



AVASANT



**Digital Enterprise:
Market Leaders of Tomorrow**

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The digital revolution has changed the paradigms of global connectivity and customer empowerment. Enterprises are undertaking significant transformational exercises to become digitally relevant and create competitive differentiation. Operating business models and customer value propositions are being innovated to create digital enterprises. These ensure customer and community engagement, omni-channel integration, digitally driven supply chain, connected workforce, and analytics driven business insights. The digital enterprise of tomorrow will create an exceptional digital experience through integration of multiple technologies and capabilities like, social, mobile, cloud, analytics, rich media content, e-commerce, and integrated market management. The transition of current day organizations to digital enterprises is the biggest transformational wave to have hit the industry yet and is all set to change the ways in which businesses operate.

The Digital Experience

The digital revolution continues to positively affect the daily life of individuals and is changing the way we conduct business and commerce. Statistics about the phenomenal mobile growth confirms that 93 percent of the total global population is connected by mobile, 26 percent is on social media, 35 percent is already connected through the internet, and global broadband penetration stands at 21 percent. This widespread connectivity presents new possibilities and business opportunities that were unthinkable earlier. While digital revolution is making rapid progress, traditional operating models have matured and have implemented time tested procedures and policies, which continue to add business value to organizations. The winning organization of the future will be one, which most effectively integrates the digital strategies with proven business models, to create new

strategic models for enhancing consumer interaction and experience.

The shift in the global business ecosystem from 'systems of record' with focus on data and information to 'systems of engagement' through knowledge creation and dissemination by leveraging pervasive social media, ubiquitous mobile technology, explosion of big data and upsurge in advanced analytics. Globalization of business made possible through disruptive changes in communication technology moving from an analog to a digital world and growth in internet has catalyzed the rate of transformation of business enterprises. Innovative ways of engaging consumer and community using multiple communication channels have evolved that were unthinkable earlier. The information deluge through multiple channels have provided an opportunity to new age enterprises to analyze this information and draw critical

insights, which were not possible earlier. It has enabled enterprises to evolve strategies for engaging and servicing its clients in innovative ways by leveraging the digital ecosystem. In order to facilitate the pervasive adoption of digital strategy as part of their overall business framework, enterprises are focusing on the core and unique proposition of creating an exceptional digital experience for their customers. Businesses are increasingly using digital technologies to create greater customer interaction and collaboration across all possible channels. Enterprises are also producing directed and relevant content to capture digital audiences and engage them in meaningful conversations through digital channels. Dynamic analysis of

web, social and mobile data is undertaken to identify customer behavior patterns and offer compelling products and services that have increased propensity to transact over ecommerce. Designing integrated digital journeys is another instance of enterprises trying to enhance the digital experience of their customers.

Although digital revolution is taking rapid strides, traditional operating models stand the test of time and continue to add business value to organizations.

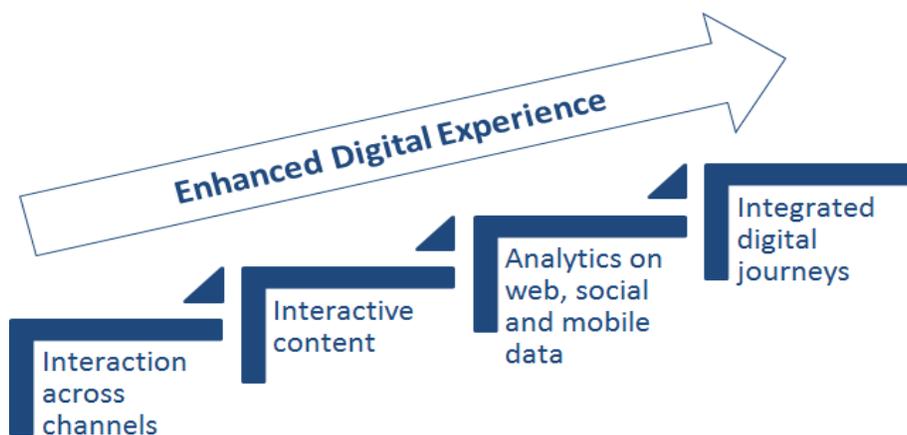


Figure: Digital Experience Roadmap

Enterprises need to address three key questions to help formulate their digital strategies:

- > *What are the best tactical approaches to identify and engage potential customers digitally?*
- > *How will an enterprise address the rising demand and needs of their customers, business partners, employees and other stakeholders digitally?*
- > *How can enterprises measure their return on investments of their digital efforts?*

The following tries to answer to these questions.

