Gartner Predicts 2019: Technological Convergence of Content Services

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Predicts 2019: Technological Convergence of Content Services

Technological convergence in content service technologies is creating overlaps of capabilities across platforms. Application leaders in charge of digital workplace and content services strategies need to evaluate more product options and make long-term strategic decisions.

Key Findings

• Technological convergence is increasing use-case applicability among content-related platforms, a situation that will ultimately force some market convergence.

• New offerings will emerge to address gaps in incumbent platforms and deliver more innovative and specialized offerings.

• Capabilities that are replicated in multiple products just to fill gaps in overall content strategy will lead to waste and overspending.

• The differences, at a feature level, of content-related offerings will be harder to find and are likely to generate more confusion when selecting products.

• AI-enhanced automation of metadata extraction will underpin productivity enhancements and deliver insights through process automation.

Recommendations

Application leaders in charge of digital workplace and content services strategies:

• Closely examine your options when purchasing or upgrading content service technologies by comparing the new set of core capabilities with those in which you have already invested.

• Take a pragmatic approach to technology selection based on business use cases, and don’t be swayed by hype and promises of “intelligence,” “single source of truth” or “digital transformation.”

• Create or strengthen your content services strategy now by writing a set of guiding principles that will aid the business and IT when comparing, selecting and deploying technologies.

• Focus on use cases that will result in obvious and measurable value for the business rather than simply updating like for like technology.

• Prepare for an uncertain technology evolution by initiating a strategic dialogue with existing or prospective content services vendors.

Strategic Planning Assumption

By 2022, 20% of organizations will deploy content services evolved from a CCP for digital business requirements rather than a CSP.

By 2022, the current revenue growth rate for the CCP market will decrease from 34% to match the CSP market growth rate of 8%.

By 2021, 95% of technology buyers will select WCM as part of a well-defined digital experience strategy, prioritizing agility and interoperability.

By 2023, 50% of DXP vendors will offer CCM functionality.

By 2022, more than 60% of organizations will use AI-driven metadata tagging, boosting digital dexterity through improved delivery of insight.

Analysis

Products in different markets that relate to content services are experiencing increasing technological convergence, causing significant confusion and redundant purchasing:

• Content services platforms (CSPs) and content collaboration platforms (CCPs): Product capabilities are becoming very similar in both markets. The depth of functionality rather than mere presence of a feature and its suitability for different use cases are primary differentiators.
• **Digital experience platforms (DXPs) and web content management (WCM):** WCM is a functional subset of DXP.

• **Customer communications management (CCM) and DXP:** CCM, which is more of a customer engagement and communications application, is developing some DXP capabilities, especially for personalized customer experiences.

We are seeing an increasing convergence of functionality among products that are currently being marketed to serve different use cases. This overlap increases the use-case applicability of the different platforms (see Figure 1). The common denominators of functionality and use-case applicability between products, such as CSPs and CCPs, are forcing application leaders to consider each platform’s capabilities more strategically.

Gartner anticipates that this convergence will generate confusion for all. But it also provides new and potentially innovative options for application leaders to deliver the most appropriate and operationally efficient content services. Advancements in artificial intelligence (AI), analytics and automation for content and in content services will be instrumental in supporting and delivering on those new opportunities.

The use-case overlaps and technological convergence will make it more important to understand the differences among the products than their common elements. Differentiators will be harder to identify, particularly at a feature level.

Differentiators will most commonly be found in three areas:

1. How closely a product is aligned to a business scenario.
2. How compelling the user experience is.
3. How agile the product is to adapt to new requirements.

Application leaders and decision makers should have these aspects in mind when asking themselves the common question:

“Do I need another component or is the existing one good enough for the business need that I am trying to support?”

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**FIGURE 1  Content Services Use-Case Applicability Today and Future (2022)**

![Image of Use-Case Applicability](image-url)

Source: Gartner (January 2019)
What You Need to Know

These 2019 content services market predictions relate to the technological evolution of currently distinct markets with distinct use cases. The predictions observe how functional advancements are converging and presenting overlapping applicability of each platform for common use cases.

Strategic Planning Assumptions

Strategic Planning Assumption: By 2022, 20% of organizations will deploy content services evolved from a CCP for digital business requirements rather than a CSP.

Analysis by: Michael Woodbridge

Key Findings:

Organizations have deployed a wide range of technologies to address business challenges associated with managing and using content. Gartner defines two primary platform markets for employee-focused content services:

1. Content collaboration platforms (CCPs)
2. Content services platforms (CSPs)

CCPs have evolved from enterprise file synchronization and sharing (EFSS) products and address use cases related to digital workplaces such as content collaboration, file synchronization and sharing across devices.

