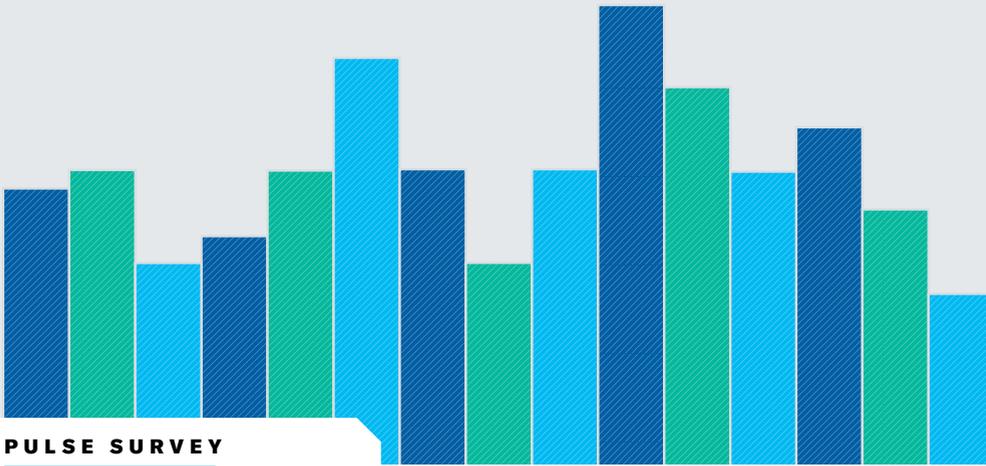




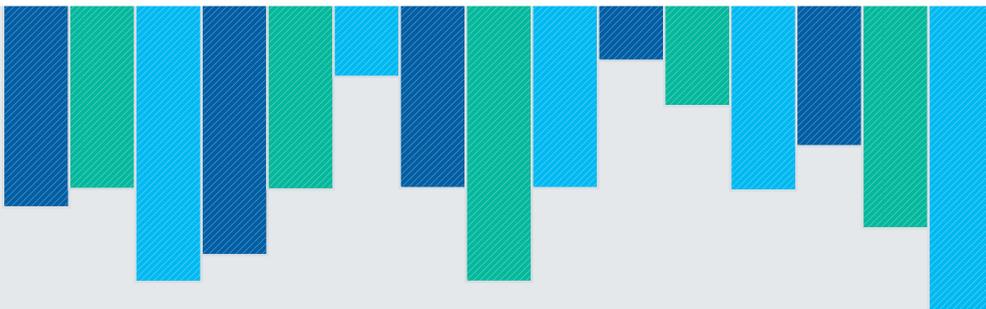
**Harvard
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ANALYTIC SERVICES



PULSE SURVEY

Making the Leap to a Digital-First Enterprise



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Digital products have long been redefining how we work, play, learn, connect, buy, and so much more. As a result of the pandemic, we saw the entire world shift their lives to digital everything. Commutes were traded in for video calls, online delivery reached new highs, and going to the movies was replaced with direct-to-streaming options.

While this shift to digital was sudden, it was the catalyst for lasting and permanent changes across customer behavior and expectations that, in turn, created new digital urgency and priorities for all businesses. Though digital was previously regarded as a new sales channel, it is now *the* primary business model. Digital-first companies are the largest and fastest growing across the retail, financial services, enterprise, and media industries. These businesses thrive by delivering exceptional digital products to digital-first customers and innovating faster than their competition.

This overnight shift to digital-first is more than a temporary change that only affects a subset of companies—it signals a deeper paradigm shift for customers and businesses alike. Companies who care about their customers and creating new value must embrace a digital-first mindset and strategy. With customers today and tomorrow going all in on digital, businesses must make digital their top priority in order to survive.

Embracing a true digital-first mindset is more than setting an intention, and relies on a business bringing teams closer to the edge between their digital products and their customers to meet them where they are, and to anticipate their expectations. This deep understanding of customers requires real-time insight and data-driven agility that goes beyond the traditional measurement systems. Tracking website visitors, demographic data, net promoter score (NPS), and baseline dashboard metrics no longer suffice as complete and holistic indicators of customer preferences and behaviors. Relying on centralized systems, IT teams, and static customer surveys creates bottlenecks and data silos, and detaches the teams creating the customer experience from powerful customer insights. Digital customers are savvy, dynamic, and fluid. Businesses need new strategies and systems that enable them to keep pace.

