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## Addressing Digital Product Development Risks

### Best Practices for Creating Strategic Outsourcing Relationships

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By Scott Liewehr, Lead Analyst, Web Content Management

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This is the gold rush era of digital products.

There's never been a more opportune time to develop and deliver digital products, defined as goods and/or services received and consumed in digital format directly on a computer-driven device. Smartphones outsold personal computers for the first time ever in late 2010. Consumers use their mobile devices for more than communicating – almost half of the time they are consuming content. HTML5 is transforming the experience that can be delivered in browser-based applications.

But, just as most miners failed to find gold in the hills, so, too, are organizations finding that the promise of a digital product often greatly outweighs its actual performance once delivered. A digital product like a smartphone app for accessing paid content fails because of a clunky user interface. A catalog of artwork published on a high-end gallery website fails because it doesn't communicate the artist's brand. A community website fails because it doesn't scale due to lack of compelling content to attract active participants.

Digital products fail for all kinds of reasons. Poor development does not have to be one of them.

Poor development processes compromise even the most well-conceived and well-designed digital products. When they finally make it to market, they often cost more than they should, take too long to deliver, and are simply not as good as they could be. All because a company failed to execute well during the product development stage.

The digital product development challenge is even more insidious. It is not just about the failure of a single product. Organizations are also at risk of falling into the project mentality trap. If development processes, skills, and expertise are not agile and flexible in well-understood ways, then there is no way to anticipate, react, and adjust product strategy in response to market dynamics and consumer expectations. Today's leaders in the digital product arena understand that their businesses are undergoing wholesale transformations. They can no longer afford to operate on a project-by-project basis when it comes to digital product design, development, and delivery. These organizations are creating roadmaps for success, complete with strategies for optimizing opportunities and predicting profitability, achieving efficiencies while managing non-fixed costs, and developing content and products that are device-agnostic in order to maximize opportunity and time-to-market.

It is clearly not a "go it alone" moment in time. Internal optimization of people, processes, and technology is simply not enough for long-term staying power. For many organizations, the digital product transformation means forming partnerships with highly qualified, outsourced service providers who help address the risk of failure due to poor product development. This paper discusses how to identify, engage, and work with such partners, with the goal of creating relationships that extend the executive vision of creating, managing, and delivering market-leading digital products.

"Most companies, big and small, fail miserably at developing digital products (we're not talking basic websites here). They fail nearly every time they try. Digital products usually go vastly over budget and far past deadline. And when they fail to take off, their creators blame marketing, or competitive activity, or simply say the demand is not there at all. This is an insidious kind of failure where product leaders don't know how badly they have failed, and therefore fail to learn from it. . . . the failure is in the process, not the people."

– Joe Dwyer, serial venture capitalist, on  
DwyerLab.com



## Why Digital Product Development Is Hard

A well-realized digital product combines content, software, device-specific capabilities, and a rich, compelling experience, all bound together and tightly integrated in an application that's fit to form. Few organizations have deep development expertise in two or three of these areas, let alone all of them individually or in combination. This is why digital product development can lead to failure, even when all other aspects of product conception and design (such as marketing and content creation) are strategically and tactically on target.

When addressing development risks, it is important that executives and managers share a common understanding of the key issues that influence digital product success.

**Content management strategies are essential.** Companies cannot afford to invest in disposal content that is only useful within one context on one device. Without flexible reuse and proactive management of content at the asset level (text, graphics, photos, video), the cost of recreating content for a variety of digital products quickly becomes a great liability and an untenable risk to time to market. Content management inadequacies quickly transform into failed consumer experience.

**The range and level of consumer expectations is unprecedented.** Delivering compelling, interactive digital products requires strategies for engagement, hi-fidelity multi-channel experiences, cross-platform access, and context-driven customization. All must be tuned to support the consumer as both a user and a product advocate.

**Digital products require strategic approaches to consumer engagement.** Brand-specific cultural marketing, customer segmentation approaches, and loyalty programs are keys to unlocking revenue potential. Cross-brand personalization and customization also require healthy doses of governance, collaboration, and quality assurance to avoid threatening both corporate- and product-specific brand equity.

**Complex organizational environments are the norm.** Because digital products combine content, software, hardware, process and experience, the dynamics of digital product development and management require a greater investment in human capital, business process infrastructure, and corresponding content technology ecosystems. *People* (from brand-specific marketing and IT groups, multi-sourced teams, and B2B partners), *process* (reaching across and between these groups), and *technology* (including web content, digital asset, and business process management, to name a few) must synchronize to create digital products that meet and ideally exceed global consumer expectations.

**Multi-sourcing approaches require strategic partners.** Global outsourcing is a first-tier approach to satisfying people, process and technology requirements. However, achieving agility in the digital product arena can be a balancing act, requiring that organizations combine vision and innovation with pragmatism, premeditated execution, and governance. Identifying and utilizing strategic partners who understand that balance can make the difference between surviving and thriving in the digital product arena.

