

# Digital Transformation:

**A GUIDE TO TRANSFORMING CX  
WITH CONVERSATIONAL AI**

It's not revolutionary,  
it's evolutionary.

# FORWARD

One of the most successful implementation areas for Digital Transformation is in customer service. Major trends that have driven Digital Transformation in the customer care space include the need for web and mobile assets, increased demands for self-service, introduction of social media, the abundance of smart speakers and personal assistants, and the demand for omnichannel customer engagement centers. And, with more than 60% of Digital Transformation initiatives and pilots focusing on improving customer experience, engagement and retention,<sup>1</sup> it's safe to say that Digital Transformation will continue to shape the future of customer experience.

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**OVER 60% OF DIGITAL TRANSFORMATION INITIATIVES AND PILOTS FOCUS ON IMPROVING CUSTOMER EXPERIENCE, ENGAGEMENT, AND RETENTION.**

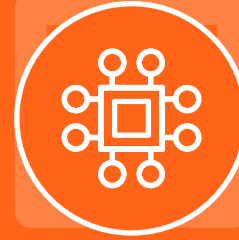
<sup>1</sup>McKinsey & Company (2018, October). Unlocking success in digital transformations. Retrieved from [www.mckinsey.com/business-functions/organization/our-insights/unlocking-success-in-digital-transformations](http://www.mckinsey.com/business-functions/organization/our-insights/unlocking-success-in-digital-transformations)

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# WHAT IS DIGITAL TRANSFORMATION?



Digital Transformation is the process of using digital technologies to create or optimize business processes in order to improve company and customer experience and meet changing customer demands and market requirements. In other words, Digital Transformation restructures how and where a business meets its customers in order to fit the needs of the digital first age.

Successful Digital Transformation requires removing silos and shifting the way of thinking and working across the business as a whole. It means adapting to new technologies, and taking into account the changing needs of customers, shifts in society, and changes in industries.

## Why are we still talking about it in 2020?

Though the concept has been around for years, Digital Transformation is more important now than ever before. According to IDC, 85% of enterprise decision-makers say they have a time frame of two years to make significant inroads into Digital Transformation or they will fall behind their competitors and suffer financially.<sup>2</sup> And, Gartner in a recent report cited that 56% of CEOs claim that digital improvements have led to significant revenue growth.<sup>3</sup>

What do these findings mean for businesses that cater to tech savvy customers? A Digital Transformation strategy is essential to your success, and it is important to keep in mind that it is not revolutionary, but rather evolutionary. Those brands who do it well will excel, and those who stay status quo will become obsolete.

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**85% OF ENTERPRISE DECISION-MAKERS SAY THEY HAVE A TIME FRAME OF TWO YEARS TO MAKE SIGNIFICANT INROADS INTO DIGITAL TRANSFORMATION OR THEY WILL FALL BEHIND THEIR COMPETITORS AND SUFFER FINANCIALLY.**

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**DIGITAL TRANSFORMATION IS NOT REVOLUTIONARY, BUT EVOLUTIONARY. BRANDS WHO DO IT WELL WILL EXCEL, AND THOSE WHO DON'T WILL BECOME OBSOLETE.**

<sup>2</sup> Morgan, B. (2019, May). 40 Stats On Digital Transformation And Customer Experience. Forbes. Retrieved from [www.forbes.com/sites/blakemorgan/2019/05/13/40-stats-on-digital-transformation-and-customer-experience/](http://www.forbes.com/sites/blakemorgan/2019/05/13/40-stats-on-digital-transformation-and-customer-experience/)  
<sup>3</sup> Rayome, A. (2017, April). Report: 56% of CEOs say digital transformation has increased profits. TechRepublic. Retrieved from [www.techrepublic.com/article/report-56-of-ceos-say-digital-transformation-has-increased-profits/](http://www.techrepublic.com/article/report-56-of-ceos-say-digital-transformation-has-increased-profits/)

## Customer experience is at the core of Digital Transformation

We live in the age of the customer. Customers decide the why, when, what, and how of engaging with brands. Customers compare every brand they interact with to the most customer-obsessed brand they know. In the past decade, we've seen enterprises recognize this trend and spend tremendous amounts of time, money, and effort building a digital footprint to meet customers where they are. It started with simple websites and soon moved to interactive web, mobile apps, self-service portals, and most recently Alexa skills and Google Home actions.