In this digital-first era, businesses need to uncover what's working, pinpoint where to double down, and determine where to place their bets in order to exceed customer expectations and keep pace with the competition. Rather than restricting knowledge, digital-first businesses make customer data accessible and actionable with analytics. With deeper insight into digital customers, growth opportunities expand from simply increasing the number of customers to creating a highly engaged, highly valuable customer base.

At Amplitude, we've seen the impact of putting customer insights at the heart of digital-first businesses. With Harvard Business Review Analytic Services, we examined the shift in customers' digital behaviors and expectations to uncover how businesses could thoughtfully transition to digital-first. This report explores the opportunity businesses have to overcome their data challenges, gain a competitive edge, and improve customer loyalty in a digital-first era.



Jennifer Johnson
Chief Strategy and
Marketing Officer
Amplitude

Making the Leap to a Digital-First Enterprise

Companies are at an inflection point, as the ability to create seamless digital customer experiences and drive digital revenue become increasingly imperative to business success. To succeed and edge out the competition, companies need to adopt a digital-first mindset and redefine their business models to be able to meet their customers' expectations. At the core of these new business models are digital products that create the best possible experience for customers.

“We are living through a digital-product revenue revolution, centered around using digital products to completely redesign the value we create for customers,” says Jian Wei Hoh, head of business design at Dearborn, Mich.-based Ford Motor Co.

A global Harvard Business Review Analytic Services survey of 295 executives confirms this revolution. Seventy-eight percent of respondents believe customers' digital adoption has accelerated and will never return to previous levels, and 69% believe that competition for customer loyalty has never been higher.

In fact, digital adoption will continue to accelerate at unprecedented rates, according to IDC's FutureScape: Worldwide IT Industry 2020 Predictions report, which forecasts the development and deployment of more than 500 million digital apps and services using cloud-native approaches by 2023.¹

Creating the best possible digital business hinges on companies' ability to meet—and even exceed—their customers' expectations. This report describes how companies are capitalizing on the changes in customer behaviors and expectations to create lasting business growth.

HIGHLIGHTS



92% of executives say that now is a unique opportunity to **capitalize on digital acceleration**.



78% say digital product users have **formed lasting habits during the pandemic** and that their digital adoption has accelerated and will never return to previous levels.



58% use product analytics such as usage and event **tracking to measure the impact of the digital product experience**, topping the list above surveys, web analytics, and business intelligence.

It also shows how companies leverage data and analytics to make faster, smarter decisions that help both their customers and their business create value. And it discusses the necessary building blocks for creating such customer experiences, including having a data-informed culture and making analytics tools accessible to digital teams across product, marketing, data science, and engineering functions.



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The New Era of Customer Expectations

The disruptions of 2020 have become the ultimate catalyst of digital transformation for many companies. “We’ve seen two years’ worth of digital transformation in two months,” said Microsoft CEO Satya Nadella during a quarterly earnings call in spring of 2020. The Covid-19 crisis accelerated companies’ digital strategies by an average of six years, with 97% of enterprise decision makers saying the pandemic sped up their company’s digital transformation.²

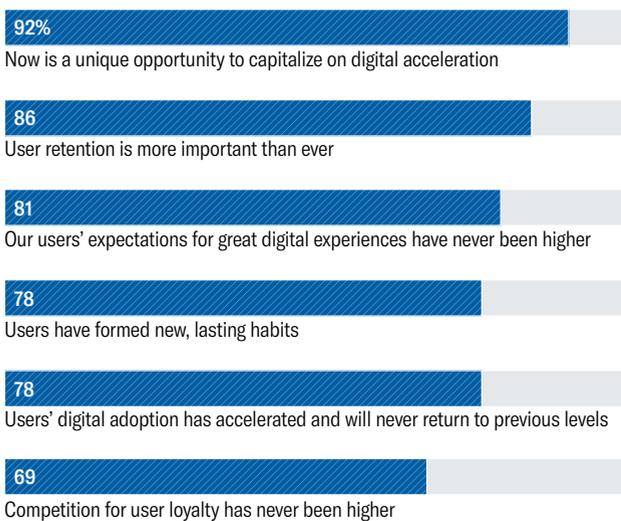
The Harvard Business Review Analytic Services survey similarly reveals that the vast majority of executives (92%) say companies have a unique opportunity now to capitalize on digital acceleration. And nearly four out of five respondents say their customers have formed new lasting habits. **FIGURE 1**