CSPs have traditionally been used to address operational use cases associated with digital business initiatives such as records management, case management or back-office processing.

However, this traditional demarcation is eroding. The choices for organizations have become more nuanced. Vendors in both markets have started to invest in and develop features that have been associated with the other to gain competitive edge.

This has materialized as follows:

- File synchronization and sharing is becoming a utility feature offered by almost all content services vendors. Most vendors are able to provide this basic service in a functional and satisfactory way.
- CCP vendors are more routinely adding features such as workflow, metadata and information governance to address more complex content use cases. These capabilities are not always as feature-rich, but are rapidly evolving.
- CSP vendors have invested heavily in improving user experience and are now more commonly providing add-on, cloud-based services for content collaboration and file sharing.

Near-Term Flag:

This increasing overlap of capabilities is supported by data captured in vendor surveys conducted for the 2018 CCP and CSP Magic Quadrants. In these surveys, vendors were asked how their products complied with a core set of functional capabilities among 15 different content service categories (including document management, content security, records management and integration). The differentiation across the two platform market surveys was different weightings for capabilities depending on the market and the platform’s most common use cases. The surveys showed that most features marked as a priority for the adjacent market were provided by the majority of most vendors (that is, more than 75% of vendors) in the other market:

- CSP priority requirements provided by a majority (more than 75%) of CCP vendors: 76%
- CCP priority requirements provided by a majority (more than 75%) of CSP vendors: 64%

Gartner’s understanding of the investment profiles and roadmaps of the major vendors in this space indicates that these numbers will increase in future years.

Market Implications:

The CCP market is likely to drive further segmentation of the products available.

The larger CCP vendors are likely to aspire to become lightweight CSP alternatives that are capable of addressing a wider set of use cases. They will focus more on operational use cases. Box and Microsoft are already shifting their focus this way, and others are likely to follow.
The growing presence of G Suite and Office 365 has increased the utilitylike nature of file synchronization capabilities. This will force other CCP vendors to differentiate around their core strengths. This could include the provision of new ways of working for employees, modernizing storage infrastructure, or focusing on specific horizontal or vertical applications. Legal matter management, virtual data rooms and board portals are good examples of these.

CSP vendors that have prioritized ease of use, simplicity of deployment, and speed to business value will thrive because.

- They include more lightweight, user-engaged interfaces and cloud-based applications, like file syncing and sharing.
- Other vendors may lose market share to more agile vendors who are able to solve business problems quickly and drive high levels of user adoption.
- The vendors that lose out will rely increasingly heavily on service revenue from locked-in customers, which we anticipate will erode over time.

**Recommendations:**

Application leaders should closely examine the limitations of lightweight content services to ensure there are no hidden blockers to meeting business requirements or governance initiatives.

Leaders in charge of content services should provide collaborative capabilities to workers alongside CSPs. In many cases, this can be added as an optional CSP component. Without such capabilities there is a risk of not meeting the needs of important organizational constituencies — from legal associates to road warriors. Digital business and digital dexterity demand that both sets of use cases be addressed.

When gathering requirements for replacement content services, application leaders should focus on use cases and their associated business outcomes. Using these outcomes to evaluate product suitability will mean that a wider number of solutions can be considered, rather than implementing like-for-like technology.

Application leaders should ensure that business users are fully engaged during product selection to validate that the user experience is appropriate for business needs.

**Strategic Planning Assumption:** By 2022, the current revenue growth rate for the CCP market will decrease from 34% to match the CSP market growth rate of 8%.

**Analysis by:** Craig Roth

**Key Findings:**

- The CCP market is currently growing at a rate of 34%, which is significantly above the mean for productivity software.
- Convergence between the CCP and CSP markets will cause a convergence in their market sizes and growth rates.
- The market sizes and growth rates of the CSP and CCP markets are already converging.
- CSP revenue has gone from being 2.2 times the size of the CCP market in 2016 to 1.9 times in 2017.
- Most organizations will decide that they need both CSP and CCP products to meet the different needs of its workers.
- Some small organizations will opt for only one platform.

**Near-Term Flag:**

The CCP market will still experience strong growth for the next three years, over 34% in 2018 and close to 15% in 2020. This is a substantial rate for a multi-billion-dollar market. Organizations that have allowed CCP to flourish informally or as part of bring your own app (BYOA) programs should consider standardizing on one platform.

**Market Implications:**

The CCP market has had a great run. It grew from nearly nothing in 2005 — when Box and ShareFile (acquired by Citrix in 2011) launched — to $3.3 billion in 2017. It has been right on the heels of the much more mature CSP market, which had $6.4 billion in revenue in 2017. But that growth
will slow as all emerging markets do, eventually equaling that of its CSP cousin by 2022 at 8%.

