QVIK

Building digital success

The 10 fundamentals

Realities companies are facing right now

Demand for digital services has grown exponentially due to COVID-19. Countless businesses have seen three-digit growth in their digital channels, and anything and everything that can go digital, has done so. From one point of view, digital business has finally taken the leap towards the future that we've all been waiting for. Right?

Unfortunately, many businesses are also struggling to bounce back from the crisis.

Companies can currently be divided into four rough categories:

- **Those that were already digital, and are now thriving**
- **Those that were already digital, but have difficulties with scaling and consumer experience**
- **Those that have digitized parts of their offering fast**
- **Those struggling with digitalization**

All of them have faced different challenges during the crisis, but the one constant that remains, is that digital business has now arrived.

Will all this have a permanent impact on consumer behaviour?

Let's take a look at consumer behavior first. The fact is that the force moving customers to digital channels right now is not free will, but necessity. Depending on the scenario, volumes could either stay as they are, grow, or drop in the next phases of the pandemic. What we do know is that this jump-start to digitalization is only the beginning for resilient, flexible businesses that are able to respond to rapidly changing business and consumer demands.

The government has now eased the restrictions somewhat for the summer. This means that, regardless of this decision's impact, volumes on digital channels are expected to drop from the past few months' levels, at least for the moment. Yet they are still projected to remain higher than before the crisis.

Most customers will not continue to stay strictly at home and buy online. We will also see some accumulated demand being converted into additional sales. Many consumers have saved money or put off purchase decisions due to the uncertainty of the times, but it remains to be seen how that will be split between the online and offline channels.

Reasons for dropping volumes after the crisis

Although many customers have so far been forced to live their lives online, we will be seeing potentially significant volume drops for three main reasons:

Customer experience is not on the level it could and should be. The traditional way of buying things remains attractive.

As mentioned, most of the new consumers are not on digital channels because they want to, but because that's the only way to stay safe. When other safe options become available, it's easy to go back to the old way of doing things – even if it's a bit more difficult or expensive. Comparing these options, the new way has to be effortless or provide significantly greater value, or you will fail to sell the value to the consumer. "Stay safe - buy online" is a mantra for an emergency, but hardly a long-term solution.

Operating in a digital environment seems too difficult and expensive for the business. The traditional way of selling things remains attractive.

The other major problem for many companies is that they treat digital business as a separate entity. You have a Head of Sales and a Head of Digital Sales. All functions and processes have been duplicated, and so have the costs. Some companies have decided to live with what they have and what has worked out fine in the past. The fact is, however, that old processes, systems and people can't serve the digital business in an optimal way, and growth will stop sooner or later.

Customers want smart products and services that address their needs even before they become aware of them. Personalization is a big part of this. It's not enough to know your customers, you need to understand them too.

Reluctance to embed the digital right into the core of a business leads to a situation where consumers are getting bad and slow service and being offered the wrong products at the wrong time and at the wrong price, without any significant additional value compared to offline commerce. It's easy to understand why this doesn't make them want to stick to the new best practice, but rather embrace the old – until the competition offers the same in an actually attractive digital package.

Real-life examples of current online experiences

This complex issue can be illustrated with just three simple examples from real life. You can be excellent in one or more areas of the overall customer experience, and still lose the game. You can have a state-of-the-art webstore – and still lose the game!

Ordering food

One of the consumption trends that has been growing exponentially during the pandemic is restaurant food home delivery. Choosing and ordering food for one person is an OK experience. Ordering food for the whole family with different preferences and allergies is a nightmare. Why is multi-device ordering not available so that each family member could choose what they want on their own devices, with only one order and payment being sent out at the end? Just like everyone can give their order to the waiter themselves. Or why not go all the way and make products from multiple restaurants available in the same order? Then there's the delivery. 100% of orders have been delivered later than the original estimated delivery time. Also, 75% of the-time the courier has not found the destination and I, the customer, have destination and I, the customer, have had to go outside to look for the courier. Is ordering food online really easier than the alternative?

