Delivering Great Customer Experiences

Key Insights and Summary

Delivering Great Customer Experiences

Digital Strategies Roundtable
An executive roundtable series of the
SDA Bocconi School of Management at the Università Bocconi

"Customer experience" now depends as much on services and interaction with the vendors as it does on products. The pandemic has accelerated the pace at which technology has to support online interactions, digital processes and customer/vendor touchpoints. Customers in both B2B and B2C markets have access to more data than ever, and they expect us to make use of it appropriately, and are delighted or disappointed accordingly. What does it mean in today's digital context to have a customer-focused organization, and how should we construct one?

CIOs and their colleagues in customer experience from the Airline Reporting Corporation, the American Bureau of Shipping, Chevron, Conagra Brands, Eaton Corporation, Owens Corning, Tenaris, Tetra Pak and US Foods, along with faculty from the SDA Bocconi School of Management, convened by web conference in the midst of the coronavirus pandemic to discuss what it takes to create an environment for great customer experiences, and how to deliver on those promises, especially now that so much has to be socially distanced.

Key Insights Discussed in this Article:

1. **The pandemic is accelerating adoption of digital technologies and digital transformation.** For all the disruption of 2020, enterprises are developing better — and sometimes more profitable — business processes to deliver the customer experience……………………………………………………………………………………………**pages 2-6, 16-17**

2. **Customers expect their suppliers to provide more and vastly richer content and data, available on demand, and they are now far more informed at the first point of contact.** Enterprises need to deliver across the entire customer journey, which requires better integration across functional silos and new and better ways to measure performance and customer satisfaction…………………………………………………………………**pages 2-3, 8-10, 13-15**

3. **Different CX channels are not necessarily lesser CX channels.** Digital interactions can deliver equal or greater customer satisfaction at lower costs, and allow vendors to uncover previously hidden or unprofitable opportunities in long-tail customer segments………………………………………………………………………………………………**pages 3, 6-7**

4. **The business case for digital transformation requires faith and fuzzy logic.** Technology change is both subordinate to and a prerequisite for business change, and the eventual sources of ROI can take some time to be revealed…………………………………**pages 10, 13-15**

5. **Enterprises can innovate in their business models and ecosystems based on sharing and/or monetizing new sources of data.** Product co-creation, predictive services, and shared cost savings only start to define the possibilities arising from data collaboration with customers……………………………………………………………………………**pages 10-13, 16-17**

Staring Into the Chasm

The Digital Strategies Roundtable's topic for its October 2020 meeting had been framed in 2019 as what it takes to create an environment for, and deliver on, great customer experiences. As the coronavirus pandemic moved into its eighth month, the conversation inevitably started with the impact of COVID —but perhaps not in an expected way. Moderator Hans Brechbühl asked the group how their customer landscapes had changed.

"The pandemic has heightened the need for all kinds of digital content," remarked Ray Huber, SVP of Information Technology for Electrical at Eaton Corporation.

> Our customers are doing a lot more research online, and their expectations of good rich content on our website are higher than ever. Historically, our leads came through trade shows and events, and obviously we're not doing any of those now. But we are getting more leads from our website than ever before, and we are getting more sales from those leads. So the coordination that's required between our sales organization and our marketing teams is greater than it's ever been.

"Our customers are absolutely more educated," agreed Oli Olafsson, SVP Commercial Systems for US Foods.

> They're going online more, and rich content is what everyone is asking for. That drives a great collaboration between sales, marketing, and IT. Unfortunately, we are fragmented, with marketing in one system, sales in another…. We are trying to bring everything together into a holistic architecture, so one team can generate content on the marketing side, or the supplier side, and have it consumed by someone else through the appropriate channel. Building out the infrastructure to manage rich content at scale is one of the challenges right now.

"We are also seeing an incredible pull from our customers in terms of more insight, more information, and more visibility," Chris Skinner, VP Strategic Marketing for Composites at Owens-Corning, corroborated.

> A lot of our traditional sales process was typically conducted on the golf course or at a sales fair. We haven't been to one of those in over a year. That kind of relationship-driven sales process has almost disappeared — and it's made almost no difference to our business. In fact, it's been beneficial, because we've made more money as a result of *not* attending.

Sales and marketing aren't the only domains where customer interactions have changed. John McDonald, SVP of Global Business Development for the American Bureau of Shipping (ABS), described changes in customer operations:

> Shipping is an industry where digital is only slowly starting. But because COVID affects getting on vessels, digital is now ramping up quickly. We have surveyors who go on-board vessels on a regular basis, but now many systems are using sensors, and we're shifting to remote surveying and remote decision-making. The sensors provide data to

> a centralized control unit on the vessel. Video streams from the ship to let us look directly at components. So instead of people on the ship making day-to-day operational decisions, real-time monitoring could enable decision-making from a centralized location somewhere off the ship.
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> It's more efficient, it could reduce op-ex. It plays into weather routing, so you're safe, and it extends the running life of the vessel. We use the new technology to look at not just one component, but at the multiple factors in the entire operating system of a vessel, and then machine learning and analytics help us make smarter decisions. At the same time, we can give a higher-level view to the ship operator who has an entire fleet: where the bad actors are, what needs to be done differently.