However, Digital Transformation is not just about offering multiple, digital touchpoints. This often leads to disjointed channels that are not cohesive or productive to customers. In fact, disjointed digital channels are the number one reason why Digital Transformation fails to improve customer experience. To keep customers at the core of Digital Transformation initiatives, businesses must take into account the entire customer journey, including integration across all touchpoints.

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**DISJOINTED DIGITAL CHANNELS ARE THE NUMBER ONE REASON WHY DIGITAL TRANSFORMATION FAILS TO IMPROVE CUSTOMER EXPERIENCE.**



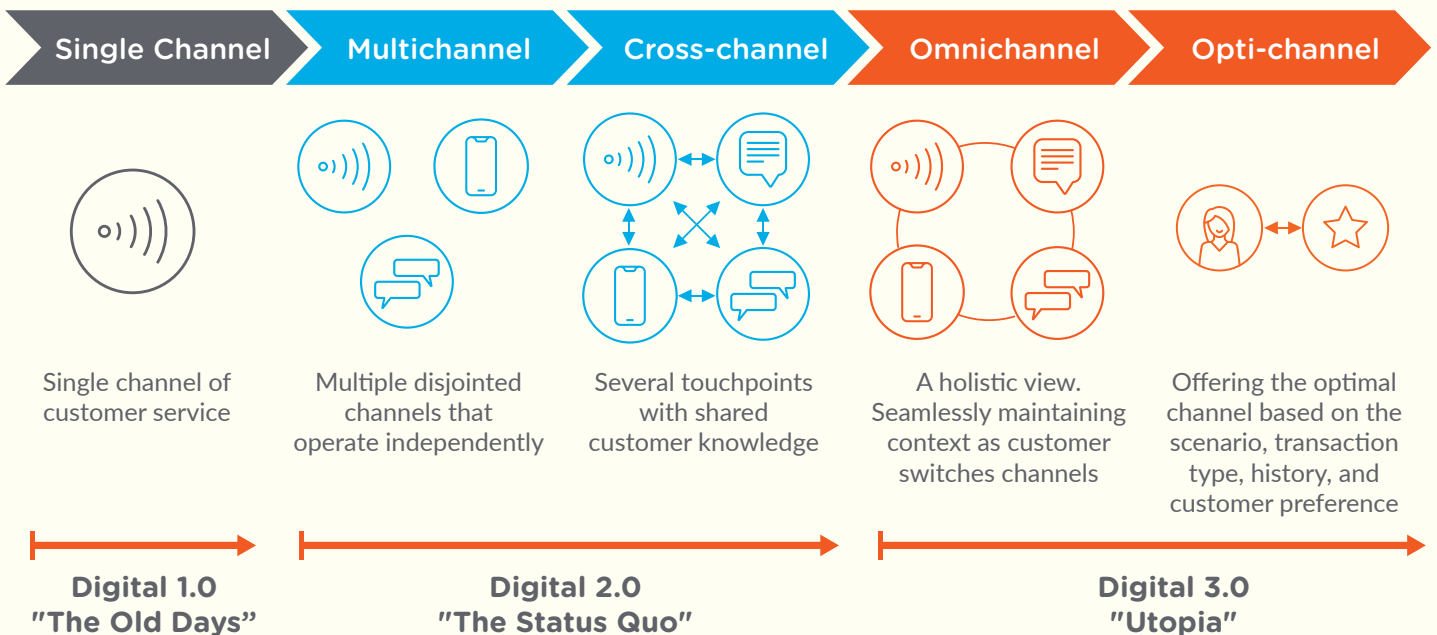
# GETTING STARTED

## Defining success

True Digital Transformation is a goal that is constantly being raised by today's digital native consumers. Therefore, businesses must start by recognizing where they are in the Digital Transformation journey, and then take the appropriate steps forward. **To be considered successful in a Digital Transformation initiative, businesses must offer the most optimal channel for**

**customers based on their preferences, past transactions, and the type of tasks at hand.** Of course, there is never a true success "endpoint," as businesses must continue to evolve with their customers. Successful Digital Transformation requires constant measuring, adjustments, and growth to stay optimized and relevant.

## WHERE ARE YOU ON YOUR DIGITAL TRANSFORMATION JOURNEY?



## Where to begin

Most businesses understand the importance of Digital Transformation, but the main challenge they face when planning their strategy is “Where do we start?” According to Bain & Company, when thinking about funding, securing talent, and scaling for Digital Transformation, your initiatives should focus on:

- The direction of your business, including digital strategy
- The potential for disruption to your business model
- What solution or technology enables your company to get there
- The change management necessary to achieve the strategy<sup>4</sup>

In the context of setting a strategy, there is a growing consensus that the most important and impactful use cases for advancing Digital Transformation are in the customer experience space.