Buying shoes online

Many have picked up new and old hobbies during the pandemic to stay sane somehow. I wanted to order new running shoes. Found two nice pairs of shoes from different stores and decided to order both for testing. I wanted to get the shoes as fast as possible. It was Monday and both stores promised delivery in 3-5 business days. The first package arrived on Thursday, nicely on schedule, but instead of home delivery I had to pick it up from the city center. On Friday, the other package was yet to be shipped or even packed, so I tried to cancel the order. They told me I couldn't, because the order was being processed. I had to wait for the package and send it back. Nine business days later, the package arrived but without the return labels it was supposed to include. Customer support answered my email five days later with return documents attached for me to print and paste on the package. Waking my old printer took half a day, taking the parcel to the post office an hour. Three weeks

from my order, the shoes were finally on their way back. Two weeks later I got an email saying that they had received the package and would process the return within the next 14 business days. After successful processing it will take 3-5 business days for me to get my money back. Still waiting for that to happen.

Groceries

The Finnish grocery business is controlled by three big retail chains. It's quite common for people to prefer one of them over the others. I don't have a clear favorite, but at the beginning of the self-isolation, you had to choose. One of the chains doesn't have an online presence, so that left me two choices. Both looked pretty similar, both remembered what I had purchased before and suggested products based on that. Both had nice recipes helping you choose what to eat next week, both provided home delivery and store pick-up. The other chain is known to be a little more affordable, so I decided to go with that. Added products to basket and proceeded to delivery time selection. It was fully booked for the next week, and you can't book a slot beyond that. OK, maybe there will be a slot available next morning. So I set my alarm to 6 am and went back to the online store but again, no deliveries available. I later learned that the deliveries are booked full seconds after midnight. That was all I needed to switch grocery store chains. The competitor allowed deliveries to be booked up to a month ahead and had plenty of slots available.

So how can you win?

To make sure you are among the winners, you need to master the whole value chain of digital commerce for the whole lifecycle of the product or service.

It covers everything: sourcing, inventory and availability, product information, pricing, marketing, campaigns, sales, payments, logistics, customer care, after sales, finance and reporting. It requires you to understand processes, systems and people.

The key is to automate without killing your agility and capability to respond to change.

Ten fundamentals of building a future-proof digital business

1. Don't treat digital business as a separate entity
2. Legacy is the key
3. Don't suboptimize
4. Choose your battles – put excellence in the right places
5. Data
6. Make architecture your enabler
7. Be where the customers are
8. KISS
9. Speed matters
10. Turn failures into success

Don't treat digital business as a separate entity

You don't want to run two companies inside one. Digital commerce is not something you try out to see if it's really something your customers want. If your processes, systems and people can handle digital commerce, the same processes, systems and people can also handle brick-and-mortar business (e.g. in-store operations). Either build digital first, or transform your operations so that both channels can operate with the same sourcing, pricing, marketing, sales, logistics and other structures.

Why? Because in digital business, excellence matters. There's a lot more competition in the digital space, and you need to be cheaper, faster and better than them. The digital business will introduce new processes, as well as change and remove some existing ones. It puts your end-to-end process to the test, and if you have bottlenecks, they will start to slow your business down.

Legacy is the key

If we aren't to treat digital business as a separate entity, then the same goes for legacy. Legacy is often seen as a blocker for digital transformations. Typical reasons include hard to maintain, undocumented, no automated tests and, of course, it's not built on the latest technology. However, these stem from a purely developer-oriented and technical standpoint. What the customer sees is a poor user experience.

Legacy is not just technology, but people and processes as well. In other words, legacy is outdated systems that cannot keep up with growing business demands, but run your business.

The key to ensuring business continuity, while continually adapting to growing business demands, is a gradual and prioritized modernization of systems. Skilled designers, solution architects and enterprise architects together with a professional development team can make business leaders' dreams come true without a big-bang rebuild. Finding and extracting the most valuable parts of your legacy will give fast results with less risk.

Don’t suboptimize

Organizations do have units, teams and people owning certain parts of the overall solution, delivering the customer experience, and enabling the business. It’s fairly common for some of these to push their agenda harder than others, and some corners of the solution will be closer to perfection than others. The web is full of beautiful webshops, for example, that are selling products nobody wants. I would say they may have put too much effort into how it looks, instead of understanding what consumers want to buy and when. Put your limited resources where they deliver the best ROI, and make sure that the pieces you have work smoothly together. For customers, there’s only one experience.

Choose your battles – put excellence in the right places

Ever heard the saying "you can't be the best at everything"? Warren Buffet has the 5/25 rule. List the top 25 things you want to achieve, prioritize them, and keep just the top 5. They are the ones you will be able to focus on and the other 20 are just a distraction. The same applies here. There are a number of companies out there that are pretty good at everything they do, and you need to be as well. To rise above the rest, however, you need to differentiate yourself from the competition. This is where choosing the area(s) that you want to be the best in will allow you to focus your efforts on creating an excellent business. Know your competitors, understand your customers, be aware of the limitations and possibilities of technology, and choose your focus wisely.

