Digital Intelligence Briefing

2017 Digital Trends in the Technology Sector

in association with Adobe
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Executive summary

The 2017 Digital Trends in Technology report is based on a sample of over 900 respondents working in the technology sector\(^1\) who were among more than 14,000 digital professionals taking part in the annual Digital Trends survey carried out in November and December 2016.

The research, conducted by Econsultancy in partnership with Adobe, demonstrates that organizations within the sector that is transforming many others are leaders in digital integration, but are having to transform their internal structures and strategies to adapt to changing customer demands and behaviors, putting the customer first rather than the product.

The key findings from the research are summarized below.

Companies in the technology industry are more likely to be digital leaders

- Organizations in the technology sector are nearly twice as likely as their peers in other sectors to classify themselves as digital-first (19% vs. 10%), putting the sector in third place (after gaming & gambling and media) out of the 15 key sectors we analyzed.

- Changes in purchasing behavior have driven a shift toward hybrid, agile product offerings and ‘as-a-service’ models of payment. This has created the need for tech organizations to foster an ongoing relationship with their customers, where regular customer contact and service are required.

- Tech organizations appear to be prepared for the challenge presented by a rapidly changing industry; across the eight key factors identified for digital success, technology organizations are ahead of other sectors. UX design is one of the areas they excel in, as they’re 23% more likely to say they have ‘well-designed user journeys that facilitate clear communication and a seamless transaction’.

Shifting customer demands mean that one size no longer fits all

- The vast majority (81%) of technology companies are putting the customer at the heart of all their initiatives, and customer journey management is the second most important priority for 2017, closely followed by targeting and personalization.

- For enterprise-level tech providers, customer profiles can be numerous and journeys highly contrasting, meaning data collection and associated personalization have become increasingly important.

- In a sector experiencing rapid innovation, increased competition means that companies are placing increased emphasis on providing value for their customers. Almost a third (32%) of respondents said their highest CX emphasis was being placed on value.

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\(^1\) The 909 technology respondents who took part in the 2017 Digital Trends survey were among a total of more than 14,000 digital marketing and ecommerce professionals from all sectors who participated, from countries across EMEA, North America and Asia Pacific.
• Tech companies appear to be approaching the provision of a good CX with content, which is the top digital-related priority for the sector by a significant margin at 36%. Content is seeing budget increases and digital leaders in particular are experimenting with innovative forms of content.

• The challenge for the industry is in ensuring a consistent CX even when selling through partners. This challenge is being met internally through the hiring of skilled staff to engineer good experiences. The proportion of companies that have the CX skills they need has increased by 9% in the last two years.

The sector is confident of growth, created through the next wave of technology innovation

• Almost a third (29%) of respondents are planning to use product/service innovation to differentiate themselves from competitors over the next year.

• Digital-first organizations reveal their maturity as they are 52% more likely than the rest to see customer experience as a key differentiator, second behind product/service innovation.

• The Internet of Things (IoT), artificial intelligence (AI), robotics and augmented and virtual reality have been introduced to the industry over the past couple of years, but are yet to see integration into business-as-usual strategies. The technology industry is likely to be the first to see this integration, either through internal innovation labs or through collaborations with other technology providers or even companies from other sectors.

• Respondents to this research see this opportunity; they are three times as likely as their peers in other sectors to regard the IoT as an exciting opportunity in 2017, and are also more likely to acknowledge the future potential of AI and bots.
Technology organizations lead in digital maturity

Digital is transforming almost every sector, including the sector that is driving disruption in many others: the technology industry. Technology is facilitating change and reshaping business models in all sectors, from automotive to pharmaceuticals, and one might expect technology companies to be leaders in terms of digital maturity as a result.

In many instances this is true; however, as is often the case with organizations that transact mainly in a B2B manner, the focus has historically been on the product rather than the customer, meaning that although they have the digital technologies in place, the delivery of messaging to the customer is lacking. The actual product is still at the core of the proposition, but it’s the service layer and the flexibility attached to it that are increasing in importance. Tech prowess is no longer enough, tech companies need to be nimble to compete in an increasingly crowded market.

Figure 1: To what extent does digital permeate your own organization’s marketing activities?