One component of this slowdown in growth of the market comes from Microsoft’s OneDrive for Business, a large component of the CCP market. According to Microsoft SEC filings, Office 365 commercial revenue growth decreased from 45% in fiscal year 3Q17 (calendar year 2017 ending March) to 41% in fiscal year 2Q18 (calendar year 2017 ending December).¹

Contrast this with Teams, which Microsoft claims is the fastest-growing business application in Microsoft history.² Teams is not a CCP, but our forecast allocates Office 365 revenue across its components. That means revenue flowing to Teams flows out of other products like OneDrive for Business.

Other factors contributing to the CCP market growth slowdown include:

- **Product expansion:** CCP vendors have begun to look outside their market segment to maintain growth in areas such as workflow, content services platforms, or more-general collaboration capabilities (like workstream collaboration), but that additional revenue will not accrue to the CCP market.

- **Market consolidation:** Due to acquisitions (OpenText acquiring Hightail, for example), and the growth of bundled file syncing and sharing (including Hyland ShareBase, Newgen Corrus, Objective Connect and SER iRoom).

- **Market fragmentation:** Stand-alone CCP vendors are opting to leave the market and focus on more specific use cases. These use cases include secure file transfer (Accellion), virtual data rooms (VDR) or industry-specific file sharing (Intralinks).

Application leaders crafting a digital workplace will need to address use cases for both content-related key business processes, and content developed collaboratively by teams. In the next five years, the majority of organizations (over 75%) are expected to support use cases for both the CSP and CCP categories.

**Recommendations:**

Application leaders in charge of content services should:

- Rationalize the number of CCP products in the organization. The vast majority of organizations will eventually get down to one, but some organizations will use several, based on their business needs.

- Evaluate the organization’s CSP and CCP needs as stand-alone platforms or as integrated content services as part of another platform (such as Google G Suite or Office 365).

**Strategic Planning Assumption:** By 2021, 95% of technology buyers will select WCM as part of a well-defined digital experience strategy, prioritizing agility and interoperability.

**Analysis by:** Irina Guseva and Mick MacComascaigh

**Key Findings:**

Digital experience (DX) strategies typically revolve around digital experience platform (DXP) technologies. Web content management (WCM) capabilities are a subset of features typically found in a DXP.

The increasing emphasis on delivering the best next digital experience will continue to direct and shape WCM and DXP capabilities. However, the current dynamics in these markets are distinctly different from each other. WCM buyers are often focused on just a subset of potential uses of the software. In many cases, this subset has a purely digital marketing B2C focus. DXPs, on the other hand, are bought as a set of integrated solutions for experience composition, management, delivery and optimization. The use cases for DXP are multiple: B2E, B2B and B2C.

This set of dynamics is changing, however. By 2021, almost all selection processes will be directed toward incorporating WCM as part of a broader digital experience strategy. It’s a strategy that encompasses the full customer lifetime journey across all channels, modalities and touchpoints. This strategy cannot be supported by a WCM system alone.

The ease with which WCM can interoperate with adjacent technologies, services and sources of insight will, therefore, be a key differentiator. In addition, the ability afforded to business users to positively affect customer relationships at all possible touchpoints will be critical.
Market Implications:

This prediction means that the dynamics of the WCM market will become a subset of behaviors of the DXP market. Vendors in this space must continue to emphasize the modularity and granularity of their overall DXP offering. This will allow WCM buyers to build out their DXPs at their own pace. Yet, in terms of pure WCM functionality, it’s getting increasingly challenging for vendors to differentiate themselves in this mature market.

Buyers in this space need to maintain an incremental, iterative and experimental approach to their overall solution architectures and continue their development in the spirit of agile continuous integration/continuous development (CI/CD). However, they must first have a clear “true north” perspective in terms of what their solution landscape will eventually look like.

Recommendations:

Application leaders in charge of customer experience and digital workplace programs should:

- Create a well-defined, broader DX strategy before making long-term buying decisions.
- Establish a stakeholder team from various lines of business in order to get a broader view in addition to the core IT and business owners.
- Buy WCM from a strategic imperative standpoint (as the foundation of a holistic DXP strategy).
- Start to assess how WCM can positively influence your organizational outcomes beyond its traditional areas of focus, such as websites and mobile web.
- Prioritize interoperability of any WCM product you are considering, and be sure to consider the broader solution landscape into which this product will be placed.

Strategic Planning Assumption: By 2023, 50% of DXP vendors will offer CCM functionality.