FIGURE 1

Full Speed Ahead

Executives agree that digital transformation is accelerating.

Rate the extent to which you agree or disagree with each of the following statements regarding the impact of the pandemic on your company’s digital products. (PERCENTAGE OF EXECUTIVES WHO AGREE)



Source: Harvard Business Review Analytic Services Survey, September 2020

Both the usage of digital products and customer expectations have never been higher. Sixty-four percent of survey respondents report an increase in active users of their digital products, and 63% report an increase in new user growth. This growth stresses the urgency for digital organizations to seize the moment and deliver the best possible user experience for their customers.

For example, Care.com, an online marketplace connecting families and caregivers, saw a triple-digit increase in its users. People with kids at home turned to Care.com for caregivers and tutors, and teachers looked for new job opportunities, explains Tricia Han, Care.com’s chief product officer. The enterprise side of the business also grew as companies went to Care.com to enroll their employees. Since March 2020, Care.com has added more than 100 corporate clients.

At Match, the online dating service, traffic and user engagement also skyrocketed. “Limited by social distancing, members turned to our video chat feature, Vibe Check, to engage in longer and deeper virtual conversations with potential partners. It felt like every day was Valentine’s Day,” says Dinh Thi Bui, vice president of analytics at Match. He believes that the video feature will continue to be widely used post-pandemic.

“Everything that people do has a digital experience aspect to it,” adds Ford’s Hoh. “Digital products help us get closer to the customer by seamlessly integrating into their digital-centric customer journeys.” To enable such digital integration, 100% of the new Ford vehicles in the U.S. are now connected to the internet.

Ford, one of the oldest automakers in the world, now has an array of digital products, including the FordPass app, which allows drivers to remotely control their vehicles. For commercial customers, Ford offers telematics as a fleet management software solution or via application

programming interfaces for custom applications. These tools enable a suite of connected services that help small- and medium-sized businesses as well as larger enterprise partners increase the efficiency of their fleet and improve their productivity through data and insights.

Digital technology has become an enabler of more than a sales channel and is the basis for a new business model in the retail, enterprise, media, financial services, and even automotive industries. Considering customers’ increased reliance on digital products and their heightened expectations—which are expected to persist in the future—now is a make-or-break moment for organizations to work toward becoming digital-first businesses. Companies that don’t innovate fast enough for their customers will lose them to their competition.

Customers’ Digital Experience Drives Growth

According to the executives surveyed, growth potential is not limited to increasing the number of users of digital products or optimizing their acquisition. Whereas digital product and marketing teams once primarily invested in getting people to use their products in the first place, there has been a shift in priorities from driving customer acquisition to maintaining customer engagement and loyalty and increasing customer value.

The three most important areas for long-term success revealed by the survey are user engagement, customer retention rate, and customer lifetime value. **FIGURE 2** This shift is caused by forces that have fundamentally changed business models, including subscription consumer products and enterprise software, streaming media and connected devices, and freemium models with in-product monetization (upgrades, in-app purchases, and ads). Unsustainable paid acquisition costs are another major driver. In fact, acquiring a new customer can be anywhere from five to 25 times more expensive than retaining an existing customer, explains Harvard Business Review contributing editor Amy Gallo in her article “The Value of Keeping the Right Customers.”

Companies also value the rich behavioral data that is created from highly engaged customers. This data is used to understand customer preferences, prioritize digital investments, and personalize user experiences. Retaining engaged customers becomes a flywheel for monetizing digital products.

