whose collaborative style combines the rigour of a management consultancy with the creativity that comes from being part of Engine.

Transform's expertise in technology innovation, business strategy and strategic marketing helps clients shift their customer transactions to the most appropriate channels to improve service delivery and business performance.

They recognise that customer needs and technology develop at a rapid pace and their unique approach to strategy and service design reflects this, helping to transform public services, retail, ecommerce, telecom and media companies.

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Even against a backdrop of economic uncertainty there is a belief in the private sector that a continued emphasis on digital channels will deliver business growth and benefits return.

A TECHNOLOGICAL REVOLUTION IS TRANSFORMING THE LIVES OF INDIVIDUALS AND COMMUNITIES, PROVIDING THEM WITH A MULTITUDE OF TOOLS TO CHOOSE FROM WHEN ENGAGING WITH ORGANISATIONS AND EACH OTHER.

We need to be ambitious, 'think internet first' when we design services, and put the needs of the hardest to reach at the heart of industry, charity and government. There is a social and moral case to make sure more people are online but there is a clear economic case too.

MARTHA LANE FOX,
UK DIGITAL CHAMPION

With the advent of social media, individuals have pushed back against channels that have historically delivered one-way communication, instead demanding a new model of participation where their voice can be heard.

In the UK, the internet economy is forecast to grow at 10% each year to at least £174bn by 2015 with total online sales reaching £58.8bn by the end of 2010, an 18% increase on 2009. In short, the digital revolution continues to grow at an exponential rate.

But there are still challenges to be addressed. Last year an additional 1m 'silver surfers' may have gone online but there are still more than 9 million Britons who've never used the internet. Race Online 2012, headed by Martha Lane Fox, has the bold aim of making the UK the first nation in the world where everyone can use the web, and Engine supports this as an official partner of the Race Online 2012 programme.

This Digital Maturity Index looks at the issues facing public and private sector organisations in developing digital channel engagement in a way that is cost effective and timely. Simply having a website that promotes products and services no longer constitutes digital delivery; how do organisations develop their channels in line with the expectations of customers but without placing the budget under undue pressure? And what happens to the traditional channels; where do they fit in the mix and how do organisations shift customers away from those that are more costly to deliver?

Our research suggests that you should be asking yourself these questions:

- Does your digital strategy provide an opportunity for interaction and collaboration with customers and suppliers within an appropriate channel mix?
- Are your business processes aligned to your digital strategy?

If you can't answer 'yes' to both of these, read on because you're not alone. This report will highlight some of the key issues you need to address in your organisation and what the leaders of the pack are doing.

Chris Boyd
Digital Maturity Index Programme Owner

IN 2010 WE LAUNCHED THE DIGITAL MATURITY INDEX (DMI) AS A MEASURE OF ONLINE CHANNEL DEVELOPMENT.


CHRIS BOYD


JONATHAN AKWUE

By interviewing industry leaders with responsibility for online, and representing pure play and multi-channel organisations, we identified a number of key challenges associated with the delivery of digital channels.

This year we expanded the programme, carrying out in-depth interviews with 36 digital leaders from across public, retail, telecom, media, leisure and health sectors. We used a face to face assessment process that included qualitative and quantitative questions and covered the areas of strategy, leadership, people capability, customer experience, multi-channel, business agility and innovation.

The DMI adopts a systems thinking approach and recognises that digital success requires a balance across all dimensions.

Chris Boyd led the private sector research and Jonathan Akwue led the public sector work.

STRATEGIC PLAN

Defining the strategy for an organisation relies on a comprehensive understanding of how a product or service should be delivered to the target audience. A clear customer engagement model is an essential aspect of this. There is an increasing recognition of the importance of digital: **77% of the public sector respondents stated there is a digital strategy in place compared with 94% in the private sector**.

However, digital does not yet feature as a central plank within the overall strategy for the majority of organisations surveyed: **44% of the public sector rate digital as a central part of the wider strategy compared to an almost identical 43% from private sector responses** (see *Figure 1* below).

Figure 1
How does your digital strategy relate to the overall business strategy?