According to Seagate, two-thirds of global CEOs will focus their digital strategies on improving customer experience.<sup>5</sup> Moreover, leading industry analyst firms Tractica and IDC both identify automated customer service as the number one use case for AI-enabled digital transformation.<sup>6</sup>

This is especially true for business-to-consumer brands that are constantly dealing with conflicting interests including:

- The increased completion and commoditization of many industries is mandating that businesses differentiate on the basis of customer experience.
- The concomitant imperative that all organizations have to cut costs and improve operational efficiency.

These competing, and some would argue incompatible, interests are at the heart of why Digital Transformation is an enterprise imperative. Without leveraging digital technologies, bridging the gap between a shrinking budget and improved customer experience is virtually impossible.

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### BRANDS—ESPECIALLY B2C—ARE CONSTANTLY DEALING WITH CONFLICTING INTERESTS



Improving CX while cutting costs and improving operational efficiency

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<sup>4</sup> Bain & Company; Larsen, A., Lancy, O. and Gul, M. (2018, January). A Step-by-Step Guide to Digital Transformation. Retrieved from [www.bain.com/insights/a-step-by-step-guide-to-digital-transformation-world-economic-forum/](http://www.bain.com/insights/a-step-by-step-guide-to-digital-transformation-world-economic-forum/)

<sup>5</sup> Morgan, B. (2019, May). 40 Stats On Digital Transformation And Customer Experience. Forbes. Retrieved from [www.forbes.com/sites/blakemorgan/2019/05/13/40-stats-on-digital-transformation-and-customer-experience/](http://www.forbes.com/sites/blakemorgan/2019/05/13/40-stats-on-digital-transformation-and-customer-experience/)

<sup>6</sup> Tractica (2019, Q4). Customer Service Virtual Digital Assistants; IDC (2019, Q4). Worldwide AI System Spend for Automated Customer Service Agents.



# CONVERSATIONAL AI: TECHNOLOGY TO ENABLE TRANSFORMATION



## Redefining differentiation

Enterprises must increasingly compete on the basis of superior customer experience, while addressing the mandate to cut costs across the board. All industries, especially B2C businesses, are becoming increasingly identical in terms of features, benefits, and technology. For example, all mobile carriers have similar unlimited voice, text, and data plans, and virtually the same coverage. All airlines fly the same Boeing and Airbus planes and have remarkably similar seats and on-board services. As industry competition increases, products and services are increasingly perceived by consumers as being the same. Companies have limited options to maintain prices and margins. Superior customer experience is the modern way to differentiate from competition and create customer preference and loyalty.

Improving customer experience is one of the top initiatives of Digital Transformation. Conversational AI is increasingly being used to enable Digital Transformation projects by enabling easier communication between businesses and their customers.<sup>7</sup>

With AI becoming increasingly attractive to executives, we are at the cusp of transitioning from innovators to early majority on the Conversational AI technology adoption curve.

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**CONVERSATIONAL AI IS THE SET OF TECHNOLOGIES BEHIND AUTOMATED MESSAGING AND SPEECH-ENABLED APPLICATIONS THAT OFFER HUMAN-LIKE INTERACTIONS BETWEEN COMPUTERS AND HUMANS.**

## Text channels

The ability to leverage digital technologies to improve customer experience and to reduce operating costs is very real. But, companies often make the mistake of starting with infrequently used text channels, usually in the form of a chatbot, as their first step towards Digital Transformation. While chatbots offer simple and quick deployments, they almost always disappoint consumers<sup>8</sup> because:

- A simple and quick chatbot signifies a simple front-end to Frequently Asked Questions (FAQ), and as a consequence is extremely limited in terms of its utility.
- Text channels are rarely the channel of choice for consumers. Thus, starting with this channel minimizes the customer experience impact.
- Text channels are not where companies spend significant operating expense and as a consequence, the financial impact of automating text channels is minimal.