The shift away from customer sentiment as a primary measurement of customer experiences is also notable. For many, the Net Promoter Score (NPS) used to be the holy grail, but the survey shows that only 16% of respondents currently view it as one of the most important harbingers of long-term

success. The rise of digital-first products was accompanied by the rise of new, more pressing metrics.

Care.com’s Han describes how business growth depends on multiple interdependent aspects of customer experience—and how growth ultimately hinges on the ability to deliver value for the customer. “The retention rate becomes really important and shows us that customers see value in the subscription. This, in turn, helps the lifetime value of that user and leads to overall revenue growth,” she explains. In fact, 86% of executives agree user retention is more important than ever.

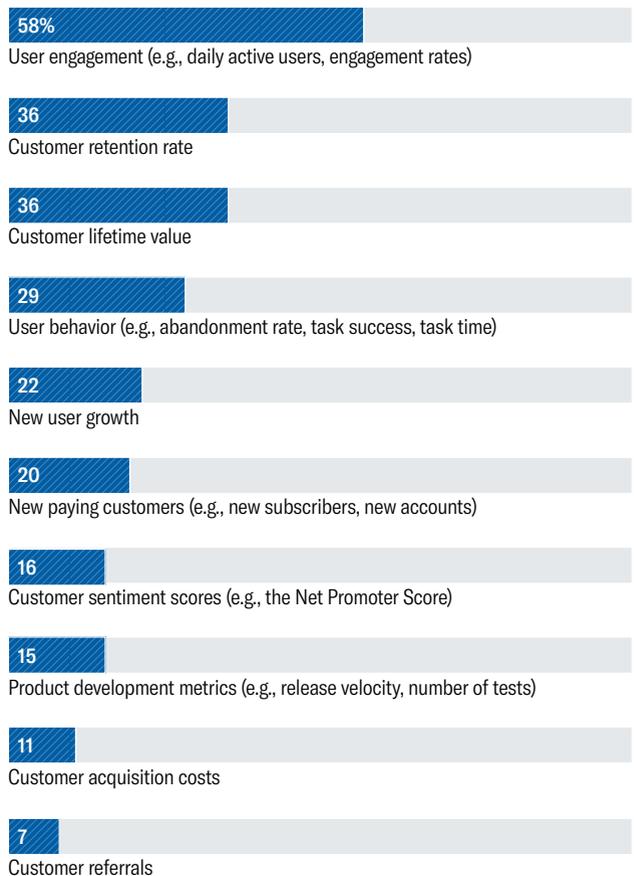
Throughout 2020, Care.com was adding customer value by helping parents working from home or those who were out

FIGURE 2

Staying Engaged

It’s about experience, not just getting the customer in the door.

Focusing on which of the following areas is the most important to ensuring a digital product’s long-term success?



Source: Harvard Business Review Analytic Services Survey, September 2020



Companies that don't innovate fast enough for their customers will lose them to their competition.

of work. Care.com added a digital feature to make it easier for parents to find one another, to create learning pods for their children, and to pull their resources together and share the costs of care.

“All of those areas—engagement, retention, lifetime value—are connected,” agrees Match’s Bui. “We look at every data point, like the number of likes our members get or send and the number of communications, that could lead to a date for our members. For every member that joins Match we want to make sure that they have at least one date, and we want to make sure they have a good experience.”

While companies will track their own unique metrics, their efforts boil down to delivering products and services that both create sustained customer relationships and sustainable revenue streams. “If you are not fulfilling your customers’ needs, they are going to leave,” says Han.

Analytics Make Great Digital Businesses

Digital businesses must move faster than ever and mitigate costly missteps to keep pace with their customers and competition. Determining what’s working, where to double down, and what risks to take relies on teams’ ability to capture and analyze from a myriad of data sources. Analytics equip teams with systems of insight to visualize data, report on performance, and ultimately make data-informed decisions. A majority of survey respondents (75%) agree that data analytics are essential to how their teams build and optimize products.

Ford uses data analytics to give insights, build logic, and drive choices. “Without data analytics, decisions can end up being based on intuition and guessing,” says Hoh. “Data analytics give us the power to build new intuition by providing us with leading indicators.” These insights can help companies predict future behaviors and learn what experiences turn users into high-value customers.