Data

Imagine you are driving to an important event only to be held up in a traffic jam, causing you to arrive 2 hours late. When you arrive you find that the others were using a similar GPS system, but were able to arrive on time. How can this be? They had access to real time data and were able to make decisions on the fly. Meanwhile you were only seeing historical information. Digital offerings are no different. The lack of real time, business specific data is a primary reason a lot of digital business leaders are currently working blindly.

We are living in a "We want it now" customer evolution. Customers are increasingly expecting a personalised experience, which is one of the drivers behind digitalisation. Knowing your customers is one thing, but understanding them and their preferences is paramount.

How do you get data that is relevant in a business context to make decisions effectively? First the barrier between business and technical must be taken away. The combination of business and technical enables the identification of facts that have happened in the system that are of interest to the business.

Make architecture your enabler

Modernising your legacy systems for the digital world, while still meeting the needs of the bricks and mortar setups, is definitely a challenge. Cloud adoption and microservice architectures have been increasingly helping businesses move forward. Interactions between systems are moving from centralized application servers and databases to API layers and distributed data stores, but not without their own set of issues. When combined with the need for real time data, things really start to get complex. To be able to see a big picture in real time, you need systems that are coherent and more adaptable to changes in business demands. This requires guidelines, principles and governance. Think of it as a "just enough architecture" approach that focuses on the parts that bring the most value for your business.

It can be broken down into 5 layers that all support each other.

Customer - Everything stems from here. Understanding your customers is paramount.

Business - This is where you define what it is you are wanting to achieve and communicate it over and over.

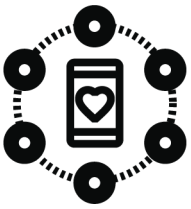
Application - What set of applications are required to support the business in achieving their goals. Defines principles and guidelines for the development and integration of services.

Data - Define how data is handled. Use business contextual data to enable greater visibility and insights. Define principles and governance of how data is managed especially related to compliance, such as GDPR.

Infrastructure - Provides services to the data and applications layers. Choosing these services should be done consciously. Future introductions should be done to address business problems.

Be where the customers are

Don't wait for the customer to come to your channel, go where the customer is. Your value proposition needs to be extremely attractive and relevant to the consumer to make them come to the channel of your choosing. Instead, you need to be present in the channels the customers use. Digital commerce in social media channels has seen exponential growth, and this trend will continue.



KISS

In the end, digital commerce is very simple:

Buy the right products at the right time for as cheap as possible.

Put the products up for sale as efficiently as possible.

Get as many people to your shop as possible.

Sell the products at the highest price possible.

Deliver the products as fast and cheap as possible.

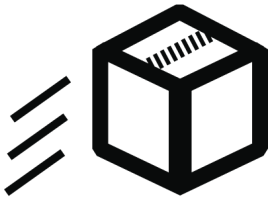
Minimize the number of returns and complaints.

Repeat.

This is where we are at our best. Not suboptimizing individual things, but making sure the pieces work together optimally and deliver a winning experience to the consumer. If you don't do this – if you can't see the forest for the trees – you will deliver an experience that will drive customers away and/or an operational engine that will not give you a chance to succeed in the global competition.

Speed matters

Free Two-Day Shipping - that's the slowest option you can get from Amazon Prime. In China, the most popular products are already on their way before you hit the buy button and will be at your door in minutes. That's what you are being compared to. We all know that shipping is never free. It's more about whether you have a separate item about that on the receipt, or whether the shipping price is just built into the price of the product or subscription. One of the biggest reasons to pay extra at the brick-and-mortar is because you get your stuff immediately. How long from hitting the buy button does it take for customers to get your product?



Turn failures into success

When something goes wrong (on your or the customer's side), that's your chance to shine. Consumers don't even remember the purchases that went as expected (99% of all online purchases), but each and every one of us remembers the ones that didn't go to plan. In a good or, most often, bad way. This is where you can step up and make a positive impression that the customers will remember and share. It starts with being proactive. Customers are a lot more receptive to issues that they are notified about than if they find out about them on their own. If it's the customer's mistake, think about ways to help.

Qvik is a modern partner that helps you solve the complex problems related to digital business. We offer a full range of expertise, and deliver award-winning services that don't just survive any circumstance, but make your business and ROI shine. For further expertise on any of the fundamentals, let's talk!

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