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Technology respondents: 592
Other sectors respondents: 4,697
Figure 1 shows that, compared to other sectors, technology businesses are in a leading group in terms of digital permeating their organizations. Companies in this sector are nearly twice as likely as their peers in other sectors to classify themselves as digital-first, putting the sector in third place (after gaming & gambling and media) out of the 15 sectors we looked at in our annual 2017 Digital Trends research. APAC respondents are most likely to say that digital marketing is very much separate (17% compared to 12% in both North America and Europe).

According to a global survey of CEOs, 87% of those in the tech industry are confident of revenue growth over the next 12 months, and are assured in their ability to capitalize on new opportunities through innovation. As the power of new technologies such as robotics, artificial intelligence and virtual and augmented reality increases, and their cost decreases, they are becoming accessible to the whole industry and therefore represent an opportunity to be capitalized upon for organizations of all sizes.

These technologies are in many cases being utilized to service the customer in a personalized way not seen before in the technology industry. Though many tech organizations are providing the technology enabling other businesses to identify, target and service their individual customers, it is not always the case that tech companies are servicing their own customers in the same way.

This is in part due to the changing purchasing behavior of tech industry customers. We’ve witnessed a shift towards ‘as-a-service’ models (enabling organizations to start small, scale quickly and pay for what they use, termed ‘flexible consumption’ or ‘subscription models’) in recent years. According to Gartner, 80% of software vendors will be using a usage-based consumption model by 2020.

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Figure 2: Proportion of respondents who agree ('strongly' or 'somewhat') with the following statements

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Technology respondents: 509
Other sectors respondents: 3,971

4 http://www.gartner.com/smarterwithgartner/moving-to-a-software-subscription-model/
Laurie Wurster, Research Director at Gartner, suggests that customer behavior as a result is changing away from buying technology, to buying a relationship with providers from whom they can source technologies as and when they need them across a long period of time. Wurster says: “A hybrid cloud/on-premises model is rapidly becoming enterprises’ deployment model of choice, and most software providers are becoming businesses that deploy using a cloud model.”

The ‘relationship’ between a technology provider and its customers referred to above is new for the industry, where rather than one transaction, there may now be multiple and communication between technology companies and their customers is regular and ongoing. This means that the need for customer service has increased. Though clearly operating in a rapidly changing industry, tech companies do appear prepared for the challenge compared to those in other sectors. Figure 2 shows that across the eight key factors that we have identified for digital success, technology organizations are ahead of the average of other sectors.

Particularly strong in their culture, 81% of technology organizations claim to be putting the customer at the heart of their initiatives; a focus on CX that is discussed further in Section 3. As is to be expected from a cohort of technology companies, Figure 2 shows that tech respondents are 24% more likely than their peers in other sectors to have tools to use data in place, and UX design is one of the areas they excel in.

Skills also appear to be a strength of the sector. Although 79% of technology respondents are combining digital marketing skills with analytics and technology, the rate of innovation within the sector means that availability of associated key skills could become a threat to their growth. This could seem somewhat counterintuitive when a concern of the growth of technologies like AI is automation of tasks, potentially leading to job losses. However, skills like creativity, actioning data insights and leadership continue to be vital to growth, and talent associated with emerging technologies remains scarce.

Encouragingly, the vast majority (90%) of digital-first organizations (see Figure 1) already have the necessary skills in place and are 16% more likely to consider training as ‘very important’ for their digital marketing over the next few years.
The customer takes center stage

With the changes discussed in the previous section in mind, the challenge for technology companies will be in how they can change their business models to accommodate the shifting demands of their customers. One-size-fits-all products will begin to lose out to those companies that can diversify and importantly personalize their product offering to suit individual customers.

As we saw in the previous section, the vast majority (81%) of technology companies claim to put the customer at the heart of all initiatives (Figure 2), and this is supported by Figure 3 showing customer journey management as the second most important priority for 2017, closely followed by targeting and personalization.

For some in the technology sector, however, focusing on the customer rather than the product poses the question of ‘which customer?’: The technology sector has advanced and innovated at such a pace that the enterprise-level providers have grown into multi-layered businesses with a wide range of expertise. This means that addressing the individual customer could mean anything from the largest corporation to a small business buying software for a handful of employees.

