



KPMG Connected Enterprise

The use of digital technology to develop new customer experiences and business models during COVID-19

COVID-19 has been a transmutational event that brought about phenomenal changes in the business landscape. It led to a seismic shift in consumer behaviour and business practices that were unexpected and sudden. However, this also provided companies an opportunity to re-evaluate and, in many cases, accelerate their digital transformation efforts. Specifically, 59 per cent of executives surveyed by KPMG and HFS Research¹ opined that COVID-19 has provided the impetus to accelerate their digital transformation initiatives. In a KPMG-commissioned study conducted by Forrester Consulting in 2020, we found that more than two-thirds of the companies had accelerated elements of their digital transformation strategy moderately or significantly and 63 per cent increased their budget, because of the pandemic².

The importance of digital customer experience in any digital transformation was also realized during the pandemic. At the onset of the pandemic, companies were seen grappling with the issue of creating and operating digital channels to meet the need to attract, engage and serve customers at scale. This was evident in our survey in 2020, where loss of revenue (32 per cent) and development of new channels/ways to serve customers (27 per cent) were identified as two of the top-five pandemic-related issues for companies to address.³

Companies doubled down on digital technology to transform customer experiences

The pandemic compelled organisations to be agile and evolve their business models, channels, customer interaction and pricing models rapidly. As highlighted in KPMG's 2021 Digital Fuel report⁴ the primary digital transformation priority is to enhance the quality of customer experience. Due to the impact of COVID-19, even the most customer-centric companies had to adapt further as most physical interactions were limited and customer experience went digital.

Research conducted by Forrester Consulting on behalf of KPMG in April 2021 observed that more than half of the organizations surveyed have accelerated digitization in pursuit of 'next-generation' operating models, and 62 per cent have advanced the creation of a seamless digital customer experience⁵. A further 37 per cent of businesses have developed new channels to serve customers. As industries shift from survival to growth mode, customer-centricity takes center stage, with 79 per cent of respondents prioritising a customer-centric strategy for the next six to 12 months⁶.

Accelerated adoption and upgrades to technology tools and infrastructure have become an imperative to adapt to changing market conditions and evolving customer needs. Industries such as retail⁷ and healthcare⁸ have further bolstered their technology stacks to ramp up e-commerce capabilities and ensure seamless connection between the offline and online world.

¹ Enterprise Reboot: Scale digital technologies to grow and thrive in the new reality', KPMG and HFS Research, 2020

² A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2020

³ A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2020

⁴ 'Digital Fuel: Igniting enterprise transformation and growth', KPMG International, September 2021

⁵ A commissioned study conducted by Forrester Consulting on behalf of KPMG, April 2021

⁶ A commissioned study conducted by Forrester Consulting on behalf of KPMG, April 2021

⁷ 'What we Learned from Amazon, Walmart, and Target', Object Edge, April 2021

⁸ 'The Connected Enterprise – A World of Possibilities', KPMG, August 2021; Forbes, 'CVS Health's Telehealth Clinic Visits Surge Amid Coronavirus Pandemic', May 2020

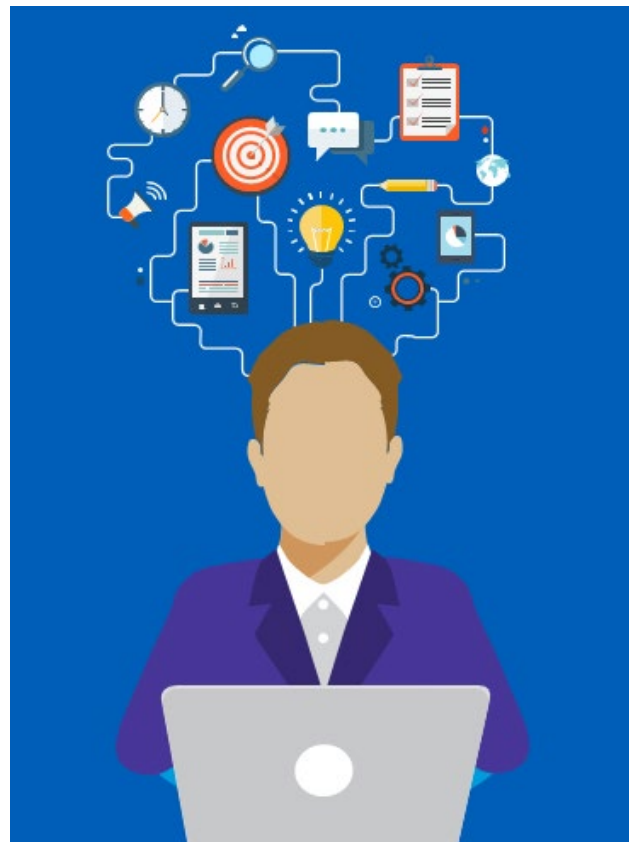
A research conducted by Forrester Consulting on behalf of KPMG in April 2021 found that organisations are increasingly engaging with technologies that provide better operational leverage, with the top three areas for increased investment being data security, automation and customer-centric technologies.⁹ A focused approach towards building a 'connected enterprise', which interconnects the front, middle and back offices, is a critical component to reinvent customer engagement strategies and grow in the post COVID-19 world.