Analysis by: Gene Phifer

Key Findings:

End-user demand is driving organizations to look beyond traditional customer communications --- print content delivered by mail or by email attachments to recipients. Historically, customer communications management has been largely an operational, unidirectional activity — sending out paper statements or bills. New demands fueled by end users, technological advancements, vendor and market changes make such an approach outmoded.

Digitization and the business priority of cultivating customer relationships create the need to weave this traditional content into customer conversations. These conversations span multiple channels, and are often a part of delivering services, not just information. Customer communication is becoming an important touchpoint as part of an overall customer experience strategy.

CCM is evolving from unidirectional to bidirectional communications. Digital channels make it possible for CCM vendors to provide features for the customer to communicate back to the sending organization. Examples include, pursuing an advertisement, paying a bill, checking the status of a shipment, or providing product review feedback. This two-way communication reflects the growing emphasis in customer relationship management on conversation and interaction. Business leaders are now exploring how to enhance this experience from both the organizational and the customer side.

This has given rise to several critical customer engagement trends:

- **Customer journeys**: The concept of a “customer journey” creates multiple opportunities — both in time and through varied channels — to engage and serve customers. CCM information, traditionally deployed as a silo of customer engagement, can now become a seamless part of the customer experience.

- **Account activity**: Bills and statements can be linked to discount offers, loyalty programs, alerts on monthly spending trends, and other initiatives. In fact, some CCM vendors are using customer journey capabilities to target omnichannel forms of customer engagement.

- **Personalization**: CCM vendors have been incorporating personalization features into their products for a few years. Personalization allows the communication to target the customer...
with relevant information, advertisements and content. But not every CCM vendor has delivered this critical functionality.

- **Authoring**: CCM technology has also started including authoring capabilities, allowing end users to create compelling content for distribution to customers. With support for HTML and the web, these capabilities enable application leaders to purpose content toward multiple channels. Content reuse and consistency are improved, resulting in reduced time to delivery and cost.

Traditional CCM capabilities are morphing, blending customer engagement data, and realizing that protecting its integrity, accessibility and utility is vital to the customer relationship. As with any asset, the issue is how to use it to increase business value.

**Market Implications**:

Technology and customer changes are forcing traditional CCM vendors to rethink and rework their product portfolios, business models and even their reason for being. They had already been addressing the shift to bidirectional communications from unidirectional. But they now face new pressures from the emerging services model, multichannel requirements, the emphasis on customer relationships and the rise of digital experience platforms.

CCM vendors now must assess:

- The costs and benefits of making major technology changes.
- The costs and effort of shifting to a more encompassing platform model (digital experience, for example).
- Whether their future is to partner with other vendors or be acquired by them.

One potential future for CCM is the incorporation of CCM capabilities in digital experience platforms (DXPs). While CCM is an uncommon feature of today’s DXP offerings, we predict that this will quickly change.

DXPs stem from the evolution of established web foundations, primarily portal platforms and web content management (WCM) systems, as they converge to address the “digital experience” (see “Magic Quadrant for Digital Experience Platforms”).

Creating, managing and optimizing digital experiences requires platforms that combine and rationalize horizontal portal capabilities, WCM, and an array of complementary integration, analytics, social, search, and other functions. They embrace a wide array of digital channels and devices, for bidirectional interaction with diverse audiences.

Besides interacting with multiple digital channels, devices and modalities, DXPs also deliver personalized experiences. A personalized engagement is critical because customers demand relevancy and will not tolerate unnecessary information.

As such, DXPs go far beyond traditional CCM systems and capabilities. However, traditional DXPs are lacking much of the functionality of CCMs. A key feature of CCM is the creation and distribution of billing statements and other documents through analog channels. A DXP can take that statement and “do stuff” with it, but this happens over digital channels. One short-term implication is that it makes more sense to expose CCM features as microservices via standard APIs that DXPs can use. Both CCM and DXP vendors will look to exploit such interfaces in strategic partnerships.

While some CCM vendors will morph their products into a DXP, others will choose to remain in the CCM market. However, as DXP vendors recognize the “CCM gap” and work to close it, they will likely acquire some of the existing CCM vendors.

Whether they acquire it or build it, 50% of DXP vendors will incorporate CCM functionality by 2023.

**Recommendations**:

Application leaders in charge of customer relationship management and customer experience:

- Start transitioning to next-generation customer communications by defining requirements that link these evolving conversations with a services delivery approach across multiple channels.
• Collaborate with digital marketing and CX stakeholders to evaluate how traditional CCM and DXP capabilities can complement each other to satisfy your customer engagement requirements.

• Plan for an uncertain technology evolution.

• Initiate a strategic dialogue with existing or prospective CCM and DXP vendors and map their portfolio plans and partnerships to your three-year requirements.

• Pay close attention to incumbent vendors’ roadmaps.