7 McKinsey & Company (2018, October). Unlocking success in digital transformations. Retrieved from [www.mckinsey.com/business-functions/organization/our-insights/unlocking-success-in-digital-transformations](http://www.mckinsey.com/business-functions/organization/our-insights/unlocking-success-in-digital-transformations)

8 Sridharan et al. (2019, October). Forrester. Predictions 2020: Artificial Intelligence. Retrieved from [www.forrester.com/report/Predictions+2020+Artificial+Intelligence/-/E-RES157592](http://www.forrester.com/report/Predictions+2020+Artificial+Intelligence/-/E-RES157592)

## Voice channels

Most companies spend the large majority of their customer service budget on the most important channel—voice. With that said, voice should be the priority in Digital Transformation strategies too. Consider the following:

- According to Gartner, contrary to what many companies may believe, voice is growing in importance and preference as a primary channel through which consumers communicate with the companies with which they do business.
- The impact of an Intelligent Virtual Assistant (IVA) in the voice channel is substantial not only in terms of the ability to automate customer service transactions and concomitant cost reduction, but also with respect to dramatic customer experience improvements.

- Choosing the right IVA platform for an initial voice deployment will ease the implementation of additional channels, facilitating a complete omnichannel Digital Transformation of customer service operations.

So, while text channels may follow, starting an IVA implementation with voice channels will result in a greater ROI due to its sheer volume.

## WHY VOICE SHOULD BE THE TOP PRIORITY IN YOUR DIGITAL TRANSFORMATION STRATEGY

Text	Voice
<p>Many companies use text channels—usually in the form of a chatbot—as their first entrée into CX digital transformation. Downfalls of starting here include:</p> <ul style="list-style-type: none"><li>• Text channels are rarely the channel choice of customers and therefore the CX impact will be minimal</li><li>• Chatbots and like solutions are extremely limited in terms of utility</li><li>• Channels that use chatbots usually are not areas of significant operating expense, so financial impact will be minimal</li></ul>	<p>Voice should be the priority in customer service Digital Transformation strategies because:</p> <ul style="list-style-type: none"><li>• Voice is growing in importance and preference as primary channel with consumers; therefore there is a large opportunity to make a major impact on CX</li><li>• Implementing the right IVA platform in voice allows for easy expansion in to other channels</li><li>• Companies spend the large majority of their customer service on voice, therefore there will be significant economic impact</li></ul>

IVA

# INTELLIGENT VIRTUAL ASSISTANTS (IVAS)

## Benefits

IVAs stand out as the most impactful and productive deployments of Conversational AI for Digital Transformation. They can be used across different channels, creating cohesive, effortless, and satisfying conversations between businesses and their customers. Their implementation can help to:

- Enable AI-based communications and automation between businesses and customers
- Provide analytics that support customer experience process improvements
- Support consumers to switch channels and modalities based on what they are doing at any given time
- Give customers the ability to choose their communication channel of choice
- Redirect customers to channels that answers to questions the quickest to improve customer experience
- Provide channel optimization by offering the best channel based on what the consumer is trying to accomplish

## More than just channel choice

Digital Transformation is more than just channel choice. As mentioned earlier, many disjointed channels can often lead to more frustration among customers. While having channel choice is important, channels should be carefully implemented to best support customers. For example, introducing a smart speaker channel to a customer

base that does not use smart speakers overcomplicates communication for the customer and wastes resources for the business. Instead, businesses should focus on creating a seamless and productive customer journey that makes communication easy.

## IT'S MORE THAN JUST CHANNEL CHOICE: HOW IVAS OFFER A SEAMLESS AND PRODUCTIVE CUSTOMER JOURNEY

### Channel Optimization



Meet customers where they are. Offer the best channel based on the scenario, transaction type, history, and customer preferences

### Switching Channels and Modalities



Allow customers to switch channels and modalities and transverse without losing context

### Channel Redirect



Utilize existing digital assets such as websites and mobile apps. Redirect customers to improve satisfaction and speed

### Channel Preference



Remember channel preferences and use them to offer faster, more efficient, and personalized experiences every time

# OVERCOMING DIGITAL TRANSFORMATION CHALLENGES



Every initiative can have its downfalls if not planned properly. When planning your digital strategy, there are many factors to keep in mind in order to achieve success. Some of these common pitfalls are highlighted in a recent article by McKinsey,<sup>9</sup> and are also reinforced by Interactions own experiences with our customers:

## **Lack of buy-in and/or strategy**

A consistent challenge many companies face is the lack of a comprehensive corporate digital strategy. Departments or divisions within companies often pursue their own strategy in a way that is disconnected from what other parts of the company may be doing. For example, if the marketing department implements a chatbot, it likely sets expectations with consumers that the bot can address customer service issues. If the customer service team is not involved with the implementation, this will lead to a disconnected customer journey. It's why an increasing number of companies are creating new executive roles such as Chief Digital Officer and Chief Customer Experience Officer designed to drive Digital Transformation cohesively across the company.