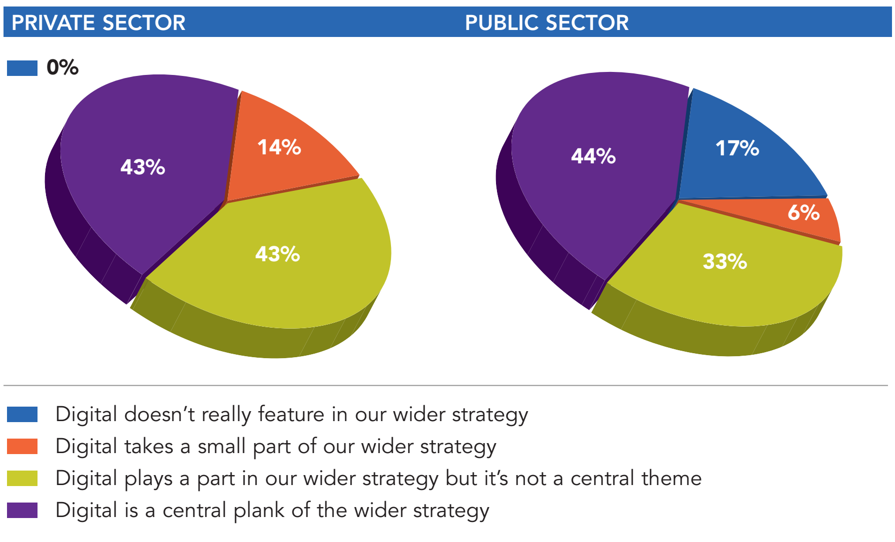
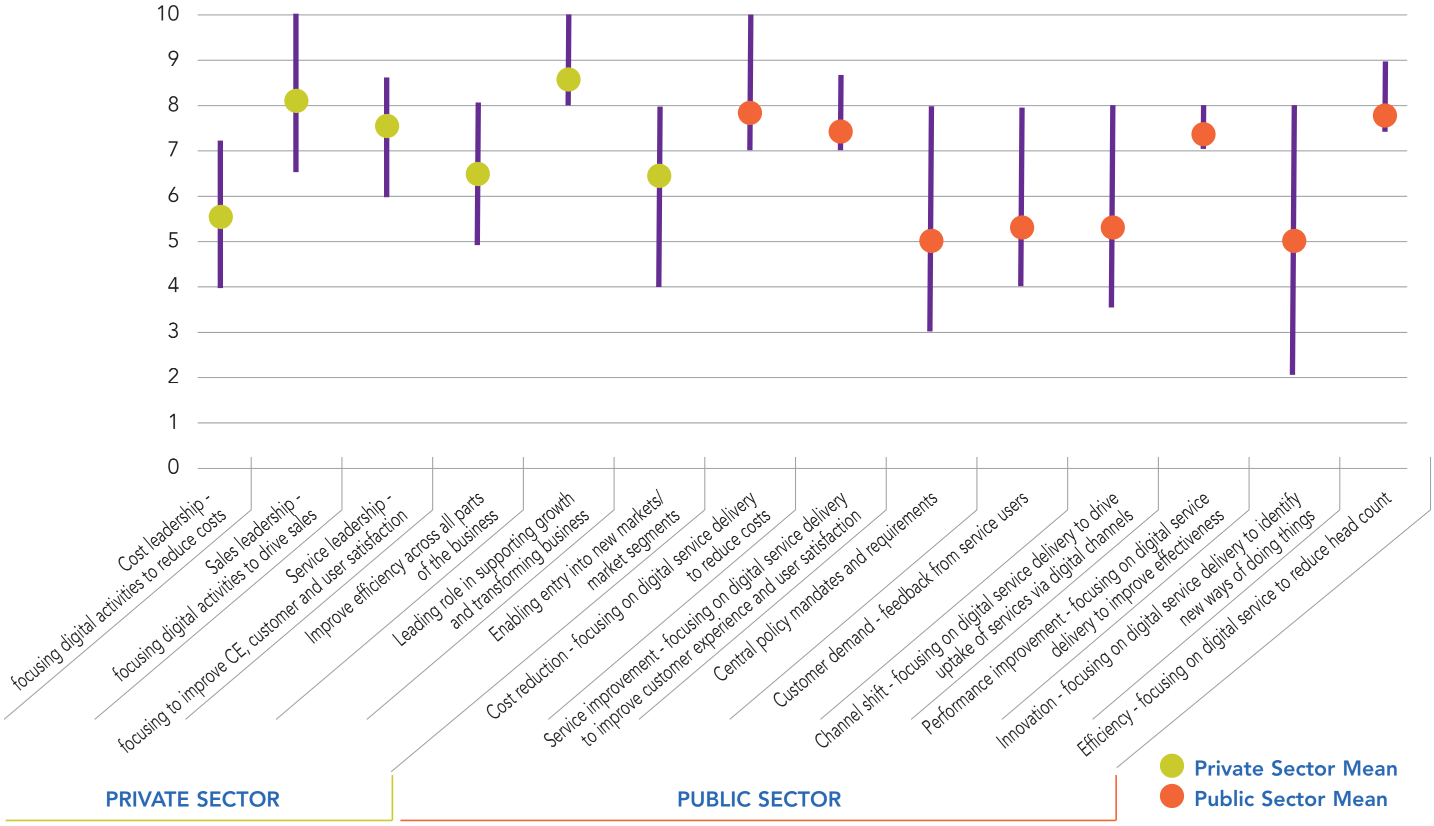


Figure 2 (shown overleaf) illustrates that in the private sector, digital is recognised as most important for supporting sales engagement, growth and business transformation and less important when it comes to cost reduction plans. For public sector respondents however cost reduction and service improvement take priority, with innovation and channel shift rated as least important. This lack of focus on channel shift is of some concern given the government's aim of moving to a 'digital by default' service model.

Figure 2
How would you score each of these goals in terms of importance (1 = Low, 10 = High)?



We need to be present and relevant in the world of our customer; digital puts the customer in control but we need a balance of engagement and commercialisation.

STEVEN ZUENELLA,
BUPA

Common challenges when implementing digital strategies are cultural change and having the right people with the relevant skills. The primary difference between public and private sector is commitment to invest in future digital development: **only 27% of public sector respondents expect a moderate or significant increase in investment in digital in 2011-2012 compared to 94% in the private sector**. Attitudes to risk also differed across sectors: 74% of private sector respondents stated they are comfortable taking risks outside traditional areas, especially if other organisations have already made developments, only 41% of public sector stated the same.