Strategic Planning Assumption: By 2022, more than 60% of organizations will use AI-driven metadata tagging, boosting digital dexterity through improved delivery of insight.

Analysis by: Stephen Emmott

Key Findings:

• The majority of enterprise data is unstructured “content” and that majority continues to grow.

• By the end of 2019, half of all enterprises will use metadata to support digital business.

• Metadata remains a challenge for all but the most intrepid enterprises.

• Automated metadata tagging is available within many content services products, but often remains unused by customers.

Market Implications:

Metadata — or “data about data” — contextualizes information to facilitate its management, processing and findability. It does this using schemas that define “labels” and the values each label can contain. These values might be drawn from a controlled vocabulary (for topic, for example) or codified (for date). Metadata is also a valuable source of data in itself, supporting audits, decision making and the automation of other business processes. Without metadata, the value of the data it represents is diminished. Yet the use of metadata in digital business remains patchy, both by and within enterprises.

The majority of an organization’s data is composed of content — in other words, unstructured data. This is often cited as being between 80% and 90% of an enterprise’s total data. While the proportions of structured to unstructured data persist, the volume and types of data they represent continue to grow. The content services market — which includes content services platforms (CSPs) and content collaboration platforms (CCPs) — reflects this growth. It grew by 15.7% in 2017 to $9.7 billion.

Despite this, only two in five organizations have progressed beyond the use of file systems and departmental repositories according to a recent Gartner survey.

The same number — two in five — are using metadata and tagging. Even fewer — one in 10 — are using content analytics, for which metadata and tagging are crucial. Going forward, by the beginning of 2019, one in 10 plan to use metadata and tagging; and one in four plan to use content analytics. As such, Gartner anticipates that, by the end of 2019, 50% of enterprises will be using metadata and tagging, exceeding 60% by 2022.

The same survey identified four key barriers to managing and using unstructured content:

1. Storage limits
2. Difficulties in searching for information
3. Version control issues
4. Manual cataloging

Metadata is crucial to addressing all four. It helps identify ROT (Redundant, Obsolete or Trivial information), which accounts for around 30% of an organization’s data, thereby incurring a proportional cost for storage. The impact of metadata upon search is self-evident, and version control relies on metadata to identify the canonical version from its drafts.

Until recently, human metadata tagging has been the only option for many organizations. For an intrepid minority, this has been the route to improved productivity. For the majority, it remains a barrier. Overly complex schemas and the low priority given to the quality of metadata are just
two of the many reasons. As one respondent put it: “Staff do not want to spend time classifying and filing content appropriately.” Given resistance from employees, content services vendors have long provided automated attribution of metadata, including autoclassification. Over the years, this automation has matured, and now utilizes machine learning as well as traditional rule-based approaches. Such attribution can be supervised (automatic attribution of terms from controlled vocabularies) or unsupervised (extraction of terms from content).

Vendors within (and adjacent to) the content services markets are increasingly augmenting their offerings with AI techniques.

Within both the CSP and CCP markets, many vendors now include automatic attribution of metadata in their products. Similarly, this capability is included within the products of adjacent markets (insight engines, file analysis, e-discovery solutions and others).

Growing volumes of content, and the burgeoning use cases digital business needs it to serve, are driving demand for solutions for metadata tagging. Consequently, viable solutions that overcome resistance to adoption by using AI to automate what was once only achievable with human expertise are now abundant. Given these forces, Gartner predicts that more than 60% of enterprises will be using automated metadata tagging by 2022.

Recommendations:

Application leaders in charge insight engine and search technology projects:

• Review your content services portfolio to identify which tools in your possession include the ability to automatically classify data (see “Take Three Steps to Actively Manage Your Content Services Portfolio”).

• Identify candidate tools and collections to pilot automatic classification, selecting only those that will result in obvious and measurable value for the business. Your proof of concept needs to demonstrate proof in terms of the business as well as the technology.

• Establish a schema (set of labels) using an industry standard (Dublin Core, for example) to define your metadata.

• Start small — either with what you have currently or afresh — and grow what is labeled before growing your schema.

• Pursue a hybrid approach, phased over time.

• Use rule-based attribution of metadata to gain expertise and productivity before utilizing other AI techniques such as ML.

A Look Back

In response to your requests, we are taking a look back at some key predictions from previous years. We have intentionally selected predictions from opposite ends of the scale — one where we were wholly or largely on target, as well as one we missed.

On Target: 2016 Prediction — By 2018, federation, governance and back-end integration with multiple content repositories will be required for 70% of business EFSS deployments

When we wrote this prediction, we highlighted the increasing needs of business users for flexibility in content access and external content sharing. This has now materialized such that the file synchronization and multidevice sharing capabilities now available have become a standard feature of almost all content services offerings.