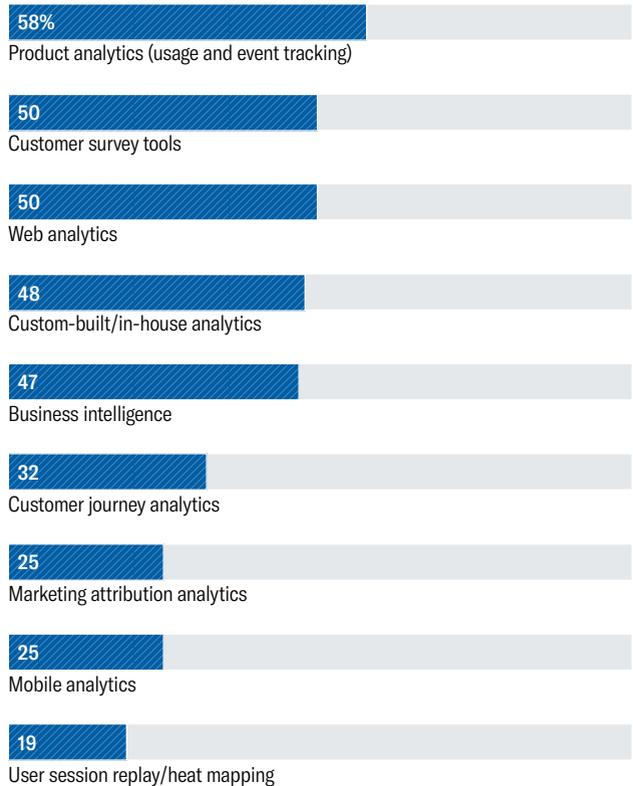
But not all analytics are created equal, and more organizations are turning to a new breed of solutions tailored to businesses with digital products. The survey shows 58% are using product analytics to measure the impact of digital experiences—topping the list above survey tools, web

FIGURE 3

Metrics That Matter

Product analytics tops the list of analytics used to measure customer experience.

What types of data analytics does your company use to measure the impact of the digital product experience?



Source: Harvard Business Review Analytic Services Survey, September 2020

analytics, and business intelligence solutions. **FIGURE 3** Product analytics solutions capture the behaviors of customers, from mobile apps to websites to connected devices. These tools create data-informed insights into what customers like (and don’t like), and how they may behave in the future—giving digital builders and leaders an edge when optimizing current products or building new ones.

Innovation at Ford is fueled by product usage data and supercharged by analytics. Visualizing a user’s journey—the paths and series of interactions taken within your product during a specified time—is a core capability of product analytics. This capability helps explain not just which steps customers took but also how these steps correlate with one another, where there is friction, and which future actions customers are likely to take. “User journey analytics is the secret sauce of analytics,” says Hoh.

For example, user data analytics, which is similar to user journey analytics, reveals that the most engaged features in FordPass, such as remote start, vehicle locator, and FordPass Rewards, varies by cohort across its millions of active users. Brand new customers do not necessarily adopt the most common features first but initially exhibit other usage behaviors that drive a higher propensity to return to the app. By identifying the indicator of loyalty and retention for new users, the company can design its FordPass onboarding accordingly to help make sure that the right features are prominently displayed at the beginning of each new user's customer journey.

Similarly, data from Ford's "Build and Price" shopping website provides insights about the order and hierarchy of choices that customers scroll through and what is most likely to make them drop out. Such insights help the company create a better shopping experience for customers by presenting more relevant choices in an optimized way.

Product analytics is also important for companies to correct the faults in product designs. At Care.com, for instance, Han parses product data to help improve experiences. "Customer success is what we strive for, but we're also interested in where customers get stuck. We see it as an opportunity to improve," she says. "And often you can first see those opportunities in the data."

Hoh sees the potential for Ford to become a data-driven, digital-first organization. "We have an aspiration that everyone in the company is in service of making the customer's life better, and you cannot do that without data to understand the customer's life, their journey, and their touchpoints," says Hoh.