Any one of these issues may prove to be the ultimate lynchpin of success. But all of them underscore the need to maintain a cross-functional team of seasoned veterans with expertise in key areas. The right mix of internal and external talent will vary from one organization to the next. However, the need to focus on core competencies while relying on experienced, strategic services partners to perform much of the heavy lifting will prove vital to most organizations' success when developing and deploying digital products.



# Best Practices for Creating Strategic Outsourcing Relationships

With an understanding that complex organizational environments and global outsourcing are merely first-tier approaches to supplementing people, process, and technology investments, CIOs and CTOs such as Conde Nast's Joe Simon have a decidedly "smart sourcing" strategy.<sup>1</sup> The objective? "Hire and partner with those who question the status quo," says Simon, making the relationship as valuable as the expertise.

From our perspective, this requires organizations and their chosen outsourcing provider(s) to invest equally in creating that relationship. As such, we offer the following best practices as guidelines for doing so. We suggest developing a strategic outsourcing relationship with partners who:

## 1 Understand your organizational environment, executive goals, and culture.

Without a doubt, the base persona of an outsourcing services provider that is *suitable* as a strategic partner includes deep vertical expertise in the digital product arena, size, global accessibility, year-over-year growth metrics, reliable execution (on time and on budget), a roster of success stories with references that shout their satisfaction, and industry recognition based on diligent competitive analysis.

However, suitability does not always mean synchronicity. It is one thing for an outsourcing service provider to understand the nuances of complex organizational environments; it is quite another to understand *yours*. Cultural fit is key. Consider the following questions as you define a *cultural match*:

- Do the management capabilities of the outsourcing providers complement yours? What are their approaches to establishing top-down alignment and goal-setting with bottom-up communications and execution?
- Do their methodologies and metrics for quality assurance and return-on-investment programs match yours? Will their approaches synchronize with your organizational goals and measurement expectations?

## 2 Act as a stakeholder in your customer experience management strategy.

Engaged consumers create stronger communities. Passionate communities yield *loyalty*. Simply put, communities that receive contextual, compelling, and consistent customer experiences help organizations shape and reshape digital products. Uninterested, unengaged communities do not.

Strategic outsourcing service providers should intimately understand your strategy to provide unparalleled customer experiences. Acting as stakeholders, they should help executive visionaries create organizational agility—the ability to anticipate, react, and adjust product strategy in response to market dynamics and consumer expectations.

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<sup>1</sup> *Get Smart*. <http://www.the-chiefexecutive.com/features/feature71669/> at the time of publication.

Certainly, creating such relationships requires effort and investment on your part, driven by a commitment to engage your partners early in initial planning processes, ongoing re-prioritization, and community development strategies. As most customer experience management projects are typified as both wider and deeper in scope, involving partners more intimately by allowing them access to additional information as well as encouraging them to establish direct working relationships with more stakeholders and partners will prove most collaborative, and thus, most rewarding. As with assessing cultural fit, however, the onus lies within your partners' organizations to demonstrate an ability to act as an extension of the executive team and to execute on its behalf. Consider the following questions as you define a *stakeholder match*:

- How do the outsourcing providers balance innovation with pragmatism? Specifically, what approaches will they use to blend core consumer experience management techniques with calculated implementations that enable new revenue streams? How will cost optimization strategies factor into the approaches?
- Do the outsourcing providers understand the scale of your operations? How will the content-centric expertise of their teams help close the gaps between siloed people, processes, and technology implementations? How will this expertise help grow your capacity while simultaneously controlling costs?
- How adaptive are the providers? The digital product arena is both dynamic and volatile. Many the market demands you address today will fundamentally change 12 months from now. How will the providers help you respond and drive the organizational changes required?

### **3 Approach content management as a business practice.**

Your outsourcing service providers' views on managing content as an asset along with a firmly established network of partnerships across the content technologies industry forms the foundation of a suitable partner for a strategic relationship. A key differentiator for services partners is thought-leadership and demonstrated success in establishing the content management practices that reconcile an organizational understanding that "content management is important and we need to implement it" with "this is how we collaboratively optimize it." To that end, consider the following questions as you define a *content strategist match*:

- How will the prospective partners define methods to sustain the quality of customer experience while controlling content development and production costs?
- How adept are they at pinpointing redundancy and waste within operational content processes and technologies within and across brands? What approaches will they use to establish repeatable, governed and scalable processes that add value to content, from creation through consumption?

### **4 Practice continuous knowledge-transfer, achieving balance between your experts and theirs.**

A multi-sourcing approach in the digital product industry brings significant challenges in managing cross-functional operational groups *and* a portfolio of outsourcing partners focused on specific projects and technology implementations.