Content sources also continue to proliferate. Long-standing legacy implementations are heavily rooted in organizations and are difficult to replace. In the meantime, new content sources are procured, often aligned with line-of-business solutions focused on addressing very specific business problems. The need to access content across these sources is ever present, and there is an increased expectation from end users for consumer-like experiences.

We have seen the market respond to these growing requirements by an increased prevalence of connectivity and federation services offered by CCP (previously EFSS) vendors. Over 50% of CCP vendors surveyed for the 2018 CCP Magic Quadrant indicated that they provided connectivity services into other content sources. SharePoint was the most common destination here.

Missed: 2016 Prediction — By 2018, 20% of all business content will be authored by machines.
This prediction was a Top Prediction in 2016, and covered the automatic generation of all types of enterprise content including, line of business documents (including contracts and reports), consumer-centric documents (personalized communications, for example), marketing and advertising (targeted messaging) and published information (annual reports, press releases and news articles). The automation would be supported by increasingly sophisticated AI, and ML-supported natural language processing (and generation) capabilities.

Although we still consider this prediction viable, we have not yet seen significant growth in the automated creation of business-related content as predicted. Most automatically created content is focused on marketing and advertising, customer interaction (CCM), publishing, report generation or article writing. The need for automated content creation is still in demand, but we’ve seen limited uptake by content services vendors adding automated content creation features. The practice of automatic content creation is emerging beyond the purpose of focused content creation applications like CCM, advertising, marketing or publishing applications.

As content services providers look to add more automation to their platform services portfolios, we anticipate more automated business content creation.

Additional research contribution: Karen Hobert.

**Acronym Key and Glossary Terms**

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<thead>
<tr>
<th>Acronym</th>
<th>Key Term</th>
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<tr>
<td>AI</td>
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<td>CCP</td>
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<td>machine learning</td>
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<td>WCM</td>
<td>web content management</td>
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**Evidence**

1. “Microsoft SEC Form 10-Q for the Quarterly Period Ended March 31, 2017” and “Microsoft SEC Form 10-Q for the Quarterly Period Ended December 31, 2017”

2. “Microsoft Teams Blog,” 24 September 2018

3. See Alan Dayley’s data from the Data Center Conference, December 2013

4. See “Gartner Research Circle — Content Services Adoption”

Gartner Research Note G00373648, Michael Woodbridge, Stephen Emmott, Irina Guseva, Mick MacComascaigh, Gene Phifer, Craig Roth, 3 January 2019
Top 4 Converging and Disruptive Forces Impacting Customer Experience in 2019

A new approach is necessary to help businesses successfully navigate the complexities of communicating with customers and building profitable customer experiences. This is driven by rapid changes in consumer behavior, technology, data availability, and regulations. Looking at the complexities that arise from creating easy and effective experiences, overcoming corporate siloes, managing CX strategically, and managing physical communications, companies will require innovative technology that helps businesses increase agility, respond faster, and stay current with whatever technology trend is impacting the market.

Introduction
Customer experience (CX) is often defined as the perception that customers have of how they are treated by companies with whom they interact. Optimizing CX is a top priority for many businesses as good CX generates positive feelings and emotions, which in turn affects customer behavior and increases loyalty. It also helps businesses to stand out against competitors. Especially in industries that are heavily regulated, CX is rapidly becoming a more important differentiator than product or price.

Every touchpoint, or - in other words, every individual customer interaction - feeds the overall customer experience. Managing customer interactions is therefore crucial for managing customer experience.

Disruptive trends
Empowered consumers
Driven by technological developments, especially around connectivity, mobile, and social media, consumers have become much more empowered. Modern, always-on consumers are much more information-savvy than ever before, and make very informed buying decisions. They also have much greater choice than previously, which places more emphasis on online reviews and peer-to-peer recommendations. A recent survey by mobile loyalty company, SessionM, among 12,000 randomly selected U.S. consumers shows that 90 percent of respondents use their smartphones in stores, and checking prices is the top activity.

Always-on consumers also have their voices heard; within seconds, viral messages can reach vast audiences through social media networks. Consumers also expect immediacy and highly personalized, relevant messaging. Empowered consumers are sometimes characterized by self-efficacy (the desire to be seen as unique). Visual consumer-generated content is rapidly rising, as well as the usage of visual content for marketing purposes in general.

Businesses have started to realize that they need to transform from product-focused to customer-centric companies. From a CX perspective, customer-centricity means that it is no longer the business that makes assumptions on how customers want to receive communications, but that customers themselves will determine how a brand interacts with them. Businesses will need to embrace a truly outside-in perspective to make customer experience work.