Enablers of Digital Transformation

The Consumerism of technology has empowered consumers to collaborate with enterprises in this connected world. Dynamic rise in number of smartphones and tablets has enabled this. Convergent technology forces like social media, mobility, analytics and cloud (SMAC) is nudging all industry sectors to use these digital levers to provide a new impetus to their business. Listening to the voice of the customer, providing them an opportunity to transact interactively with the firm, enhancing customer service and experience is catalyzed through SMAC. These four pillars of technology disruption form the basis of an enterprise digital transformation. The converging

effects of these forces have facilitated enterprise-consumer engagements, innovative business models, multiple consumer touch points, employee productivity improvement, and measurable return on investments.

Social Media: With over 2.4 billion people connected to the internet, social media has evolved into a primary means of communication between consumers and enterprises. Social media has become a prominent force for enterprises to attract consumers and enable them to reach the right target market with customer specific messages. With support for two-way communication between individuals and businesses, social media platforms are an open line of communication for organizations to interact with customers. Businesses are listening to and mining the information that is being posted to social media sites through the customer's digital voice. Business to Business and Business to Consumer engagement models have leapfrogged on social media platforms where enterprises have made use of sites like Facebook, Twitter and YouTube etc. for brand building and customer engagement, at a personalized level.

Convergent forces of technology like social media, analytics, cloud, and mobility are pushing all industry verticals towards digital on the physical-digital lever.

Mobility: The evolution of basic handsets into smart devices enabling ubiquitous computing has led the digital transformation of enterprises to the next level. According to a study by Dell, more than two third of businesses see boost in employee productivity and customer response time by adopting BYOD in the enterprise ecosystem. Gartner estimates that there will be more than 50 billion smart devices by 2020. Enterprise mobility has propelled ubiquitous computing and diminished the work boundaries across geographies. The connected consumer is always interacting with their preferred brand in the new digital

world. Enterprise adoption of mobility is another step towards digital transformation. Countries like the United States and India where usage of mobile devices by employees are at a level of 3.2 devices per employee are expected to lead the race for mobility.

Analytics & Big Data: With Big data platforms helping in collection, integration, and transformation of large volumes of data, enterprises now conduct complex and varied analysis on much larger datasets to understand consumer behavior and align the solutions to their needs. This also reduces the time to respond to customer needs and makes the intervention timely. Organization are investing in protecting this data asset against threats by putting in place security measures. Digitally transformed organizations are now better prepared to create a positive impact through interaction at every stage of customer engagement. To achieve dominant competitive advantage, enterprises are using analytics and big data to make data driven decisions.

Cloud Computing: IDC predicts that public cloud services revenue will grow 26.4% year-over-year and private cloud services revenue will grow at 50% year-over-year until 2016. Along with mobility, cloud computing provides business agility and scalability for enterprise business transactions. Investments in cloud have turned out to be an insurance against rising cost of IT infrastructure. Digital transformation through cloud adoption has considerably reduced need for CAPEX to address business growth instead making it more OPEX driven. This in turn is helping reduce time to market new products through faster product development and deployment.

The process of digital transformation needs to be managed holistically and not in isolation. Going forward, as enterprises increase their spending on innovation and new business models, it is imperative to make the business processes part of the digital transformation strategy.

Embracing Digital Transformation

Unprecedented changes in the market place are driving organizations to look at end-to-end digital transformation for their initiatives. This involves realigning of business strategy, widespread use of technology, reorientation of human resources and redesigning of business processes. This transformation to a digital enterprise requires holistic convergence of all the components: strategy, people, process, and technology across the value chain. Improving the customer value proposition using new technologies and information access is one of the prerequisite for enterprises riding the wave of digital transformation. Enterprises are required to monitor and track business activities by realigning their operating models to gauge consumer preferences. The following section discusses key parameters important for a successful digital transformation.