Figure 3: Which three digital-related areas are the top priorities for your organization in 2017?

<table>
<thead>
<tr>
<th>Area</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Content marketing</td>
<td>36%</td>
</tr>
<tr>
<td>Customer journey management</td>
<td>26%</td>
</tr>
<tr>
<td>Targeting and personalization</td>
<td>23%</td>
</tr>
<tr>
<td>Brand building / viral marketing</td>
<td>23%</td>
</tr>
<tr>
<td>Marketing automation</td>
<td>21%</td>
</tr>
<tr>
<td>Video content</td>
<td>20%</td>
</tr>
<tr>
<td>Social media engagement</td>
<td>18%</td>
</tr>
<tr>
<td>Conversion rate optimization</td>
<td>17%</td>
</tr>
<tr>
<td>Multichannel campaign management</td>
<td>16%</td>
</tr>
<tr>
<td>Search engine marketing</td>
<td>15%</td>
</tr>
<tr>
<td>Mobile optimization</td>
<td>12%</td>
</tr>
<tr>
<td>Mobile app engagement</td>
<td>12%</td>
</tr>
<tr>
<td>Customer scoring and predictive marketing</td>
<td>10%</td>
</tr>
<tr>
<td>Social media analytics</td>
<td>8%</td>
</tr>
<tr>
<td>Real-time marketing</td>
<td>8%</td>
</tr>
<tr>
<td>Joining up online and offline data</td>
<td>7%</td>
</tr>
<tr>
<td>Programmatic buying / optimization</td>
<td>5%</td>
</tr>
<tr>
<td>None of the above</td>
<td>4%</td>
</tr>
</tbody>
</table>

Respondents: 588
However, sector growth and innovation generally result in increased competition, which means that customer centricity will increasingly emerge as a focus. High levels of competition often mean declining costs for customers, emphasizing the need to improve the customer experience through providing value. Almost a third (32%) of respondents said the highest CX emphasis was being placed on value; significantly higher than personalization and relevance at 21%.

Technology companies appear to be meeting the challenge of providing good customer experience to myriad different customers through content, which is the highest digital-related priority for tech organizations in 2017 (Figure 3). In 2016, ‘creating compelling content for digital experiences’ was perceived as the biggest opportunity, and this year tech companies are 24% more likely than their peers in others sectors to prioritize content marketing (36% vs. 29%).

Further, nearly three in five (56%) are planning to increase their budgets for content marketing in 2017, and the digital-first are leading the way with content innovation. These organizations are 29% more likely to experiment with innovative forms of native content over the coming year and are also more likely to optimize creative workflows to facilitate the rapid creation and deployment of content across multiple platforms.

Multiple platforms is an important factor to consider; Figure 4 shows that almost three-quarters (73%) of tech respondents think that optimizing the customer journey across multiple platforms will be ‘very important’ for their digital marketing over the next few years, and this is particularly the case for those claiming to be digital-first, at 82% compared to 71% for the rest. Those investing in content will need to ensure that it is effective across multiple platforms if they are to create an exceptional customer experience.

This is particularly important for B2B companies, where content can be important in addressing the needs and concerns of groups of stakeholders that are all invested in purchasing decisions. According to research from KPMG Nunwood, in B2B, the technology sector is leading the way when it comes to delivering exceptional CX. However, as many technology companies sell through partners, delivering a consistent customer experience across multiple channels and platforms can be a challenge.

The challenge of customer experience consistency results in a need for expertise and skills, and the sector has clearly been hiring in this department: the proportion of respondents saying they have ‘the people they need to engineer good customer experiences’ has increased by 9% in the last two years.

An example of a tech company with customer service at the heart of everything they do is SPLT; it has seen rapid growth that is attributed internally to its customer-first mentality. SPLT is a technology platform for carpooling in the corporate world that has seen recent collaborations with other tech platforms such as LYFT, but has its main customer base in corporations that need to ease the logistical and environmental impact of many employees travelling back and forth to work. SPLT claims that it has dealt with rapid growth by focusing on customer service at all times, working closely with the companies into which they integrate their tech to make it as smooth a process as possible.