"We've all found we can do much of what's needed online," Skinner summarized. "So now we're staring into the chasm of what the world looks like post-COVID. How do we start to bring relationship-based processes into an environment where we can leverage the whole capability of the company through digital engagement on a digital platform?"

"That reinforces how important consistency is, because it's so critical in driving trust with customers today," pointed out Zari Venhaus, Director Corporate Marketing Communications for Eaton. "The message we are sending digitally has to be the same message that's sent in person or delivered face-to-face, even if those interactions are more virtual than they were before. And then we have to fulfill the promise that we're putting out there in terms of their commercial expectations: Not just that we're *saying* that you'll have a great experience, but that we actually pay that off."

"It's going to be really interesting to watch what happens when we open up again," mused Tracey Gardiner, Chevron's General Manager Global Customer Experience.

> There's a level playing field right now: None of us are traveling, none of us are seeing customers. If you're the first one on that plane, and the customer hasn't seen anyone for so long, do you get brownie points, and it's awesome for your relationship? Because if people start to see results, then we'll ramp back up, and then we'll all have to ramp back down again.
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> There's always a swing back the other way. I don't think everybody's going to step slowly together into whatever the hybrid model will be. There's going to be some chaos when we re-open, that's for sure.

The Hard Decisions

"That brings up an important element in the customer experience: customer segmentation," suggested Eric Schmid, Tetra Pak's VP of Customer Management. "Customer availability today is much higher; it's easier to get a meeting with senior executives at our customers, since they're not traveling. As the world starts to re-open, it's going to be important to re-segment the customers. What is the sales process with this one, versus with that one? What matters to each one of them?"

"Does digital democratize across segmentation?" asked Mindy Simon, Chief Global Business and Information Officer at Conagra Brands. "We can now enable service and visibility and partnership with customers in the long tail in ways that we couldn't afford until we had the digital platforms in place. So we may still physically go see the customers in the top tier of the segmentation, but can we now use digital enablement to increase the value we're getting out of the lower tiers?"

"We find that we have to see how each one wants to be served," Gardiner answered. "You have to be capable of digitally serving a very high-end customer that's worth a lot of money to you, but really does not want to see a salesperson. They want to do all their research online, and then they want a brilliant e-commerce experience. Equally, you have smaller customers that actually want to see somebody. So you need to have good visibility into your customer profitability."

"The attributes that drive purchase decision-making are a really interesting way to think about your segments," Venhaus observed. "You can get away from having 10,000 segments, where each customer is their own segment, and think about the groups of customers who use the same decision-making process, whether they buy from you or from someone else. Then you can build messaging and content that speaks to answering the questions so that they believe you are best on the attributes that they care about."

"It's about prioritization, and which innovations you'll make to which segments," Schmid proposed. "For the small customer where the cost to serve is high — No, you can't go see him 5 times a week, and he doesn't get a full account team. So he's not going to have a great customer experience, unless you can mitigate with a good CRM and good digitalization."

"As companies continue to digitize, will they really have the courage to say to a segment, 'This digital tool isn't *another* way to do business with us, it's the *only* way to do business with us?" wondered Steve Zerby, CIO of Owens Corning. "The former is interesting IT work, much like we've been doing for 30- years. The latter, meaning 'digital is the only way that this segment interacts with us,' is pretty transformative. But as soon as you use the word 'only,' you're now facing a segment of that population holding pitchforks and torches, because that's not what they prefer."

"Another part of this is pricing," suggested Steve Solomon, Vice President Global Sales, Marketing, Operations and Customer Experience for Airline Reporting Corporation ("ARC").

> As you look at your cost to serve customers, does the company have the appetite to migrate customers across service models? If there's a low profitability customer who is high maintenance, are you willing to fire them? Or tell them, "Pay more for this service, or we're migrating you to this other channel at your current price point?"
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> Every year we go through this process, but we have a reluctance to migrate people down. Everybody is afraid of taking something away from a customer, even if the economics tell you to do it, because of "relationships" — whatever that means. These are the hard decisions: Are we willing to walk away from revenue, or at least give the

> customers the sense that we are willing to? This is a topic that we’re trying to build more analytics around, to create the integrated view that will help us make these decisions, and to have the capabilities to give the customers options that appeal to them based on their preferred engagement model.

“Everyone one of us in IT has had the experience of moving away from person-to-person contact for supporting our user communities,” pointed out Mark Meyer, Global IM for Tetra Pak.

> We didn’t just say, “Sorry, you’re too small, I’m not going to be putting anyone in your office anymore.” What we did was tell them, “You can get service much faster if you call this number or go onto chat.” Now no matter what language you speak, you just type, and somebody fixes it for you. Rather than the negative side, instead the best way forward might be to prove that the digital method in this case is actually way better than whatever they got when somebody showed up and played golf and talked nice. We never had the luxury of deciding the users simply weren’t going to get support. We had to prove it, and convince you to switch. Otherwise, we were out.