Realignment of Business Strategy: Enterprises need to identify the digital transformation opportunities by prioritizing business processes that requires immediate attention. This helps to turnaround traditional processes over online and mobile platforms, in order to obtain actionable insights. Enterprise business leaders require leading the transformation initiative and setting priorities for areas of direct business impact. Developing a customer value proposition and transforming the existing operating model is essential for holistic alignment of business strategy. For the transformation to create a positive impact on the enterprise, an end-to-end value proposition needs to be developed and communicated. The best path towards digital transformation requires understanding the strategic objectives of the firm, its competition, industry landscape, and expectations of the customers.

Technology Adoption: Social, mobile, analytics, and cloud play a major role in the digital transformation journey. Firms need to realize the importance of these converging forces and deploy an integrated SMAC stack within their organizational framework. These disruptive

technologies have spiced up the business process transformation, customer interaction, information analysis and access to aid decision-making. The advent of SMAC has helped effectively communicate value proposition and gain competitive differentiation. Going digital has enhanced the delivery of product and services offerings through innovative channels of customer service and enabling superior and unique customer experience. Burberry, in 2012, recreated customers' web experience in their physical stores using RFID technology and large mirrors which transforms into screen to show how the clothes look on a catwalk. The luxury retailer thus transformed the physical act into a digital experience.

Another aspect of technology adoption to requiring attention during digital transformation is the security of voluminous data generated by enterprises on a daily basis. Data security policies and firewalls (data encryption, data masking etc.) need to be build so that any threat to the data is minimized. Different disruptive technology trends need to be regularly analyzed to understand how they can complement and work together to deliver greater customer value proposition.

Business Process Redesign: Relooking at the existing business processes in the new evolving landscape and integrating it with SMAC is vital for the success of the digital transformation. Leveraging emerging technologies to create an engaging and consistent digital experience is the key to business process redesign. Automation of existing operations will help reduce the load from existing labor-intensive processes, aiding transformation. In order to reposition themselves in the market, enterprises need to develop new partners as part of the redesign process that can help to improve their networked market structure. Successful firms no longer own the end-to-end value chain in the digitally transformed environment and instead rely on partners to perform their non-core activities.

A holistic transformation of traditional enterprise into digital requires convergence of all the components: strategy, people, process, and technology across the value chain.

Reorientation of Team: Digital transformation is not the responsibility of a specific department but demands equal involvement of cross-functional teams to collaborate and set a process. People with different

skill sets need to be involved in the project to address every aspect of the transformation processes. The C-suite needs to adopt an entrepreneurial mindset in order to maximize the opportunity for innovation to augment business processes. The ability to collaborate, exchange ideas between teams and leverage SMAC technologies will increase efficiency and productivity of the team. Involved stakeholders should also have the opportunity to hone their skills and support in the continually evolving digital strategy.

Components of Digital Transformation:

Digital transformation of an enterprise is based on five major components, viz., collaboration, omni-channel integration, analytics, digitally enabled workforce, and digitally connected supply chain.

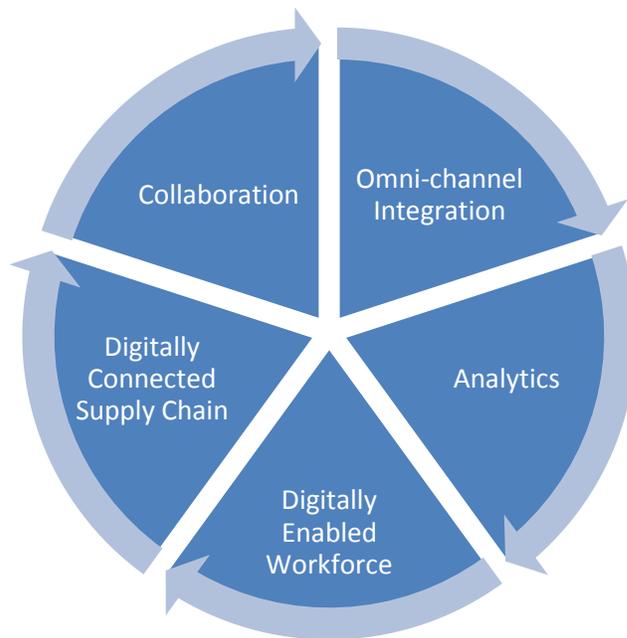


Figure: Components of Digital Transformation

Collaboration: For organizations to be digitally transformed, they should have the capability to collaborate with their customers and communities. Information sharing across all business functions like

sales, marketing, product development, finance, HR, etc. is crucial for seamless collaboration across the enterprise. Ability to externally collaborate with customers and partners for making new markets and

grow business is a major component of a digital enterprise.