New technology
The communication world has tremendously changed in recent years, and this trend will continue as we consider what is coming next. Developments in robotics, artificial intelligence/machine learning, voice technology, the Internet of Things (e.g. wearable devices, smart appliances), driverless cars, peer-to-peer distributed ledger technology (i.e. blockchain) will impact the economy, society, and business world. From a customer experience perspective, it is important to note the following observations:

1. Technological development will accelerate, not slow down

Observations such as Moore’s law, which describes that innovation doubles roughly every 18 to 24 months, has been proven reasonably correct over the last 40-50 years. With a move to a cloud-based platform economy, built on APIs and micro services, new (digital) developments can be distributed virtually in an instant and reach critical mass faster than ever before. New technology will come faster, not slower.
2. The number of communication channels will continue to rise

While we do not know yet what channels will become dominant in the future, we do know that new channels will emerge. Smart appliances may become channels for critical communications, or holographic mixed reality devices such as HoloLens or MagicLeap may be used for displaying documents in a mixed reality experience.

3. Data will become a crucial component

Today, customer communications typically originate at various places inside an organization. Easy and secure access to data is needed to provide context so they are managed in a more automated way.

Businesses need to be on top of new developments. The world is changing fast, and businesses that do not invest in new technology to improve their customer experience will be left behind. Surveys indicate that almost 50 percent of customers have switched brands because of bad experiences.

Regulations
From utilities to healthcare, the majority of industries have regulations in which they must comply when engaging with the consumer. For example, in the U.S., the median number of restrictions is 1,130 per industry, with energy (exploration and distribution combined) being the clear winner with over 45,000 restrictions. Managing experiences in heavily regulated industries often adds complexity because of the following reasons:

1. The regulator strictly prescribes what a brand is allowed to do and how it should interact with its customers. In the U.K. energy sector for instance, a digital bill should be the exact same pixel-perfect version as a printed bill. In many countries, governments are developing regulations on how to provide access to communications for visually impaired persons. Country and cultural differences will vary with individual regulatory agencies.

2. In many industries, regulations are increasing, not decreasing. According to Thomson Reuters, a firm who tracks regulatory insights, banks in Europe now have to deal with 185 regulatory changes a day on average, up from 10 in 2004.

3. The cost of non-compliance is soaring. In Europe, the General Data Protection Regulation (GDPR) allows regulators to fine businesses up to four percent of total turnover. Fines that were previously in the six-figure range now extend into the eight-figure range, placing smaller companies in particular at risk of being put out of business in case of being fined for regulatory breaches.

4. Companies operating in heavily regulated industries often have a lot of outdated legacy systems that are hard to upgrade. Many touchpoints are hidden in back office touchpoints which are difficult to unlock when using outdated technology.

From a customer experience perspective, regulations often restrict businesses in what they can or cannot do. Regulation is an important aspect that is often overlooked by CX technology providers, or considered as highly restricted by CX professionals, but it has a direct impact on how a company engages with customers. Having technology that is optimized to work within a regulatory framework reduces risks.

Data
The amount of data in enterprises continues to rise and will soon globally surpass the 30 zettabyte mark. Unstructured data, such as video, voice, and user-generated content, is about four times the size of structured, highly organized data, and is growing at almost double the speed of structured data. The challenge here is to turn unstructured data into meaningful information.

Data enrichment, which is the ability to complement an existing data point with data from another source, is an exciting technique to turn two previously separated data points into new information. Enrichment, as well as data cleansing and address verification, is crucial for good customer experience; data degradation rates in contact databases can be as high as 30 percent per year. Enrichment is also useful to drive more intelligent business decisions, or to add more contextual information to a communication piece.

For businesses, data is a crucial element for obtaining actionable insights to create better customer experiences. Data management and enrichment allow businesses to obtain a single view of their customers, which can then be utilized to communicate in more personal, relevant, and profitable ways.
The necessity of a new approach
The rise in empowered consumers, new technology, regulation, and data is forcing companies to respond to those new market realities. Optimizing customer communications with a goal of building better experiences requires companies to overcome four specific challenges. Those are: managing complexities, overcoming siloes, defining and managing CX strategically, and managing physical communications alongside digital for true omni-channel deployment.