“A different channel doesn’t have to be a lesser channel,” Gardiner agreed.

> It’s about how you design it. As a customer, if I have a better experience with better access to service because you’ve integrated a good CRM, and I’m getting more benefits than I would get if I was dealing with a human? I’m pretty happy. As a provider you may want to push people that way, because then you’ve got data on how they’re interacting with you, and you’re able to use that to improve your goods and services and see how well you’re tracking.
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> There are a lot of different ways that you can manage this migration. As long as you follow the money, and you don’t make a big play to move everything at once, then you can evolve in the market with your technology. We started by integrating rather than moving, and found that we were able to actually reduce the golf-playing people, and increase the money that we put into marketing and marketing automation.

“It’s one thing to say this is going to be better for you, or you’re going to have more access to information, or you’re going to get faster service,” Venhaus pointed out.

> We have to be able to pay off that value — we actually have to build organizations around enabling it. If we just move everyone to digital, but we don’t build it the right way, or don’t think about customer needs as part of the journey, then we wind up in a worse situation than we were. Being able to take the time, to really think about customer needs and how they interact with us, and what value we can really provide, is at the heart of everything that we are trying to do today.

“As an example, we’ve been using chatbots for a long time,” added Jeffrey Krakowiak, Senior VP Marketing and Commercial Operations at Eaton.

> We answer several hundred thousand product inquiries per year via chatbot, so it's pretty robust. Now we're trying to figure out how to evolve to the next level, to transfer support for our products to the ability for us to understand the needs and wants of someone who has inquired on our website, and then route them to somewhere they can order from a distributor, in a way that translates into customer satisfaction.

Moments of Truth

"Have any of you organized around that?" Simon asked. "The customer experience crosses multiple functions, but technology tends to serve each functional silo, versus the entire unified journey. Have you assigned leaders to help design the end-to-end customer value chain across functions?"

"We are trying to orient our systems to our value chain far more than we are trying to orient them organizationally," replied Martin Kirk, GM Sales & Product Technical Platform Manager at Chevron.

"When you're building out components of that unified technology stack and connecting them, it's really hard to put the business case together," his colleague Gardiner continued.

> From a finance point of view you know that it's the right thing to do, but often you get value in ways that you didn't imagine, and ways that are really hard to track back. We did a lot of work in analytics around customer profitability, and now we are making a lot more money. But you have to have a bit of fuzzy logic in how you do your business cases. You have to keep the investments small enough that you can keep moving towards building up the data backbone, so in the end you can optimize workflow.

Meyer started to describe Tetra Pak's approach: "We are a systems supplier — our customers expect that we have one face, and they have one journey, all through their lifecycle of needs. So we cover the whole range: processing before the food is packed, the packaging, the equipment, the pre-distribution packaging, and service in our customers' factories. Our value is that we work all the way through the line — our message and our platform have to be aligned."

"We have defined the customer journey from the moment they engage with us to the moment they pay their bill," Schmid continued.

> In between, there are lots of activities: technical service, installation, sales contract negotiation. We defined key "moments of truth" in this journey when we all need to be aligned, and we survey those moments through NPS scores. That helped us mobilize all the key departments to understand which part of each process lands in the customer. With each process linked to one of the critical customer touchpoints, now if a customer complains, we can improve the process.

"Linking the NPS concept with process performance was a big step forward," explained Ralph Geiger, Tetra Pak's VP of Business Transformation and Process Performance.

We've always looked at KPIs on process performance: time, quality, cost. First we narrowed our scope down from 20 customer touchpoints to eight that are critical, and we have global process owners who are accountable for those eight. And now we see the critical process KPIs on the left of the report, and our customer NPS results on the right. There are basically three scenarios:

- The customer tells us we are great, and our KPIs agree. That's the simple one.
- Our KPIs say we're great, but the customers are not happy. We drill into the details, and very often it's the KPI definition —that we've excluded a critical aspect, or our target is too soft. This is a good area for attention, because we can adjust the KPI or the target.
- Our KPIs are dark red, but customers are happy. These are also interesting: Are we overdoing things?

The running dashboard means we can see our scores all the time. Process owners have access, Markets have access. We make a full ranking of who is the lowest scorer of the month in each area: What do we need to do? Is it consistent, or was it a breakout? Who needs help? We see interesting patterns, down to segments and customer levels, and certain geographies or markets, with how we perform over time. Another good thing is when we implement a continuous improvement — say, a second quality check on the commissioning of a machine — and our scores go up, that proves we did the right activities.

"We shifted from asking how we could make ourselves internally process-efficient to how we can make ourselves a better customer-facing organization," Meyer summarized. "We forgot about what happens *between* the touchpoints and measured what happens *at* the touchpoints. We do great on delivery, for example, but customers give us nasty scores on contracting. So we have to put our focus on contracting, because now we have an obligation to change that score. It was a huge shift for us in how to prioritize what we look at. Problems are so visible now."