Omni-channel integration: Digital enterprises should have the capability to integrate the interactions with their customers across multiple channels and present a coherent story of such interactions. This not only provides continuity of customer conversations across channels but also presents a detailed analysis of customer interactions at multiple touch points.

Analytics: Digital enterprises have the unique advantage of leveraging the power of analytics to gain insights about customers and engage with them in meaningful conversations. Analytics insights bring predictive capabilities to all functions to better align them to the needs of the customers and stakeholders.

Digitally enable workforce: Digital enterprises have workforces that are enabled through mobile devices and cloud applications that allow them to access business information for fast decision making and information access. Information sharing through employee networking should also be enabled in a digital enterprise.

Digitally connected supply chain: Collecting real time data from different parts of the supply chain

for analysis and optimization is a key feature of digital enterprises. This provides the enterprises with the ability to manage costs and induce flexibility in the system to manage inventory, based on supply and demand constraints.

Recognizing the rising digital need of enterprises as discussed in above sections, Avasant continues to advise and assist enterprises in their quest for digital transformation using its key Digital Transformation Services offering.

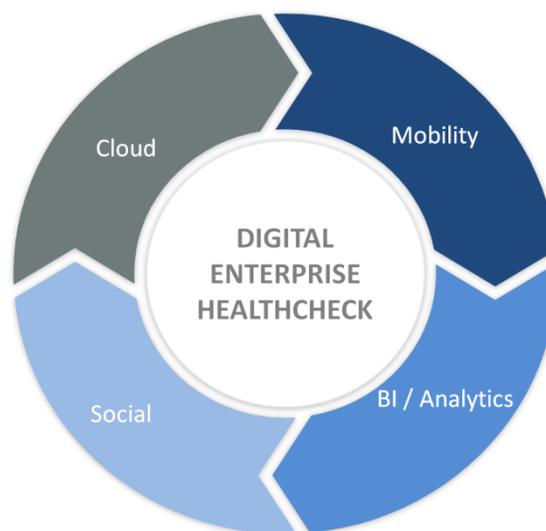


Figure: Avasant Digital Services Capabilities

The Journey into Future

The connected consumer, employees, and other stakeholders of an enterprise constantly generate loads of structured and unstructured information in a digitized world. Many of these are available free. Firms need to adopt a top down approach in order to strike a balance between the physical and digital based operations. Transformation of an enterprise into digital is an executive vision and dissemination of the similar enthusiasm to operating level is a prerequisite for a successful transformation. Social, mobile, analytics, and cloud have opened new vistas for digital firms to explore and remain agile in the quest to know more about their consumers and provide them a unique and differentiated experience. Actively engaging with connected users is an important aspect of the successful digital transformation. In their march into the future, enterprises will need to maintain their momentum toward achieving holistic digital transformation of their business functions.

Author



Kevin S. Parikh is a thought leader in digital transformation and SMAC. As Senior Partner & Global CEO at Avasant, he is regularly invited to share his insights on SMAC in the 21st century at leading industry events. For more insights on Avasant Digital Practice, email him at contactus@avasant.com



About Avasant

With its global headquarters in Los Angeles, California, Avasant is a leading management consulting, research, and events firm servicing global clients across the public, private, and non-profit sectors. Our talented team of consultants, lawyers and technologists average over 20 years of industry-honed experience and have conducted 1,000+ engagements in over 40 countries worldwide. Avasant drives customer value through the use of our proprietary consulting and advisory methods, which have been refined over decades of 'real-world' transaction and engagement experience. The combination of our world-class resources allows Avasant to yield superior business outcomes in three primary domains: Strategic Sourcing, Technology Optimization and Globalization Consulting.



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