Managing complexities
The current CX solutions landscape is technologically fragmented and generally not built with customer communications in mind. Many CX solution providers are start-ups that operate opportunistically without appreciating the complexities around regulatory intricacies, dismiss the importance of sending physical communications alongside mobile and digital experiences, or will not have the financial backing of a larger parent organization that provides trust, investment, and commitment in the longer term. A complex technology ecosystem makes it challenging to build good customer experiences. Exploring what good means in terms of CX, research firm Forrester contends that building a good customer experience requires an alignment on three ‘Es’:

1. **Easy.** Interactions that are easy to understand or transact
2. **Effective.** Instant, personalized communications that are relevant for the recipient
3. **Empathy** in the conversation so that customers feel appreciated and cared for

While technology is only one part of the equation to build good customer experiences, it is a very important one. Good, easy-to-use software helps businesses to create simple yet powerful experiences across channels and touchpoints. Modern technology enables teams to own and manage communications themselves, raising empathy because they intrinsically know more of what customers prefer, and are much faster to respond than large IT teams. Modern technology also helps to visualize touchpoints and communications, which helps various teams to come together and overcome organizational siloes. And finally, modern software that is developed with regulatory standards in mind, helps businesses to stay compliant at the lowest possible cost.

Overcoming siloes
Large enterprises operate largely in siloes. While the rise in digital transformation is helpful — about 40 percent of companies now have a formalized steering committee that oversees digital transformation, including redefining CX — in practice, many businesses still create and manage customer communications in siloes. For example, operations are often responsible for billing, marketing for promotional communications and direct mail, services for call centers, and Line of Business owners for business correspondence. Aligning those groups is essential for building consistent communications and experiences across the enterprise.

Managing CX strategically
Developing and implementing a CX strategy is resource intensive as it touches on various aspects of the organization. While IT and Marketing are key stakeholders, depending on the organization, other stakeholders need to be considered such as legal, product development, logistics, and finance. With many businesses now launching customer experience initiatives, best practices are emerging and generally focus around the following three points:

1. Ideally CX should be defined at the corporate level, but with input from stakeholders / champions across the organization. Understanding the digitalization efforts that are underway at numerous places in the organization, the various technology maturity levels, and how communications and experiences will be created in each silo is essential for plotting out an effective corporate CX strategy.

2. The CX ecosystem is constantly evolving, so it is vital that any CX strategy is not considered a one-off but set up as an iterative, on-going activity, similar to lean manufacturing or total quality management practices. Somewhere in the organization — ideally a resource within a CX steering committee or Center of Excellence — best practice dictates the need to keep a centralized overview that is being regularly updated.

3. Top-down leadership is often said to be more effective for developing and implementing new strategies vs. a bottom-up approach. Companies
that empower a Chief Experience Officer (CXO), Chief Digital Officer (CDO), or Chief Marketing Officer (CMO) with resources to redefine the CX ecosystem are expected to see much better results than leaving it to the business itself.

Managing physical communications alongside digital communications

Omni-channel communications are essential for a good customer experience. The ability to provide seamless communications across multiple channels helps consumers to trust the brand, and feel that the business understands and knows them. Behind the scenes, implementing omnichannel communications requires a lot of heavy lifting, especially in organizations with a high degree of legacy systems where touchpoints are still hidden in back-office processes, and physical communications are often managed separately from digital communications.

Another challenge is that enterprises have so many different IT systems, that even for digital communications only, being able to provide a consistent, cross-channel experience between web and mobile for instance, is often an onerous task. The ability to manage physical communications alongside digital is another challenge. Physical communications are still important; many consumers prefer to receive printed communications for example as payment reminder, or as proof of address / identity. Direct mail continues to be effective as well — a recent study by the U.K.’s Royal Mail showed that millennials respond similar to direct mail as older generations, but only receive four percent of total volume as many organizations assume millennials are not interested in being reached through channels other than digital. The challenge in managing physical communications alongside digital is that physical communications require very specific preparations in order to optimize print production and postal delivery.

Implications

Looking at the complexities that arise from creating easy and effective experiences, overcoming corporate siloes, managing CX strategically, and managing physical communications, companies will require innovative technology that helps businesses increase agility, respond faster, and stay current with whatever technology trend is impacting the market.

The Quadient take on CX

Quadient believes communications are at the heart of customer experience. Having good control over customer communications enables businesses to have consistent, relevant, and bi-directional conversations with customers through their channels of choice, which is beneficial to serve them better, or to sell more. To create meaningful interactions that improve the customer experience, it is important to fully understand the customer, as well as the context in which the conversation takes place. The innovative and intuitive technology of Quadient helps companies understand what matters most to their customers, transform their communications, and gain control over their experience processes across organizational siloes.

Source: Quadient
About Quadient

At Quadient, we provide customer experience solutions that allow our clients to create and deliver meaningful interactions with their customers. By offering proven industry-leading technology we enable organizations to create better experiences through timely, optimized, contextual, highly individualized, and accurate communications across all channels. Our technology provides authoritative insights and visibility into the customer journey across all touchpoints, helping organizations understand what matters most to their customers, and activating a customer experience mind-set across the organization.