"And we share," Geiger emphasized. "We constantly share, share, share between the different process owners, because there are common patterns, and we can learn from each other, and then adapt. The key point is, we wanted to talk with facts and move away from anecdotes. You can always argue why this event was this way or that way. An annual survey just tells you if someone is happy or not happy. That's what we want to avoid. Just the fact that we have a lot of measuring points is important, and we have a continuous flow of feedback."

"Moving away from the annual survey to transactional questionnaires was huge," Meyer commented. "It's very easy to be upset last week, and now it's annual survey time, and you let it all hit. But this is now transactional: a bad day is a bad day, but if it repeats all the time, then you have a bad process."

"And when customers score us low, we *always* follow up, we *always* close the loop, because we want to understand," Geiger finished.

And then we put analytics on top. The key question is, Is the process wrong, or did someone not follow the process? It is a design issue, or a compliance issue? If most

> scores are in a certain range, then the process is robust. Then you can go back to the low scores, and very often there's a competence gap or a compliance problem. But if your scores are all over the place, that's a good indication that your process is not robust. The analytics help us understand where we need to improve a process, or reinforce one, versus inject competence development or training or even just adding more people.

Schmid summarized the Tetra Pak's customer touchpoint approach:

> For 15 years we have done an annual survey, and we always get the same feedback. Our problem was, How to action the feedback? You want to take action on specific moments, to give the front line clear indications of what the issues are at a certain moment in time. That was one of the main drivers, and we have completely changed our customer experience survey results.
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> "Delighting the customer" is not about delighting the customer at one touchpoint or another: It's delighting the customer through the whole journey. This is really what we are trying to do. Action on feedback is still the biggest challenge: there are systemic issues that you need to drive from the center, and they take ages to change. But 80 percent of the issues are quick little things that if you manage well, you deliver a lot of delight to customers.

Blurred Lines

"We also used to collect consumer insights through surveys, but that's evolved into an internal data science team," offered Chris Chromy, CVP Sales at Conagra Brands.

> The surveys were about the difference between what consumers say they do versus how they actually behave. Now there are so many different sources to mine where we can look across the food landscape to find growth pockets that are hot and trending that we need to get into: Pockets where we don't play today, but we have the capability to do so. This shift to data and change in mindset have resulted in much greater stickiness for new items that we launch: they've really been game changers for us.

"We take a little bit of a different angle," Olafsson remarked. "We survey customers about what's important to them: It could be technology, digital platform, consistent delivery, assortment, whatever. We ask how we are doing in each category. Just like Tetra Pak, we use the results to drive prioritization. And obviously we can't be best in every area, so we have to narrow down to those things that we're really going to drive home in order to show up well in the marketplace."

"It's important to evolve our views of the customer journey as we get better at digital," Gardiner suggested. "When we first looked at customer journeys, we had really fragmented systems, and what we really saw was how our organizational silos dealt with customers. So we fixed those systems, and tried to create a more 360-degree customer view. Now we're all talking about how digital adoption has fast-forwarded, and the new expectations for high-value content that people have. So now we have to re-look at what we're doing, and its relative importance."

"With increased digitalization and so much self-service, how are you dealing with the blurring of what used to be a clear division between what the customer does and what your own organization does?" asked Brechbühl, Associate Professor of Practice at the SDA Bocconi School of Management.

"Shipping is an industry that's been hesitant to embrace technological advances," answered Maria O'Neill, ABS' CIO.

> Every ship has to have an annual inspection, a "survey." We've rolled out a brand new customer portal to help them request the survey; we have an app they can pull up from Google or Apple. They can even text us to request one: "Hey, I'm on my way to Hong Kong, can we do the survey there?" It's so easy, they can request it in less than 30 seconds.
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> But ask me if they're using it? They still pick up the phone to call Hong Kong and schedule. The conversation we're having internally is how to get them familiar with these tools. We have to evangelize this somehow and get it out there, to show them the benefit of changing how they do business with us, because it would be so much easier for them.

"Eaton is encouraging more self-service," Huber agreed.

> Our customers want the information. The consumer economy is doing more and more self-service, so our customers expect to be able to get what they want for themselves, when they want it. So we are building systems and providing information to allow our customers to get access to as much data as they want. It's a cost savings for us, because we don't have to have people providing that information.
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> But, when we opened the window to allow the data to be visible, our factories realized that a lot of their gyrations were being seen by customers. So they closed the curtains, as it were. We've had a learning curve to not reschedule the delivery date for an order three times in an hour, since the customers can see that data in almost real-time.

"Self-service is increasingly an expectation," Gardiner acknowledged.