## **Unclear economics or ROI of Digital Transformation**

Market leaders are embracing Digital Transformation because they fully appreciate the economic disruption enabled by the digital era. In the context of a comprehensive digital strategy, leaders should choose specific use cases like customer experience where the economic benefits can be targeted, measured, and constantly improved through an iterative data-driven process.

## **Making the “buy, build, or partner” decision**

The “buy, build, or partner” decision is nothing new for enterprises in the Cloud era. SaaS platforms have broad and mainstream support due to the economic, time-to-market, and continuous delivery of new features and flexibility advantages they offer. Even companies with massive scale and resources need to question whether they want to invest to build capabilities that may provide advantages today, but hold back the business in the future due to the pace of technological innovation. A key part of any comprehensive Digital Transformation strategy will be a strong point of view as to how to best leverage the investments and focus of technology innovators that are driving enterprise Digital Transformation.

<sup>9</sup> Bughin, J., Tanguy, C., Hirt, M. and Willmott, P. (2018, January). Why digital strategies fail. Retrieved from [www.mckinsey.com/business-functions/mckinsey-digital/our-insights/why-digital-strategies-fail](http://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/why-digital-strategies-fail)

### The benefits of managed services

Consistent with leveraging the investments and focus of technology innovators that are driving enterprise Digital Transformation, managed service providers a great alternative. Managed services operated in the Cloud offer the best of a build and buy/partner strategy. Managed services not only allow an enterprise to build a custom application that is tuned to their specific business needs, but it also enables the ability to leverage the focus and constantly evolve. For example, Interactions customers not only benefit from continuous delivery of new features and capabilities in our IVA, but they work with us to build a bespoke application that reflects the brand persona, business rules, and automation objectives.

### Finding the right partner

Choosing the right partner is key to accelerating Digital Transformation. That decision should be based on the partner's capabilities, proven experience, ability to demonstrate economic benefits, and engagement methodology. Interactions proven experience in helping companies transform their customer experience has enabled us to become one of the leaders in enabling digital technology. It is at the heart of our mission: to create amazing customer experiences by advancing Conversational AI technology that understands and engages on a human level. We do that with our unique approach, which we call "The Interactions Way." This approach establishes the framework to design conversational voice and digital applications, capitalizing on the notion that every business is different—from target audience and mission, to brand voice and industry niche.

## MANAGED SERVICES OPERATED IN THE CLOUD OFFER THE BEST OF A BUILD AND BUY PARTNER STRATEGY FOR DIGITAL TRANSFORMATION.

### Step to a Successful Digital Transformation Strategy

- ✓ Make sure you have buy-in not only from your team, but from stakeholders across your organization
- ✓ Choose a use specific case where economic and other outlined benefits can be targeted, measured, and constantly improved
- ✓ Decide if you want to "buy, build, or partner" and understand the pros and cons of each
- ✓ Understand how managed services can help provide a solution that is specific to your current business needs and can evolve as these change
- ✓ Choose a partner based on capabilities, proven experience, and ability to demonstrate economic benefits and engagement methodology



# CONCLUSION

It is important to remember that Digital Transformation is not a project that has a start and a finish. Rather, it is a process that will continue to evolve in response to many factors, including technology, market requirements, and most importantly your customers.

For successful Digital Transformation, it's key to have buy-in and consensus across your organization to ensure a consistent approach. Choose an area of focus where you can see improvement, measure tangible results, and continue to fine tune. If you work with a partner, select one who has a proven track record and focused experience on your technology of choice and who is invested in your success.

Customer care is an ideal focus for Digital Transformation, as it can make a significant impact on customer experience. The voice channel continues to grow and remains the preferred method of communication for

customers to interact with businesses. Utilizing Intelligent Virtual Assistants (IVA) powered by Conversational AI can make an immediate impact on improving customer experience while at the same time reducing costs.

Choosing the right IVA platform for an initial voice deployment will also facilitate a complete omnichannel Digital Transformation of customer service operations.

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**FOR DIGITAL TRANSFORMATION, CONVERSATIONAL AI APPLICATIONS CAN OFFER CUSTOMER CONTROL, EFFORTLESS INTERACTIONS, AND PERSONALIZED CONVERSATIONS. THE RESULT IS AUTOMATED EXPERIENCES THAT ARE INDISTINGUISHABLE FROM WHAT COULD HAVE BEEN DELIVERED BY YOUR BEST AGENT.**



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