Overcoming Data Challenges

A successful digital-first organization has strategies in place to democratize data. These companies make data easily accessible and shareable across teams so they can answer questions and explore insights on their own—and use data to personalize experience. Successful organizations do not allow centralized analytics functions, top-down decision making, or monolithic systems to cause bottlenecks to innovation. Rather, they provide employees across the enterprise with analytics tools so they can tap and understand data, finds another Harvard Business Review Analytic Services survey, published in November 2021.

"Data democratization comes from having the tools that make data easy to access and easy to understand, because it's visual. Such tools can empower all teams and make it possible to become a data-driven digital business," says Hoh.

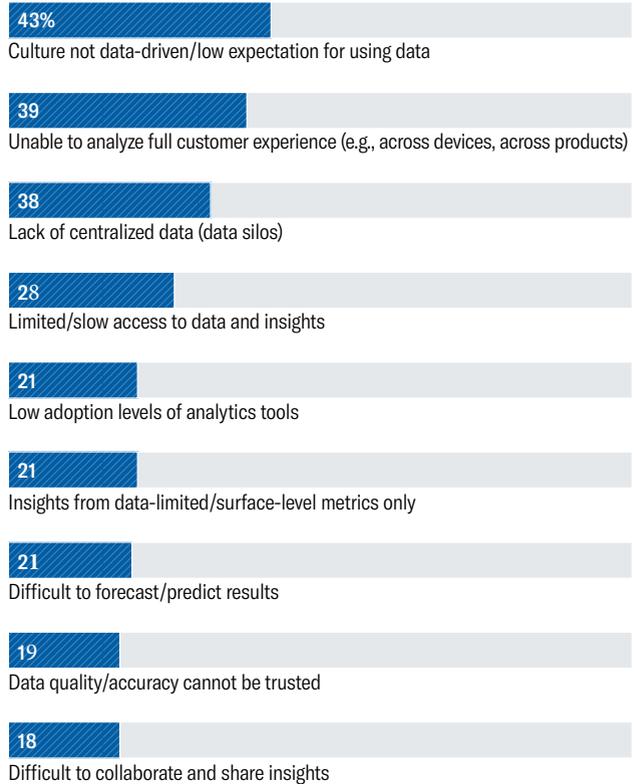
But achieving this level of visibility remains a challenge for many organizations. Chief among challenges for digital businesses is the lack of a data-driven culture (43%), the

FIGURE 4

Creating a Digital-First Organization

Culture emerges as the top challenge to data democratization.

What are the top challenges your company faces when it comes to utilizing the data generated by its digital products to optimize the user experience?



Source: Harvard Business Review Analytic Services Survey, September 2020

inability to analyze the full customer experience across devices and products (39%), the existence of data silos (38%), and limited or slow access to data and insights (28%). **FIGURE 4**

Scott Brinker, Hubspot's vice president of platform ecosystem, stresses the importance of having decentralized, self-service tools in the Martech 2030: Five Trends in Marketing Technology for the Decade of the Augmented Marketer report³. Such tools, he notes, are far superior to centralized ones because they offer significant advantages in terms of speed (immediate self-service versus waiting in a queue), bandwidth (wide and parallel versus narrow and sequential), creativity (many diverse ideas versus idea generation limited to a few people), and learning (widely distributed versus limited to a few people).

Centralized teams that have traditionally been tasked with delivering customer insights and data are not equipped to

keep pace with the need for speed and volume of requests across teams. Hence the shift to domain-specific analytics that arm line-of-business (LOB) owners with tools that do not require technical skills and are tailored to their needs. “LOB functions looking to give their users contextualized analytics with embedded artificial intelligence (AI) are increasingly deploying packaged analytic applications,” finds a 2019 Gartner report on LOB analytic applications.

There is plenty of untapped opportunity when it comes to enterprise-wide use of analytics tools. Contributing to the top challenge of lacking a data-informed culture is the fact that less than one-fifth of respondents say 75% or more of their team members are regularly using data to make decisions and optimize product experiences.