> In our early projects, we built these beautiful systems, and no one wanted to use them. What we had done was replicated our process, and then asked the customer to execute it. But we weren't thinking about the customer. The customer doesn't want to *place* their order; they want to *manage* their order. And on our side, we don't want to reveal the sausage-making factory; we just want to give them the finished product.
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> We haven't solved this conundrum. But we have gotten better across a variety of our systems by always going back to core questions, What actually serves the customer?

> How am I going to make the customer's life better? What level of data do I want to reveal to actually help them?

"What about collaboration beyond self-service?" Brechbühl asked. "Is anyone taking advantage of the possibilities afforded by digital to do more co-creation and co-innovation?"

"As projects get bigger and more complicated, they drive new modes of operating," Skinner replied. "So there is increasing co-creation between us and our customers, and digital integration is part of that."

"In the food industry, there's a lot of co-creation that takes place when you weave in all the costs to serve," Chromy stated. "There's nothing out of bounds in the world of a joint business plan: cost to serve and every lever involved with that, the customer's growth goals, their assortment, their mix. But co-creating requires customization, which drives cost, and we certainly don't want to go down that rabbit hole for even the largest customer."

"What underlies co-creation is the ability for us to collaborate in ways that we've never been able to before," Gardiner observed.

> In our simple world a long time ago, we used to make products, optimize our value chain, and get them to the customer. We would negotiate with the customer for the value of the product against the competition. In today's world we're really integrated with customers. The CIO and technology people have become important parts of the customer relationship, whether we're sharing data or creating new business models.
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> So: Who owns the data? Who really owns the customer? It's a complex world we're getting into, where collaboration can be co-opetition, and players at scale create new things. How do you divide the value? It doesn't stop us from doing projects, but my head sometimes hurts about what they might mean once they scale up. How much of our internal capability are we giving to customers, and potentially to competitors? What's the dark side?

The Shared Data Value Chain

"The interesting question is, 'When do you share for the good of the entire value chain, versus when do you monetize?'" asked Keith Rohland, CIO of US Foods. "If your data is very interesting and valuable to others, do you try to create a revenue stream from it? Or do you share it because there's a mutual benefit?"

"All of our customers are shipping companies, and data is becoming more and more important to them," O'Neill answered. "We're on a journey to understand which data is the most useful to them in terms of maintaining their asset, reducing its total cost of ownership, and extending its lifetime. We've developed a monetized service for them that is taking off really well."

"What's changed in the maritime industry is a lot more regulatory demand around greenhouse gasses and reduction requirements," McDonald explained.

> Sensors on the ships capture the emissions data, and all that information has to be collected in real time and rolled up to the fleet or company level. On the one hand, our data helps administrators to enforce regulations around the globe. On the other hand, owners need the data to prove their vessels are green, in order to potentially get charters and to provide to banks for ship financing. And that's where we start to look at monetizing this data.

"Owens Corning has had success sharing machine learning output with regards to product performance," Zerby volunteered. "We have an ability to measure which combination of resins and glass makes bigger and stronger wind blades, in minutes or hours rather than days or weeks, in conjunction with the customer. They're not buying *data* so much as we're jointly using the data to create a superior *product* that they'll want to buy."

"In a B2B relationship, it's critical to take advantage of customer data to improve our product, and to work together to improve their satisfaction," affirmed Alejandro Lammertyn, Chief Digital and Strategy Officer for Tenaris. "But how do you build the trust? We need their real-time data to improve utilization of their assets. How do you engage in the relationship to show that is of value to both parties, and not just a way to increase our price?"

"We work in this environment with a really limited number of major customers," Skinner responded. "Typically, the process to build trust, and to get the integration, begins with our CEO talking with their CEO. It starts at that level, finding alignment between senior leaders of the business, in terms of how we are going to work systematically and build the trusted relationship to share information with each other. That's how we've built the processes that actually deliver success for the business."

"Digital can help the process," Zerby noted.

> One side of a partnership never wants to give the other side too much credit, because then it sounds like you're going to have a pricing discussion pretty soon. But if your team is able to build a performance model for that customer, often the customer, out of sheer competitiveness, will share more details just to support or refute your model. When we didn't have these advanced modeling techniques, we didn't have the lever to even start that conversation. But know we can have really deep discussions about how things work. So digital isn't the answer, but it has a way of broadening the avenue towards a more robust and deeper conversation.

"Do watch out if you have digital natives coming into your value chain," Simon warned.

> By their very nature they have and share the data. An Amazon comes in, taking a totally different view on how to serve customers, and traditional companies react by trying to find their way to cash generation, versus sharing data to provide efficiencies. It's a quandary, because there is short- and medium-term impact, but over time, they're going to find themselves behind, because they're not improving operations. The digital disruptors are streamlined end-to-end, they can see where the gaps and inefficiencies lie, and they are going to leapfrog to the top.

“We seem to be talking about three basic models regarding sharing data,” Rohland proposed.