From the perspective of the investment in and management of human capital, there is more than a little crowdsourcing going on. Creativity from a varied portfolio of partners often produces internal information overload. The result can be chaos, strategic re-prioritization spin-cycles, or a method commonly known as the firefighting approach.

The human dimension of organizational success is not simply alignment around goals. Honing efficiency and collective innovation requires continuous synchronization around approach and priorities. It requires transparency. It requires openness to critical input—both givers and receivers. The faster an organization needs to move, the more important peer level connections become. Strategic outsourcing service providers know how to foster team-building and cultivate ideas in complex organizational environments, helping to drive numerous multi-sourced projects, prevent resource overlaps, and align strategy with organizational goals.

At the same time, they also know how to support and extend an organizational culture that respects, learns from, and shares knowledge across operational groups with brand-specific expertise. In essence, they know how to have an *immediate* impact on improving processes by optimizing coordination and underscoring in-house and multi-sourced team partnerships—important but often misplaced ingredients in the recipe for agile organizations.

Consider the following questions as you define a *collaborative match*:

- What insights and experiences do the outsourcing providers have with simplifying relationship management across complex frameworks of cross-functional operational groups and multi-sourced teams?
- Do they practice what they preach in regards to internal approaches to transparency, visibility, communication and project execution?

## **5 Understand that migration and integration are more than just technology issues.**

Complex organizational environments are always in motion when it comes to technology—it is simply their nature. Designing a supply chain that makes content transparently accessible throughout the enterprise infrastructure and within consumer experience models for multiple brands is crucial. It is not simply a matter of *componentize* here, *add demographics and behavior models* there, *put it in the cloud*, and poof: *contextual cross-promotion, segmentation, and analysis achieved!*

As we have discussed, the long-term success of a digital product is based on both the passion of the community and the quality of the experience you offer as a content producer. Managing and packaging that experience carefully requires an array of content technologies, from web, digital asset, and content-driven business process management solutions to segmentation, ecommerce, customer relationship management and analytics technologies. If these are the systems of the organization, each of which contributes in its own way to the customer experience, content is the lifeblood flowing through their veins, passing fluidly from one to the next. The “liquidity” of this content is critically important, from how it is captured and stored to how it is accessed and made universally available to all other systems. These issues are not just technical in nature, but also strategic. Yet, they cannot be overcome without the proper mindset, know-how, and a birds-eye view across the organization by project teams—all characteristics of the most strategic partners.



Content integration issues are strategies first and executed projects second. Standards choice is crucial, planning for scale essential, and incorporating such notions as localization and translation cannot be relegated to “we’ll do it later.” A strategic outsourcing provider takes intimate knowledge of consumer engagement goals within the organizational vision for customer experience management and integrates that into content integration planning and execution. Consider the following questions as you define a *technologist match*:

- What processes and technologies do the outsourcing providers use to enable content liquidity—the ability of assets to move through and be accessible within multiple content and digital asset management solutions in addition to enterprise infrastructure systems such as customer relationship, business process, and loyalty management solutions. What is their plan for scalability?
- How do the providers customize implementations within and across brands for cross-promotion, segmentation and analysis strategies that fulfill the expectations of the organization’s operational groups?
- How will the migration and integration strategies of the providers sustain operations while simultaneously accounting for the inevitable changes required for alignment with market dynamics and consumer expectations? Specifically, what approaches will be used for the “care and feeding” of the technological ecosystem, from the foundational level through to downstream requirements?

## Conclusion

The digital world is a world of choice. The consumer’s switching costs to move on to the next new thing are negligible, especially with the creation rate and availability of new content continuing to expand. The first step in digital product monetization is to attract and maintain attention, which is often the currency in shortest supply. Without attention, commercialization is difficult at best. Without community and new expressions of the core asset, attention wanes. These are the challenges of the new consumer ecosystem.

Brands that produce digital products understand this foundational shift from standalone product to ecosystem. If they did not, they would no longer exist. However, the mere fact that brands “get it” does not guarantee success and make them viable for the foreseeable future. Rather, it means they have a better chance.

Organizations that have both embraced this new paradigm and are working within a cost-effective platform to support it wield the most Staying Power. Neither is easy to master, as we have documented throughout this paper. Nevertheless, challenges related to the platform and development processes are surmountable. By assembling and nurturing strategic partnerships with service providers that meet the criteria we have presented, brands can focus their attention on their core competencies and execute the vision of creating market-leading digital products.





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Call +1 617.497.9443  
Fax +1 617.497.5256  
763 Massachusetts Avenue  
Cambridge, MA 02139 USA

Call +1 650.342.6060  
Fax +1 650.342.7135  
330 Primrose Road, Suite 510  
Burlingame, CA 94010 USA

Call +44 (0)20 8090 6590  
Fax +44 (0)20 7031 8101  
25 Floral Street  
London WC2E 9DS