Even against a backdrop of economic uncertainty there is a belief in the private sector that a continued emphasis on digital channels will deliver business growth and benefits return. In the public sector, there is a real risk that in the wake of the government's spending review, unless the 'invest to save' argument is well made, departments and other public bodies may fail to exploit new technologies and focus instead on short term cost reduction programmes.

Whilst digital is recognised as a key strategic driver across both sectors, the real challenges are faced when trying to implement new approaches across organisations. In the best examples, it's no longer about doing the same things in a more efficient way; digital innovation is being used to drive fundamental changes and is transforming business and operating models.

VISION AND LEADERSHIP

I don't subscribe to the purist view of project deliverables i.e. automate everything, including every possible permutation and exception. We employ the Pareto principle, judging that 80% of the value comes from 20% of the effort. This results in us building fit-for-purpose solutions that address the "happy-path" logic, and scenarios that are outside of this business logic are managed as exceptions which require human intervention. We aren't afraid to build manual processing into our systems solutions if it is quicker/cheaper than automation.

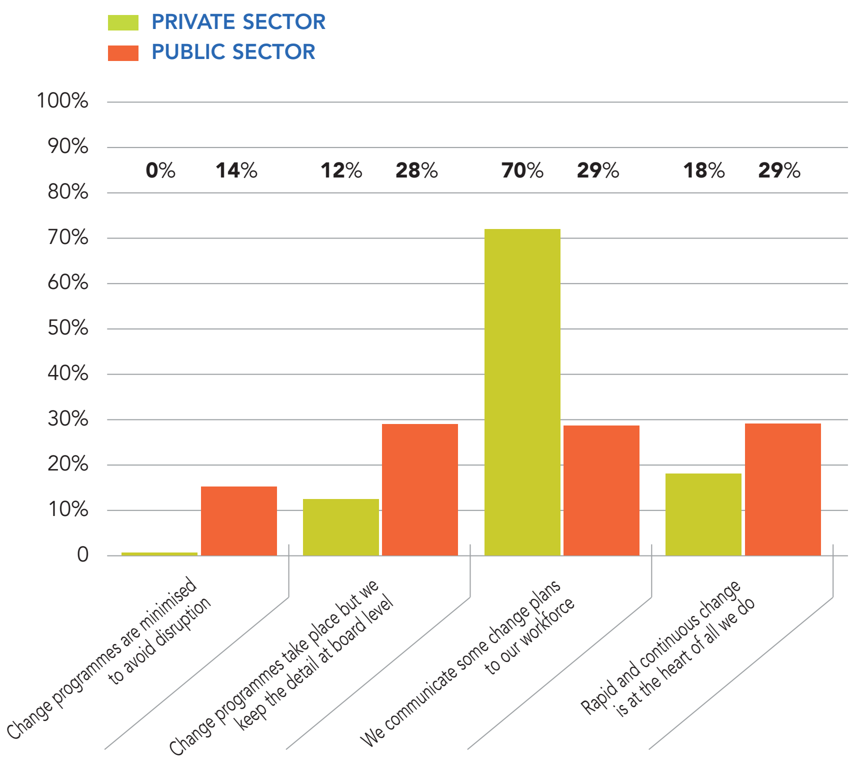
GRAHAM BENSON, MandM DIRECT

The successful implementation of any new process within an organisation or business is often dependent on ring-fenced investment, adequate resourcing, and crucially - senior level backing. When asked 'what level of support is available from the board in support of transformation through digital development?' there was a positive response with 67% of public sector respondents stating that most or all of the board and senior team are committed to digital service delivery. In the private sector the figure was 80%.

In addition to significant support for digital at management level, approximately 75% of respondents across all sectors reported that Head of Digital was a board level position, confirming that digital is a priority area for their organisation.

But with digital technology developing at a rapid pace the inability to react quickly to changes in the market and any resultant consumer behaviour is impacting heavily on strategic plans. **Only 58% of public sector respondents believe that their organisation is open to change**. However, there was a broad distribution of views ranging from those who felt their departments or agencies were completely closed off to change, to those who felt that an openness to change was at the heart of the way they operate. There was more of a consensus of opinion in the private sector with 88% of those interviewed stating that their companies shared change programmes with the workforce - a significant contributor to successful implementation of change plans (see *Figure 3* below).

Figure 3
How well does your organisation embrace change?



INNOVATION

For any organisation or business operating in a digital environment, innovation is a necessary component of organisational strategy, enabling success through rapid development of new products and services in order to address customer needs in a fast moving world. But innovation remains a challenge even for those organisations that are ahead of the pack.

We continually strive to be innovative but security and regulation can, understandably, constrain the pace at which we can innovate.