Insights from the 2021 KPMG CEO Outlook¹⁰ show how CEOs have adopted a 'plugged-in, people-first and purpose-led' approach to grow their organisations and emerge stronger. This demonstrates CEOs' emphasis on digitally transforming their organisations while reskilling and upskilling an agile workforce. While more CEOs are prioritising technology investment (close to 60 per cent) when pursuing growth, the 40 per cent who are putting more emphasis on people investments are a notable increase from 33 per cent in 2020.

What are the challenges to building digital experiences in the post-COVID world?

- **Evolving customer behaviour** and digital-based expectations from the market puts the onus on organisational processes that need to focus on the voice of the customer specific to each industry. Turning valuable customer data into valuable insights to help ensure relevant customer engagement is one of the key challenges to build a digital strategy that actually works.
- **Interoperability** of organisational systems and functions should be ensured to focus on customer-centricity to help in the seamless execution of digital experiences by leveraging relevant tools, platforms and expertise.
- **Cybersecurity and data privacy** have become increasingly important in the current mode of work and delivery. The KPMG 2021 CEO Pulse survey¹¹ identified cybersecurity risk as the number one risk to organisational growth over the next 3 years. Apart from that, customer data has been a highly valuable asset for organisations to drive insights for their business. Protecting this data has been an ongoing concern for organisations and with threat vectors increasing in the post-COVID world, it has become increasingly complex. Organisations are also finding it tough to address concerns related to ethics, transparency and trust while collecting and using customer data.

- **Skills and expertise:** The demand for technical skills has risen manifold due to a rapid surge in companies adopting new technologies. This has led to a high demand for skilled technical professionals while the supply has largely remained inelastic resulting in a war for talent.
- **Data relevance and real time insights:** Organizations face a tough time updating and interpreting the data effectively to avoid redundancies and misinformation, which could lead to wrong decision making or a decline in growth. Along with this, strategic decisions should be well supplemented with near real time to real-time insights to help ensure the right decision is made at the right time.



The roadmap for building connected experiences for customers in the post-COVID world

Organisations should act now and leverage digital channels and customer data effectively to help build connected experiences and develop hybrid revenue models, while also focusing on the impending challenges related to data privacy and security. Below are a few steps that organisations can take to help improve existing new connected experiences and build new ones for their customers.

⁹ A commissioned study conducted by Forrester Consulting on behalf of KPMG, April 2021

¹⁰ KPMG 2021 CEO Outlook, KPMG International, 2021

¹¹ KPMG 2021 CEO Outlook Pulse, KPMG International, 2021

1 Identify business potential and revisit digital transformation strategies

- The focus should be on building digital transformation strategies based on renewed customer expectations specific to each sector to help transform the business into a disruption-ready digital organisation.
- Companies can prioritise building the digital customer base and effectively bridging the gap between the physical and digital world by focusing on a connected ecosystem.
- Companies can accelerate the creation and/or modification of revenue streams arising due to the impact of the pandemic to cater to disruptions and evolving needs.

2 Focus on investments in the right technology and skills

- Companies should launch new initiatives for reskilling and upskilling employees along with new investments in relevant and emerging skills.
- Findings from KPMG and HFS Research¹² highlight that as organizations' strategic priorities change, business survival emerges as the primary reason to invest in emerging technologies such as process automation, artificial intelligence, smart analytics, hybrid/multi cloud, and 5G.
- Investments in emerging technologies will likely increase with the aim to accelerate digital transformation initiatives, such as process automation (43 per cent expect an increase compared with 25 per cent who expect a decrease); artificial intelligence (39 per cent versus 31 per cent); hybrid cloud and/or multi-cloud (38 per cent versus 28 per cent) and blockchain (34 per cent versus 30 per cent)¹².
- Investments in artificial intelligence and machine learning capabilities can help businesses sift through data more efficiently than ever before. These technologies not only help reduce business expenses but also create new trade opportunities and better monetise enterprise data.

3 Increase focus towards data security and privacy

- The pandemic has triggered a major surge in the number of online users. These online users also include enterprises that share private data through the online networks. There is an important need to have relevant checks and balances in place to help ensure that data is secure and addresses emerging concerns around data privacy and ethics.



¹² 'Enterprise Reboot: Scale digital technologies to grow and thrive in the new reality', KPMG and HFS Research, 2020



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