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2017 has seen a big jump in the proportion of organizations that are optimizing the customer experience using data. Figure 4 shows increases since last year in the proportion of respondents who are both optimizing the online experience with offline data and vice versa. Internally, improvement of data analysis capabilities to better understand CX requirements is seen as very important by 66% of respondents, and unimportant by only 2%.

The technology sector does not have the same data limitations that present challenges in other heavily regulated sectors. In fact, for those on the B2B side, the sector can be data-rich, with long purchase timeframes and returning customers, particularly with the shift to subscription and cloud-based SaaS products. Being technology experts, companies in the sector are more likely to have the tools to collect, process and use large amounts of customer data.

However, the technology sector, especially in terms of software and IT-based technologies, does not tend to operate in the offline world. Often organizations do not have stores or a physical offline presence, which is likely to have influenced the results in Figure 4 showing that linking offline and online data is the least important of the listed priorities.

Split by digital maturity, around half of those claiming to be digital-first are using offline data when optimizing the online customer experience they provide, compared to just over a third of those not yet digital-first. When the data is split by geography, APAC companies appear to focus more on data than their peers in other regions, particularly when it comes to using online data to optimize the offline experience, with 56% in APAC doing so compared to 50% in Europe and 45% in North America.
The next wave of tech innovation

As technology plays an increasingly vital role in all industries, tech companies are confident about the future. According to PwC, when asked about their prospects for growth over the next three years, 91% of tech CEOs say they are ‘very’ or ‘somewhat’ confident of revenue growth.

A focus on product/service innovation is likely driving this growth, with nearly a third (29%, compared to 16% in other sectors) of tech companies planning to use it to differentiate themselves from competitors (Figure 5). This complements the results of the PwC survey mentioned above: when asked about how they plan to capitalize on new opportunities, 37% cited innovation, more than twice the proportion citing any other capability.

**Figure 5**: Over the next five years, what is the primary way your organization will seek to differentiate itself from competitors?

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product / service innovation</td>
<td>29%</td>
</tr>
<tr>
<td>Customer experience – making the experience on our properties easy / fun / valuable</td>
<td>26%</td>
</tr>
<tr>
<td>Product / service quality</td>
<td>18%</td>
</tr>
<tr>
<td>Customer service – enhancing our reputation for brilliant service across all touchpoints</td>
<td>13%</td>
</tr>
<tr>
<td>Mobile – catering to mobile shoppers / buyers</td>
<td>4%</td>
</tr>
<tr>
<td>Joining up online / offline experiences – ensuring consistency across virtual and physical worlds</td>
<td>3%</td>
</tr>
<tr>
<td>Price</td>
<td>3%</td>
</tr>
<tr>
<td>Convenience e.g. fast delivery, in-store pickup, buy online return-to-store etc.</td>
<td>2%</td>
</tr>
<tr>
<td>None of the above</td>
<td>2%</td>
</tr>
</tbody>
</table>

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Respondents: 532

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According to our research, customer experience (26%) follows closely behind innovation. Interestingly, digital-first organizations are 52% more likely than the rest to see customer experience as a key differentiator, perhaps indicating their digital maturity in having moved away from the product being the focus, and to the customer.

The industry is seeing transformation as a result of the IoT becoming integrated into everyday life, and is starting to feel the effects of a new wave of innovation prompted by artificial intelligence, virtual reality, robotics, 3D printing and other so-called ‘exponential’ technologies. These are providing areas of opportunity for the technology industry, with companies integrating upcoming technologies into their offerings.
One of the central outcomes of this integration is in automation. Software applications are being embedded with artificial intelligence mechanisms that are increasing the pace and depth at which data can be collected and processed.

Technology companies are riding the next wave of digital innovation: they are three times as likely as their peers in other sectors to see the IoT as an exciting opportunity in 2017 and are also more likely to consider AI bots and the IoT as exciting prospects for 2020 (Figure 6). When split by region, North American companies are twice as likely as their counterparts in Europe and APAC to consider voice interfaces as exciting (9% vs. 4% and 5% respectively).