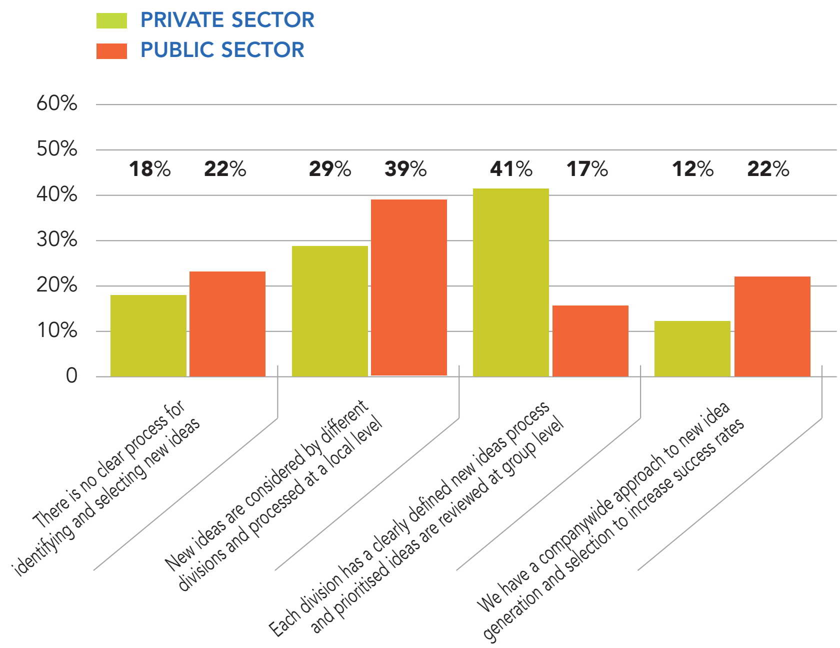
JAMES McCOBB, NETWORK RAIL

When asked what innovation means to their organisation, responses included 'taking new ideas and solving customer problems', 'a necessity for survival', 'eliminating waste' and 'a diffusion of existing ideas that have been proven to work'. It was clear that an example of innovation in one organisation could be a 'business as usual' process for another.

Despite the evidence that having a clear process for innovation and a culture that embraces the constant capture of new ideas can deliver tangible results, as *Figure 4* shows, **a companywide approach to new idea generation only exists in 22% of public sector responses and is even lower at 12% within the private sector**. Finding new ideas at a divisional level, which are then prioritised at group level, is more common in the private sector with 41% of respondents stating this is the approach taken in their organisation. **More than 50% of those interviewed in the public sector state that there is either no process for harnessing innovation or that these efforts are uncoordinated**.

Legacy systems also pose problems, particularly in the public sector where only 36% reported upgrading most or all of their technology platforms compared to 65% in the private sector.

Figure 4
How does your organisation capture and process new ideas?



SOCIAL MEDIA

The importance of social networking for us lies primarily in its value as a sales tool, in addition to its impact on brand reputation.

PHIL WALKER,
GALA CORAL

There were 100m new twitter accounts created in 2010 and 25bn tweets posted, LinkedIn had more than 11m users across Europe and in excess of 700,000 local businesses use Facebook as a marketing channel. Social media tools are undoubtedly causing organisations to question their place in the channel mix and when asked of the perceived benefits of social media, brand building and reputation enhancement were the most repeated responses.

In the private sector, social media is already viewed as a mainstream business tool with 88% planning to integrate this year, if they haven't already. In the public sector, 59% report some social media activity with a few organisations using it for policy consultation.

Despite the rush to implement social media within most organisations, there is a sense that for some it is a case of doing so because 'everyone else is doing it' rather than having a clear strategic vision and understanding of how it will deliver value from an ROI perspective.

STRATEGY SUMMARY

Digital delivery is viewed as an important component of strategy for both public and private sector organisations and there is a strong commitment to maintaining a focus on digital channel development.

Board level support appears to be strong in many organisations, but there is a marked difference in the attitude towards investment across the two sectors.

Unsurprisingly, the implementation of strategic plans remains a challenge for many, and improvements in innovation processes are required to accelerate the success rate for implementation of new digital technologies.

In the past, success was based on 'build it and they will come'. That's changed. Success today depends on deep integration of objectives, understanding customer behaviour, understanding commercial benefits of multi-channel and offering the right product on the right channel at the right time to meet consumers' expectations.

GEOFF CAMPBELL,
BAUER

PEOPLE CAPABILITY

It's a given that without great people, an organisation can't deliver exceptional service, but effective digital delivery requires skills and expertise that can be difficult to fill in-house. A gap analysis by the respondents identified a need for digital product management and marketing skills along with more specialist skills like Search Engine Optimisation (SEO) and analytics, all of which are imperative to competitive advantage and business growth in a digital world.

In the public sector, 61% of respondents stated they had access to most of the skills they needed, but those specifically cited as missing were those related to customer experience and user centred design – both of which are of critical importance if a channel shift to digital services is to be delivered effectively. A prerequisite to securing the necessary skills is having the right recruitment process. This includes having access to the relevant agencies and targeted job selection processes, but also includes knowledge of appropriate interview techniques that allow the best candidates to be selected and retained. This can be a challenge for organisations that are not primarily digitally focused.

People aren't your greatest asset; they're your only asset. We aim for "top 5-percenters", so we have to create an environment that will fulfil them. Forget about the cost of your people, think of it in value terms. Paying 20% more for someone who is twice as good as the average is a much better return on investment.