> One of them is to keep it, for competitive advantage. Another is to share, for strategic advantage: inventory management across organizations, for example. And the third is to monetize it. The sharing model is interesting, because as soon as you start to offer something up for the greater good, you start to second guess and wonder: Should we keep it, or monetize it, instead?
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> For example, we’d love restaurants and point-of-sale providers to give us data on the velocity of products, but they have a reluctance to do that. So that’s the biggest issue: How do you create connections between companies in such a way that it’s to their mutual advantage to come together, and share more than they are comfortable with? How do you create the shared data value chain? There’s a lot of data out there that we aren’t leveraging.

“The difference may be data that is good to know, and can be spread across a group, versus data we are providing to a specific client to help improve their operating expenses, with solutions and services around the data,” McDonald suggested.

“The more sophisticated the customer that you’re dealing with, the more likely they’re going to hold onto their own data, and not want to give it to you,” Gardiner pointed out.

> So how do you build a business model where that data does come to you, and you monetize it into something else? Some of it is positioning: How we’re selling the product and the service, where we’re putting sensors, and how we’re pulling the data back.
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> Straight-line business models and their leverage points are likely to be similar. If you say, “I’m going to pull all your machine data and use it in a service to help me improve running of all our machines everywhere,” the client is going to say “No, because I don’t want my competitor being as good as I am.” But if you have sensors on the machinery that you’re polling as part of your service guarantees, and for preventative maintenance, and you’re engineering that data into your product improvements — that’s a business model where customers will see a ton of value.

Rohland had described “inside-out” data sharing models where vendors share with customers; Gardiner added a caveat about customer sophistication. Zerby offered an “outside-in” business model for working with relatively unsophisticated customers:

> Our roofing business is pretty simple in terms of value chain. We sell about 40 percent of the residential roofing in the United States. We sell none of it to the homeowner, but the homeowner is where it all ends up. We sell none of it to roofing contractors, who are the people who actually put it on a roof. We sell all of it to either distribution, or to a home center store, like a Lowe’s or a Home Depot.

The homeowner rarely asks for a brand of roofing different from what the contractor brings. So how do we influence that control point, the roofing contractor, who pays none of our invoices and with whom we literally have no connection? We created a digital loyalty program for them: When they upload invoices of our products that they've purchased, *they* get rebates and points that they can cash in, and it turns out they'll trade all of their invoices for just about anything: hats, tee shirts, gift cards. *We* take the invoice and scrape off the pricing and where they got it and all kinds of other interesting market intelligence.

And now that we have the connection, we can allow them to sell and manage warranties — so we know what homes they've worked on, and we know the ages of those roofs. More important, when we get an online lead, now we can guide that person as a "hot lead" to a contractor that we select.

Our world has gotten flat digitally, and any prospect can see all the competitors and do all the research. For us to be able to digitally influence this control point is a significant advantage. And in the end, it's all about us getting our hands on those invoices.

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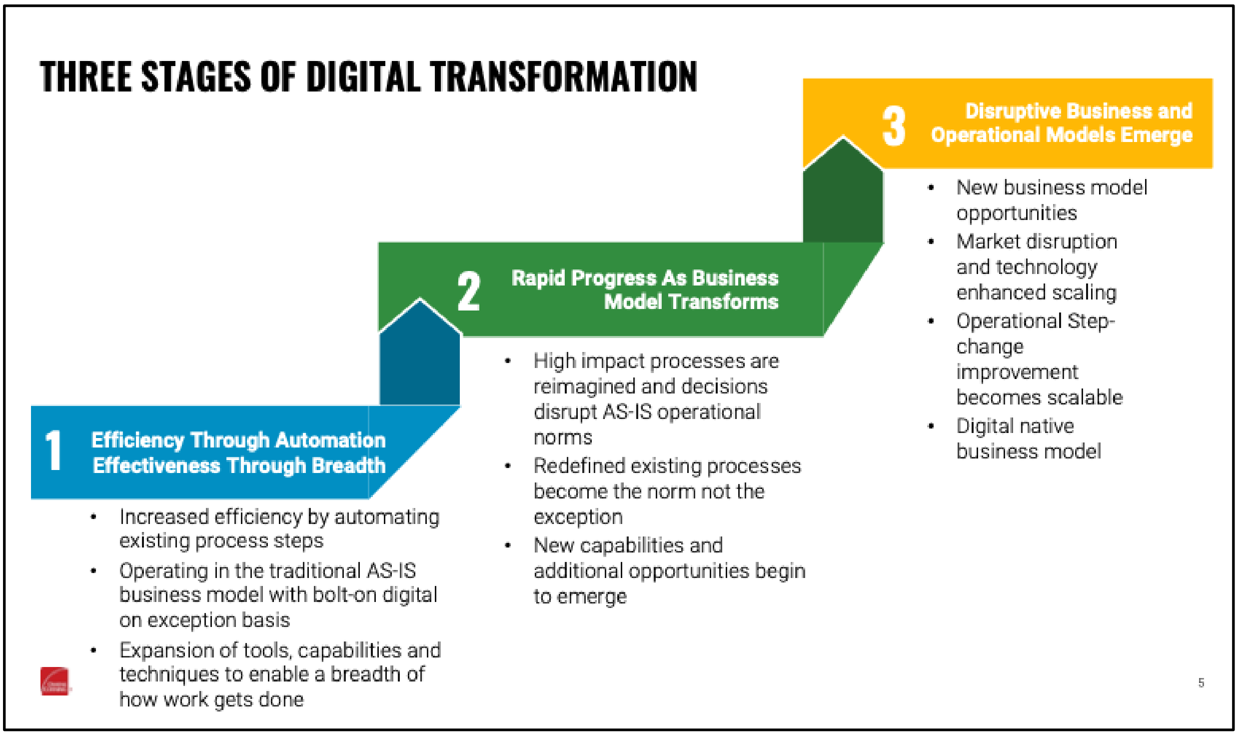
"It's interesting that whenever we look to digitize in order to improve a business, there's more work on business process change than there is on technology," Gardiner observed, "All digital transformations are really about changing your business process, and that's why they're hard."