Flex, a provider of global supply chain solutions, has developed a Pulse Center, allowing continual monitoring of its supply chain, enabling it to make decisions based on real-time data. This has led to better inventory management, and therefore greater efficiencies. The company has also invested in an innovation lab that facilitates the rapid development and realization of ideas, ensuring that they remain digital leaders rather than laggards.

The above example has seen a company innovating internally but with the size of many technology organizations, the next few years are likely to see increased collaborations between companies in the sector and ‘exponential’ technology vendors, working together to enable enterprises to remain at the bleeding edge of digital change.
5 Actionable tips to help future-proof your technology business

1. Adapt your product offering to match the way in which your customer wants to consume it

The shift to agile product offerings and cloud-based ‘as-a-service’ models is well-established. Customers now want a personalized product which can be adapted to their changing needs, and it is important for technology organizations that are not providing flexible product services to see this shift and consider implementing them.

The ability to quickly transform your own business models to accommodate shifting demands will be a key success factor moving forward, so start looking at the product through your customers’ eyes. In order to maintain your pace in this competitive market, speed is of the essence. Agility has become as important as the actual tech capability.

2. Innovate through content but make sure it works across all platforms

Content is a great tool that technology organizations can use to improve customer experience, using it to address a range of customer types in a personalized way for customer service and as a persuasive sales tactic. Ensuring that this content is effective across multiple platforms is essential to maintaining a consistent customer experience, so establish a robust multi-platform strategy before rolling out content across different platforms and channels.

Content is the backbone of an effective customer experience, but make sure you don’t fall short by always looking at the extent to which your content is engaging existing and potential customers, fostering trust and providing ways to take action.

3. Invest in new technologies if there is a business case, but test through partnerships and collaborations if experimentation is the aim of the game

The large enterprises with innovation budgets to match will have the ability to invest in the new wave of technologies set to impact the industry over the next years. For the smaller players, the sheer number of tech startups creates an opportunity for mutual-benefit collaborations, where technologies can be tested to see if they are right for the business. Keep abreast of technology innovations but don’t jump before the business case is established.

The rapid advancements within the tech industry create pressures to identify the long-term viability of early ideas and investments before they become obsolete. Developing capabilities by partnering with those that perfected them (or are on track to do so) means that you can make small bets on big breakthroughs, harnessing the best of each of your assets and capabilities for the benefit of the customer. It’s all about having access to knowledge and expertise at speed, so keep an open mind and don’t underestimate the power of collaborative innovation.
Appendix: respondent profiles

Figure 7: What does your company specialize in?

- 90% Software / internet and services
- 32% Hardware

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Respondents: 898
Figure 8: In which region are you based?

North America: 42%
Europe: 25%
Asia: 22%
Australia / New Zealand: 7%
Middle East: 2%
Africa: 1%
Other: 1%

Respondents: 909

Figure 9: In which of the following countries are you based?

UK: 22%
Germany: 13%
France: 8%
Sweden: 7%
Netherlands: 5%
Italy: 3%
Norway: 3%
Denmark: 3%
Finland: 3%
Switzerland: 3%
Austria: 3%
Spain: 2%
Belgium: 2%
Other: 23%

Respondents: 224
Respondents based in Asia Pacific

Figure 10: In which of the following countries are you based?

- India: 51%
- Australia / New Zealand: 24%
- Singapore: 8%
- Malaysia: 3%
- Indonesia: 3%
- Taiwan: 2%
- Thailand: 2%
- Philippines: 2%
- China: 1%
- Other: 4%

Respondents: 269

Figure 11: What best describes your job role?

- Manager: 35%
- Junior executive / associate: 23%
- Director / senior director: 13%
- C-level / general manager: 4%
- Board level: 3%
- VP / SVP / EVP: 2%
- Other: 20%

Respondents: 909
Figure 12: Are you more focused on B2B or B2C as a business?

![Bar chart showing the percentage of respondents focused on B2B, B2C, or both.]

Econsultancy / Adobe Quarterly Digital Intelligence Briefing

Respondents: 908

Figure 13: What is your annual company revenue?

![Bar chart showing the distribution of company revenues.]

Econsultancy / Adobe Quarterly Digital Intelligence Briefing

Respondents: 484