GRAHAM BENSON,
MandM DIRECT

Figure 5
How has your organisation adapted its recruitment and development processes to recognise the different skills and expertise required for digital?

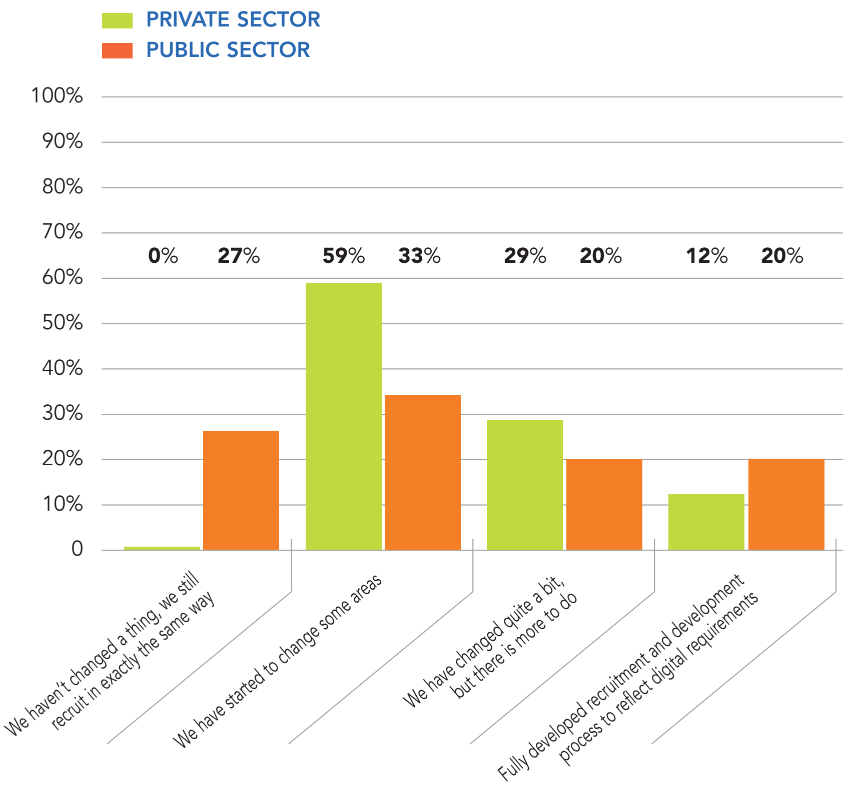


Figure 5 highlights that **the majority of respondents (59% private sector and 60% public sector) are either just starting to change their HR processes to address these issues, or are yet to make any changes**.

PEOPLE CAPABILITY (continued)

Best practice examples do exist already; one private sector respondent detailed a cultural approach that places digital at the heart of the selection process. Rather than recruiting experts for specific digital roles they believe that digital needs to be part of the cultural DNA, that everyone should 'get' digital delivery and all candidates are expected to demonstrate an understanding of how digital channels fit within the organisation and their impact upon customers.

Our digital challenge is that we've always focused on being seen as local so how do we transform without losing the local feel?

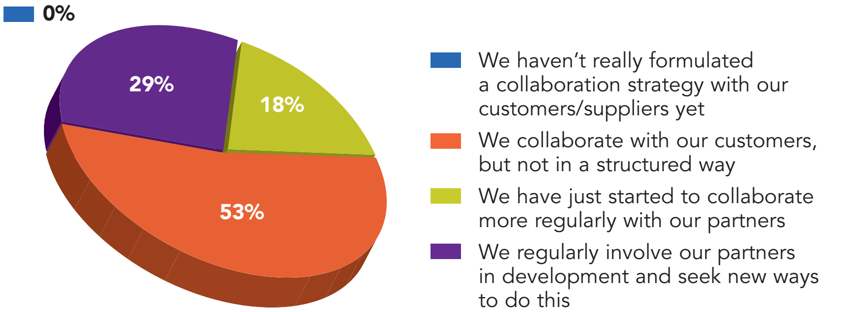
IAIN MILLAR,
ARCO

COLLABORATION AND NETWORKING

This section focused on the private sector. Compared to last year's report there has been an increase in the successful deployment of collaborative and networking tools and processes. Respondents did however indicate that there are still improvements to be made in this area with 29% stating that they regularly involve partners in development, but cited concerns that business agility could be adversely affected by collaborative ventures.

Figure 6
To what extent do you collaborate externally with others?

PRIVATE SECTOR



For B2B organisations, the main obstacle to moving transactions online is making complex products and services simple enough, as any business transformation has to take place across multiple supply chains. As collaboration becomes an increasing trend, the importance of having the right tools in place to improve partnership working is also increasing.

DEVELOPING A MULTI-CHANNEL APPROACH

We have a passion for digital but recognise that it needs to exist in a multi-channel environment.