While many companies say analytics is essential to how they build products, easy access to insights is another challenge many organizations face. Only a fifth of respondents (19%) strongly agree that their analytics solutions are self-service, which gives digital team members access to data and an ability to analyze data themselves.

Increasing access with self-service insights and more tools to collaborate will help leaders foster data-informed cultures where data becomes part of the regular workflow of their teams. And rather than primarily using data to report on past results, data can be used iteratively to help teams predict results and know what to build next.

Gaining a Competitive Edge with Personalization

Digital-first organizations are able to use predictive data analytics tools to build digital products that can help them win future customers and turn existing ones into high-value customers. To do that, they need to be able to pinpoint what their customer data is telling them about customers’ needs and behavior.

When asked what kind of improvements to product development can lead to the biggest competitive advantage, respondents selected building relevant, targeted customer engagements as the top choice. Expanding insights into which product experiences drive customer impact was a close second.

For Han, targeted engagement means personalization and customization of digital products. Driven by insights from data, companies can craft experiences that are tailored specifically to individual customers. “It’s like having a

concierge who knows about the things you love,” says Han. She refers to these personalized and customized experiences available on a mass scale as “the democratization of premium experiences.” This personalization, in turn, is made possible by the democratization of data brought about by analytics tools.

Looking ahead, predictive analytics and modeling top the list for future investments in improving digital product experiences. Gartner analysts Jessica Ekholm and Clifton Gilley see such analytics tools as the driving force behind personalization going forward, as noted in the Tech Providers 2025: Transforming the 2025 Product Experiences report, published in September 2020. “By 2025, customers will expect products that offer dynamic, proactive, and even prescriptive, personalized experiences. Product managers must fast-track their efforts by using customer analytics tools with deep AI/machine learning capabilities to personalize customer experiences based on this understanding,” the report found.

Data Democratization Leads to Digital Growth

Being a digital-first business means, ultimately, driving growth through the digital customer experience. To be successful, teams across the enterprise must be able to empathize with customer needs and measure the impact of decisions—and they must be able to build and iterate on digital products that create loyal customers. Siloed organizations and legacy systems that make insights unobtainable keep teams from knowing how customer behaviors, experiences, and campaigns impact business outcomes. Restricting easy and constant access to relevant data discourages the exploration of new ideas that can lead to game-changing innovation.

While digital-experience-driven growth is the desired outcome, the starting point is embedding the right technologies into processes and structures to build a digital-first business. Such a business needs to enable a data-informed culture, which embraces data democratization and breaks down silos. Analytics tools should be accessible and easy to use to help everyone in the company contribute to improving the customer experience, says Hoh. These tools can offer workers access to data and forward-looking insights that inform decisions about how to grow revenue and a loyal, highly engaged customer base.

“It all starts with the question: ‘How might we use digital to create value for customers?’” says Han.

ENDNOTES

- 1 IDC, “FutureScape: Worldwide IT Industry 2020 Predictions,” 2020.
- 2 Twilio, “Covid-19 Digital Engagement Report.”
- 3 Scott Brinker and Jason Baldwin, “MarTech 2030: Five Trends in Marketing Technology for the Decade of the Augmented Marketer,” Marketing Technology Media, 2020

METHODOLOGY AND PARTICIPANT PROFILE

A total of 295 respondents drawn from the HBR audience of readers (magazine/ newsletter readers, customers, HBR.org users) completed the survey.

Size of Organization

24%
10,000 or more employees

24%
5,000 – 9,999 employees

33%
1,000 – 4,999 employees

18%
Fewer than 100

Seniority

48%
Executive management

35%
Senior management

13%
Middle management

4%
All other grades

Key Industry Sectors

20%
Technology

10%
Manufacturing

10%
Financial services

8%
Consulting services

All other functions less than 8% each

Job Function

16%
General/executive management

16%
R&D/innovation/ product development

11%
sales/business development/ customer service

9%
Consulting

9%
Strategic planning

9%
IT

8%
Marketing/PR/ communications

All other functions less than 8% each

Regions

39%
North America

25%
Asia/Pacific

21%
Europe

7%
Latin America

7%
Middle East/Africa

Figures may not add up to 100% due to rounding.



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