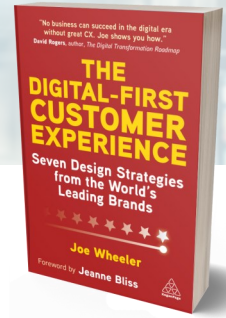


DIGITAL FIRST: PROMISE OR PERIL?

Executive Brief



Back in 2018, a company named Zume was making headlines for their robotic pizza making operation in California. Not only did the company use mostly robots to make and deliver pizza, but they also created software to forecast what kinds of pizzas would be ordered when, and where the majority of those orders would most likely be placed. The software guided their drivers to those areas so that the pizza you received would have come out of one of the 28 ovens on board the truck, just as they arrived at your home. In a 2018 Forbes article, CEO Alex Garden was quoted as saying: "I am up to my eyeballs in discussions with a number of companies about this technology who are starting to understand the applicability better. I wildly underestimated the market demand for this."¹

Others clearly agreed with him and Zume raised \$375 million from SoftBank in late 2018.

However, just one year later and there appeared to be some bumps in the strategy. CEO Alex Garden commenting to a CNBC reporter shared that "One of the problems that we encountered was, our beautiful pizza—with no stabilizers in it—in a traditional box declined in quality from the time you cooked it until the time it was delivered, to the point that we didn't think it was good enough."

By late 2019 the road got even bumpier and by early 2020 the company laid off most of their staff.

But it started with a powerful idea to deliver an experience customers would love, create safer, more creative roles for employees and reduce labor costs as a percent of revenue. To be honest, I was more than a little skeptical when I first read about Zume. Clearly, they had reduced the labor required to make a fresh pizza, but their product quality issue aside, exactly how long would it take to make back the capital cost of all that robotic and AI technology? Perhaps more relevant, though I wasn't completely in love with Domino's, they did manage to improve the quality of their pizza and deliver what seemed like an extremely freshly made pie in about 30 minutes or less and their Pizza Tracker sort of had me hooked (for reasons we will discuss later.)

Digital First - Promise or Peril?

The good news is that in a digital first world, your organization has a lot of choices. The bad news is that making the wrong one can have serious consequences.

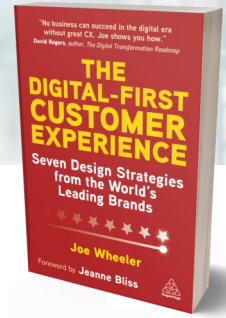
I don't share this example to scare you or to try to sow fear, uncertainty, and doubt into your dream of delivering a more digitally enabled customer experience. In fact, one of the world's leading experts on digital transformation, Mohan Sawhney of the Kellogg School of Management has said: "A zero-touch customer experience should be an aspirational goal for all companies"² Given the impact of COVID-19 on the world, being able to deliver a touchless experience clearly isn't bad advice.

Though let us also remember the words of Charlotte Beers, Chairman Emeritus, Ogilvy & Mather when she said, "The truth is, what makes a brand powerful is the emotional involvement of customers."

But how do you reconcile these two statements? Can a zero-touch customer experience actually create emotional involvement? Has digital transformation advanced enough that the level of empathy and emotional connection, typically delivered by frontline staff achieve similar levels of loyalty and advocacy?

DIGITAL FIRST: PROMISE OR PERIL?

Executive Brief



During a recent CNBC interview commenting on their performance through the pandemic, NIKE President, and CEO John Donahoe stated, "We know that digital is the new normal. The consumer today is digitally grounded and simply will not revert back"³ In the frenetic pace of a post-pandemic world, it is easy to lose sight of what creates real value for customers. It just isn't as simple as saying 'technology is an enabler' to the value you seek to deliver. That may be true for many experiences, but in other cases, as you will read about here, the technology is more than an enabler, it actually is the experience. (As I wrote this, I just received a notification from Duolingo - the language learning app, that I have new "daily quests" available to me. Très bien.)

In a Harvard Business Review article entitled: *How Smart, Connected Products Are Transforming Companies*, Professor Michael Porter and co-author James Heppelmann conclude that: "Smart, connected products are dramatically changing opportunities for value creation in the economy. A revolution is under way in manufacturing. The effects are not confined to manufacturing, however, but are spreading to other industries that use—or could use—smart, connected products, including services."⁴

If these authors are right, and the revolution in manufacturing is spreading to other industries, including yours, it might be time to consider how your company is adapting to this new reality.

¹ Kelso, A. (2018) Robotic Pizza Maker Zume Says Automation Is The Key To Food's Labor Problem. Available at: <https://www.forbes.com/sites/aliciakelso/2018/08/08/startup-ceo-restaurant-automation-will-create-more-jobs/?sh=6a4ccb4efb50>.

² Sawhney, M. (2020) Reinventing The Customer Experience: Lessons From Jio. Available at: <https://www.forbes.com/sites/mohanbirsawhney/2020/08/17/reinventing-the-customer-experience-lessons-from-jio/?sh=48c5a7d9632e>.

³ 2020) "Nike CEO: Digital Is The New Normal," PYMNTS.com, 23 September. Available at: <https://www.pymnts.com/news/retail/2020/nike-ceo-digital-is-the-new-normal/>.

⁴ 'Porter, Michael E. Heppelmann James E How Smart, Connected Products Are Transforming Companies, October 2015, Harvard Business Review'.