CHRIS KETLEY,
BUPA

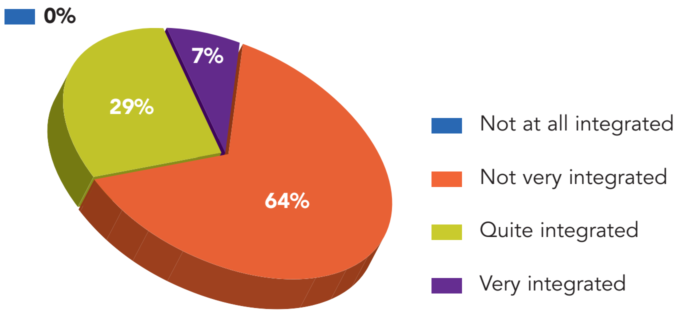
Focused on multi-channel retailing, this section addressed private sector respondents only. Total UK online sales reached £58.8bn by the end of 2010 - an 18% increase on 2009 and although there are still more than 9 million people in the UK without internet access, 23% of adults (7.1 million) now access the internet through their mobile phones.

Respondents stated that a major challenge of multi-channel delivery is the ability to integrate digital channels into the mix and only 7% stated that digital is fully integrated compared to 64% of organisations having little integration at all (see *Figure 7*, below).

Interestingly, it's not just the technological integration that presents a challenge to the private sector but also the alignment of processes across the business and 40% of those interviewed relayed that multi-channel systems and process development is still ad-hoc.

Figure 7
To what degree are digital channels fully integrated with other channels such as telesales, retail outlets and customer service?

PRIVATE SECTOR



IMPLEMENTATION SUMMARY

There has been a radical channel shift away from conventional customer channels and it's not just in the private sector. Any pre-conception that government departments and agencies are universally behind businesses in the enablement of digital transactions appears to be misguided as the picture is more complex than that.

Customer choice underpins the business strategy and service ethos at O2 and digital channels enable us to provide choice in the most relevant way.

LANCE HASWELL,
O2

Some products and services are complex or costly to move to online, making the channel shift process difficult. It is therefore imperative that customer needs are fully understood so that organisations know when they can change the interaction and when they can't. Processes and services that can easily be moved to digital are those that are standardised and those that support a sophisticated, connected audience.

Implementing a comprehensive channel mix that addresses the strategic imperatives of the organisation whilst also offering customer choice requires an experienced team, integrated technology, customer insight, and partnership working.

BUSINESS AGILITY

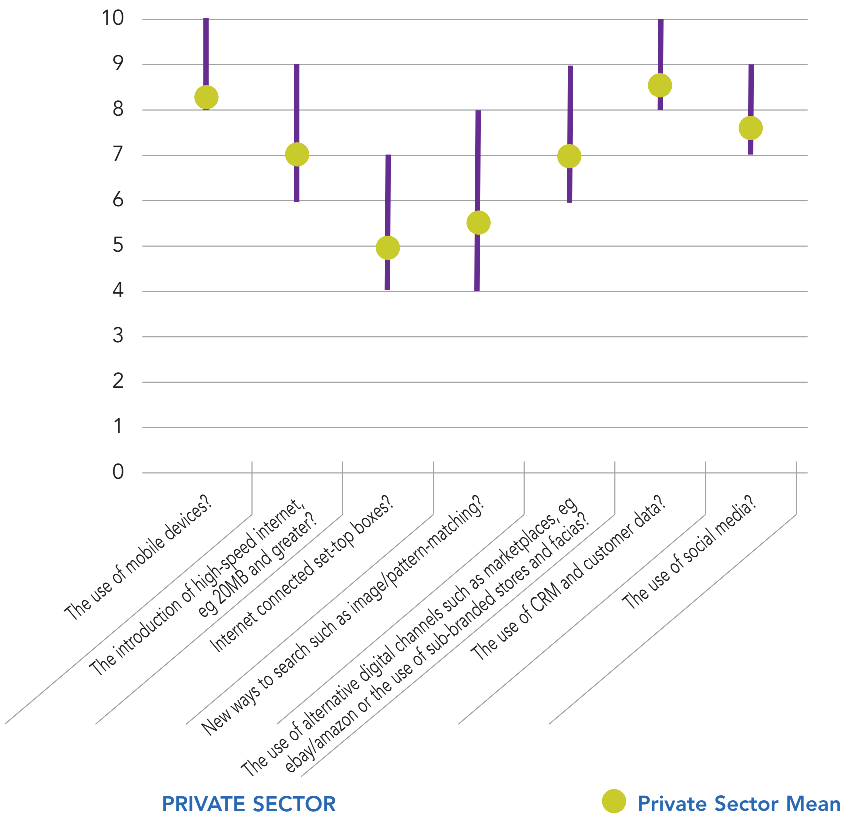
Agility is critical if we are to respond to competitive changes and online is the accelerator.

ANDREW WINTON,
EVERYTHING EVERYWHERE

This section focused on private sector respondents. **All of them recognised the need to be responsive to internal and external factors but only 12% rated themselves as very agile**. When asked how they would define business agility, responses included a standard definition of 'an ability to respond quickly to market change' as well as 'an opportunity to try out new products quickly', 'a way to fast track benefits realisation' and 'a process for removing unnecessary steps within development'.

Earlier in the report we highlighted that there was a general concern that collaboration and networking ventures could impact negatively on business agility but there was also the view that technology could support business agility in a positive way. Mobile advancements, social media tools and use of customer data were seen to be of most benefit, but internet connected TV and pattern-matching search tools were not ranked so highly.