"That's been a journey for us," Zerby laughed. "Let me share the Owens Corning model with you:"



"I like this structure of Level 2 —Transformation, and connecting it back to people challenges," Gardiner commented.

> We've tried different approaches, with varying success, including a corporate Digital Transformation Office, when we were trying to lift the capability across the company. But an example challenge was a conversation with the leader of one of our service centers about how we could help to reduce headcount. The manager asked, "Why would I do that? My pay grade is determined by the size of the business that I'm running, and you've just proposed a way to reduce the size of my business."
>
> That's why these stages have to balance enabling the organization to do all these things that increase our efficiency with steps towards the big transformations that change people's jobs and responsibilities. That tends to be where we get caught: We have an idea that's going to transform the business, but people's jobs are going to change a lot. That's where we need executive engagement to help unstick things, to help people see that there's a success or a learning that is actually good for them.

"If you launch a new system or platform people aren't just going to figure it out," Venhaus agreed. "At Eaton we put change management processes in place, and actually market these tools to our employees to help them understand the value, and what's going to change about the way they do their work. It's a process, not something that happens overnight. Some people get it right away and hop on the bandwagon. We train those people up really well and use them to advocate within the business."

"There are going to be people in any organization who are quite far removed from the customer," Brechbühl observed. "Somehow you have to bring the customer alive for them, so that there's a common understanding of the goal on the other end of the change. How do you bring the customer into focus for everyone?"

"We've always had monthly all-hands meetings, and since the pandemic started, we've gone to twice a month," Solomon answered. "We incorporate storytelling into all these sessions, to highlight things employees do to support our customers, and the great lengths they go to. The storytelling helps our workforce to understand our customers' businesses, and how the various divisions within our company interact with them. So even if you're someone who doesn't directly face customers, it brings to light the huge impact of your work."

"It's really about engaging those employees so that they understand the value they're driving to customers," added Dickie Oliver, ARC's CIO. "It's a bit of mom & pop and apple pie, but it works. We still have a long journey to go, but people are starting to see how what they do each and every day impacts the customer."

> We started off with a little "t": let's transform the tech stack. It wasn't really about the business. But Transformation with a big T is really *all* about the business. So we are in the middle of embracing that principle, but first it took a lot of energy on the tech side to show the art of the possible. There are people who have been doing things in a certain way for many, many years, and they could not even fathom working in a different way, especially if it impacted their jobs.

> Getting the whole company to understand that this is about Big T, not little t, is the hardest part. The technology piece is actually pretty straightforward. It's changing mindset, and re-imagining what's possible, that allows us to be successful. And I don't know that this effort ever ends. It certainly takes a lot of energy and dedication, but otherwise you don't get the true value of even the little t transformation.

"Are there business case expectations from your shareholders or top management?" Schmid asked. "Productivity expectations, headcount reductions, time to payback?"

"At ABS we've established a separate organization focused on commercial digital solutions built specifically for our customers," O'Neill replied. "That department is its own P&L, outside of the IT department, and they have to pay for themselves. IT's focus is more around enabling the company through CRM, workflow solutions, ERP. It's all about making the business be more efficient, go faster, and get better, but without that specific customer focus."

"At ARC we had an assumption that we would generate efficiencies across the business, both in terms of productivity and in reduction of technology costs and headcount," Oliver answered. "We are seeing that in clear focus now, and I would have loved to have put it all on paper four years ago. We're seeing payback on a three-year time horizon. Right now, that's strictly due to technology cost reduction, efficiency, and headcount on the tech side. We haven't yet gone deeply into the business side, but there are efficiencies there that will move the payback south of three years."

"Owens Corning is early in this thinking, but so far we have trifurcated our digital strategy," Zerby commented.

> Market-facing digital is firmly attached to the CEO's objective around generating organic revenue increase, not cost savings. Digital manufacturing is about productivity, typically measured as cost savings per unit. And the "digital worker" is really about leveraging enterprise capabilities for the purpose of scale and cost reduction. We've tried to be pretty surgical about each part of the digital strategy and what objective we expect to satisfy.