Figure 8
How would you score the importance of the impact of these technologies on your business (1 = Low, 10 = High)?



CUSTOMER AND AGENT EXPERIENCE

The biggest challenges to delivery of a seamless customer journey in the public sector were the hand-offs between departments and central/local government, multiple owners of the different elements of the journey and legacy legislative issues including online payments not being allowed.

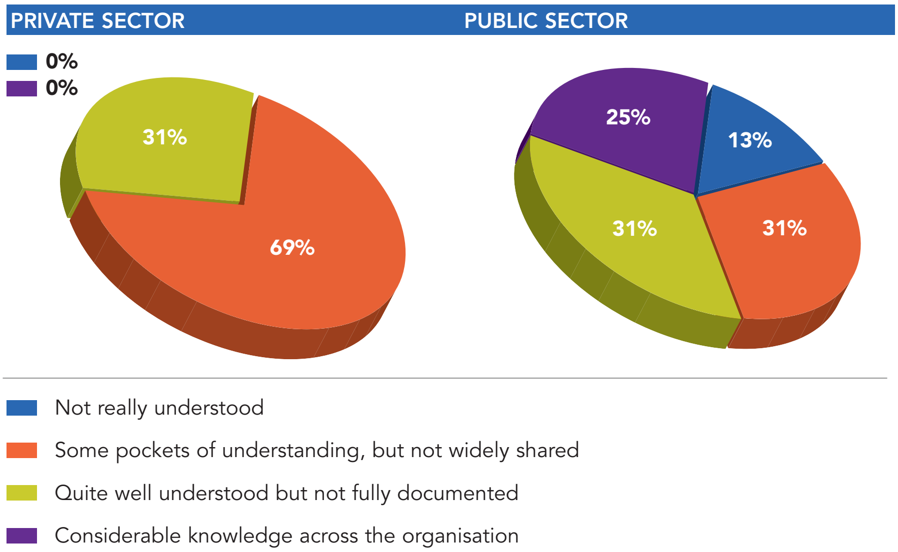
For the private sector the most common challenges were legacy and stove-pipe technology installations, alongside not thinking the experience through from the customer perspective.

In addition to developing the optimum customer journey, we asked respondents how well these were documented and understood across the organisation. 25% of those in the public sector stated that there was considerable knowledge whereas none of the private sector respondents thought this to be the case. Once again the distribution of knowledge was more even within the private sector with varying levels of understanding reported across participating businesses. In the public sector the contrast between departments and agencies was more marked with 13% reporting that customer journeys were not really understood (see *Figure 9*, below).

We want to be closer to our customers, involving them in the value chain and we use digital technology to improve satisfaction by automating end-to-end processes.

CRAIG PENFOLD,
CABLE & WIRELESS
WORLDWIDE

Figure 9
To what extent is the customer experience well documented and understood across all internal fucntions?



Measurement of the experience across the whole journey was also an area of weakness for both sectors with **59% of the private sector reporting that there was just a little or no real end-to-end view of the actual customer experience; in the public sector this was 80%**.

Organisations often aspire to deliver a seamless customer journey but operational plans often fail to consider the impact of this journey upon the processes, people and technology involved throughout.

MEASURING DIGITAL SUCCESS

Digital is a central plank of policy and more of a priority moving forward. We want to improve customer satisfaction and online is simpler and better.

ED LESTER,
STUDENT LOAN COMPANY

One of the comments that occurred frequently throughout the interviews was 'we're not sure how to measure this'. The challenge for new digital channels, especially social media tools, is how do they contribute to service improvement or business performance? Key performance indicators in the private sector continue to be sales, conversion rates, visits and adoption rates; in the public sector there are targets to reduce the volume of telephone calls and shift to digital services.

Responsibility for the collection of data appears to be disparately spread across organisations and there is little commonality in the type of data collected. User performance and customer experience were the areas most reported on.

Measurement, like the customer journey, is a process that needs to be collated and driven centrally, with local teams having clearly defined targets that link back to the organisation's overall strategic goals.

OPERATIONAL SUMMARY

Organisations in the main have a clear plan of what they want to achieve from digital delivery. It's commonly deployed to support either organisational transformation or sales growth, and in these cases, customer needs have been taken into consideration.

Where respondents reported a difficulty was in turning these strategic plans into reality. Operational plans that support the customer experience and measure the success of digital channels need to be reviewed and a collaborative approach across the organisation and its partners is required.

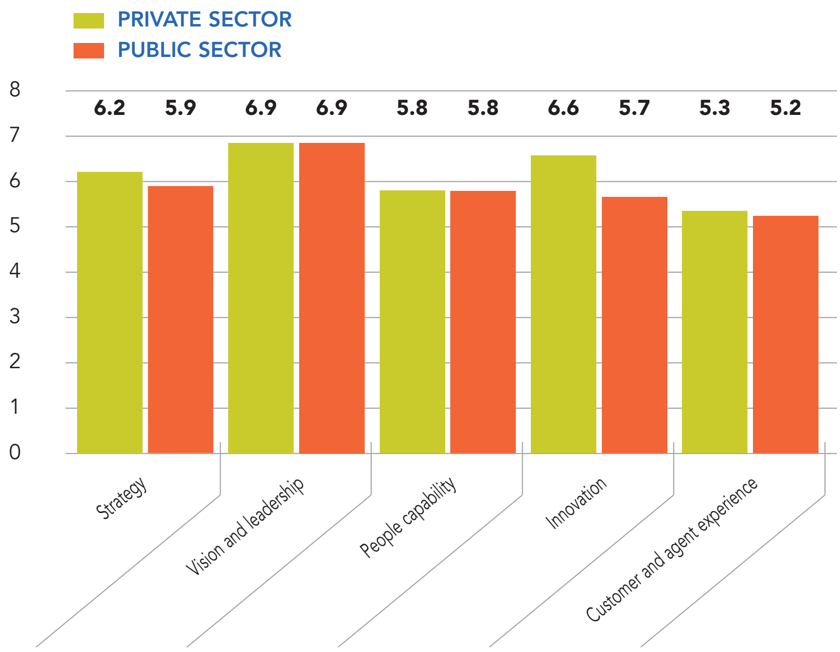
In the digital market it is very hard to assess what developments will be successful, so we use a process of continual product evolution that has resulted in us launching something new on the site every week.

CHRIS BRAKE,
YELL GROUP

PUBLIC VERSUS PRIVATE SECTOR

As *Figure 10* (below) illustrates, the overall scores for comparable interview sections were actually fairly similar between public and private sector responses. Both were strong on strategy and leadership demonstrating that there is an understanding of how digital technology can be used to enhance performance and meet expected service levels. The weakest areas for both sectors were customer experience and people capability; having the right skills in place as well as a plan for the customer journey that is integrated and well communicated across the organisation are areas that require development.

Figure 10
Comparison of average scores for private sector versus public sector



Overall, setting the direction for the organisation with regards to digital service delivery is not too challenging for either sector but taking this plan and managing implementation is a struggle. When the DVLA implemented the online car tax renewal system it required changes in legislation so that the old licence retained its validity for a further five working days to allow for the licence to be posted to the applicant.

WHAT DOES THE BEST LOOK LIKE

We interviewed 36 leaders representing retail, telecom, media, travel and leisure, B2B and public sectors. Within each of the sectors, while there were significant differences between the individual organisations, no single organisation demonstrated a lead across all measures of digital maturity; they all had their relative strengths and weaknesses. But if there was a best practice example of how digital delivery should look these are the attributes that would be present.

STRATEGY

Digital channels are positioned clearly within a fully integrated strategy that has allocated sufficient ring-fenced budget and resources to ensure successful delivery and communicated the plan effectively throughout the organisation. **Both public and private sector organisations scored reasonably well in this area**.

VISION AND LEADERSHIP

Ownership of digital service delivery sits firmly at board level and the vision of the management team is articulated widely to ensure cross-divisional support. **Private and public sectors were well matched here also; however businesses in the B2B and retail sectors appeared the strongest**.

PEOPLE CAPABILITY

A focus on digital channels will drive through a cultural change that places digital at the heart of the business. Recruitment processes consider the specific and specialist skills required and individual roles convey the impact an individual can have in transforming the organisations channel development. **Businesses in the B2B sector performed strongest in this area**.

INNOVATION

Digital developments are monitored along with internal and external market changes. There is an understanding of risk versus reward and a process for innovation that stimulates the regular generation of new ideas, developing those initiatives that can be delivered successfully. **Businesses in the telecom, B2B, travel & leisure and retail sectors scored highest in this area**.

BUSINESS AGILITY

Demonstrating an ability to recognise, adapt and respond in a timely manner to significant changes which impact upon the organisation. Digital channels are deployed efficiently to address these changes. **Businesses in the media sector performed strongest in this area**.

COLLABORATION AND NETWORKING

The wider value chain of internal and external partners and customers are engaged in the development and delivery process. Technology is used creatively to capture input and feedback enabling the delivery of a channel integration plan that clearly outlines criteria to measure success. **Businesses in the travel & leisure and B2B sectors performed strongest in this area**.

MULTI-CHANNEL APPROACH

Digital channels are integrated into an approach that drives customer experience across and between all channels. Transition plans are in place that identify the efficiency gains to be achieved from a channel shift and processes are developed to underpin this. **Both public and private sector organisations had good practice examples, with retail performing particularly strongly in this area. However the difference between those that 'get it' and those that don't were more marked in the public sector**.

CUSTOMER JOURNEY AND EXPERIENCE

Digital is clearly positioned within the end-to-end customer journey and there is a strategic and operational plan that demonstrates the impact of the experience on people, process, technology and measurement across the whole organisation. **At a conceptual level this was reasonably well understood across the private sector. However in the public sector, while there were pockets of specialist expertise, there were also public bodies where this concept was barely understood. This presents a challenge to the government's aim of delivering digital by default public services**.

MEASUREMENT

Digital services are integrated into highly sophisticated data capture and analysis tools, that translate into actionable business intelligence, that enables the organisation to communicate value and facilitate a response. **Both public and private sectors were able to provide examples where this is being done well. However with accelerating developments in digital technology, it was acknowledged that this is an area that will continue to evolve at a rapid pace**.

For more information concerning
the Digital Maturity Index 2011
and to discuss the online maturity
of your business, please contact:

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