"Tenaris has exactly the same three segments in our digital strategy," Lammertyn stated. "One thing we see, though, is that it can be complex for a digital sector in the organization because they don't have the IT infrastructure. But IT doesn't own the business — so they are caught in the middle. They might move faster if they are aligned with the CEO, but speed and resources don't always get along together."

"The challenge in getting to the Big T really comes down to the tone from the top," Rohland responded. "There can be an aversion to risk, and trying to keep one foot in each camp. That's certainly a headwind for us. We believe we could go direct to some restaurants via e-commerce and eliminate the salesperson, but that's taboo: 'You have to keep sellers.' So we're in a mixed model. And that's back on us for not doing a good enough job in selling the business case."

Choosing Our Own Adventure

Brechbühl started to wrap the different threads of the discussion: “Many of the changes we’ve talked about were either driven by the pandemic or accelerated by the pandemic. They could become more permanent, but we have some say in that — long-term, this isn’t something that’s going to just happen to us. How do we choose the aspects of change driven by the pandemic that we want to keep, or maybe even accelerate, so that we are the ones who shape our future world?”

“COVID was the great equalizer,” Meyer agreed. “Nobody had to decide, we are all just stuck with what it is. Profits look better than expected because expenses, like travel, are significantly down. When this pandemic ends, there is going to be an interesting battle between finance and the rest of the company, because while we all want to get back out there, there’s been less impact on sales than expected. We’re going to have to figure out the busines case. Some customers will demand we come back, and we’ll have little choice, and others will say they prefer we don’t come.”

“Video telepresence has accelerated greatly, and I think it’s here to stay,” Huber declared. “It’s amazing how much it gets used by everybody, from the CEO on down.”

“No, it won’t go away,” Oliver confirmed. “It’s also forced non-technical people to develop a much better understanding of how their own internal networks function, and to become more technically sound, and that’s always a good thing.”

“True, but we don’t know the side effects yet,” Schmid countered.

> All of us are at a certain level of the company, and it’s natural to do a videoconference, because we don’t need to be connected to people as much. We’ve listed all the things we’re doing differently because of COVID. When COVID is gone, we’ll keep and nurture some of them. It’s not only about remote work via teleconference: It’s also about commissioning a machine with having our technician onsite. We’ve realized a lot of things we were doing were not necessary.
>
> But at a certain level, especially for the younger generation joining our companies, they may miss the traveling. There is a layer of the employee population that doesn’t feel well-informed, that doesn’t feel listened to. I don’t know how we are going to pass the company culture — we’re going to need to find a balance. We need to be careful.

“The pandemic has forced more digital, but once things settle out, people will want to re-connect more,” Venhaus concurred. “Everyone’s so tired of being at home and being just virtual, and they want to re-build those relationships. But digital can be so much more efficient, we get so much more data out of it. We’re going to have to figure out how to encourage relationships that are really important with the trust that you can build in them, while still reinforcing use of our digital platforms.”

“There’s been so much change in how we can access data and provide it across different parts of the company,” Gardiner reflected.

> Companies used to create competitive advantage by managing coordination costs internally. We created swim lanes and functions and silos, and everybody worked to their KPIs. As long as we were efficient, we were doing well by taking advantage of scale. But now that digital tools allow us to surface data in new ways, there is an opportunity to redesign those processes. We can give everybody insight to the end user customer and what they're doing. That helps us to unravel the silos and the swim lanes. Digital native organizations are built that way; it's harder for industrial companies. We have to undo as much as we have to build. But the tools are there for the transformation: How quickly can we move away from the silos of the past to the ecosystem of the future?

"There's often a notion that the whole rest of the world has figured things out and we haven't," Zerby mused. "It's important once we're back within the walls of our own companies to remember all the back and forth on these topics. It's oddly reassuring that for all the accomplishments of this group, nobody has quite seen the future."

"The future will certainly be different, because Zoom will not disappear after the pandemic," pronounced Gianmario Verona, Rector of Bocconi University.

> The future will require balance and integration. In-presence activities are crucial for building culture, but in the last six months we have learned that digital tools can be impressively good as well: at certain things they are much faster and more efficient. So, we will give new meanings to different types of presence, and what we do in them. We still don't really know anything: in the next couple of years there will be beautiful papers published that will tell us what to do, but so far there is no hard science. I'll leave you with just one example, though, of the possibilities:
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> In August this year Bocconi should have hosted the Economic Society, which happens only every five years. We would have had 2,000 attendees, including the best economics professors from all over the world. And of course, we couldn't do it. So, we did it online. What was the result? *Five* thousand people came, from twice the number of countries. The digital format enabled attendees from countries that typically couldn't come because of cost or logistics.

"We will have physical meetings again when COVID is over," Verona concluded, "But the future will be integrated and full of opportunity."

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Delivering Great Customer Experience

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Jeffrey Krakowiak	SVP, Marketing & Commercial Operations, Electrical Sector *Eaton Corporation*
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