DIGITAL
TRANSFORMATION
IN ACTION:
A REPORT

From brick-and-mortar stores to five-inch screens, business has gone a long way to get closer to home. At the heart of this transformation is the proliferation of digital technologies. From mobile applications to data mining and analytics, from robotics and IoT to Artificial Intelligence, the potential and in some cases, threat of emerging technologies is being echoed across C-suite executives.

INDEX

GOING DIGITAL? WELCOME TO THE CONTINUUM

While there is no one definition for this term, it encompasses an umbrella of ideas, functions and processes that according to Adobe, helps a business **"remake brands to become more adaptable, get better at learning and above all, be able to tie up the strands of product, sales, marketing and** **service that make up the customer experience."**

Digital Transformation as such has no single or static definition – it keeps evolving as per the organizational need to meet the expectations of its customers, vendors and other partners.

THE FACETS OF DIGITAL TRANSFORMATION

The leading drivers for companies to adopt digital transformation are evolving customer behaviors and to tap growth opportunities in growing markets, according to a survey by Altimeter. Accordingly, the main areas of focus in implementing digital transformation has been generating insights from data to facilitate more informed decisions, increase the speed by removing barriers to deliver goods and services and to become more customer-centric, providing tailor-made products by tracking usage and demographic data.

Stages of adoption of digital technologies and the tools that are relevant vary from industry to industry. According to a BCG Analysis, the media industry has undergone a tremendous disruption with the advent of content and service providers such as Amazon, Netflix and YouTube. Industries such as retail or banking and insurance are in the process of undergoing disruptions, with digitization making a dent to the traditional models. In more physical industries such as manufacturing and logistics, or for that matter healthcare, digitization is at a nascent phase.

THE CHALLENGES OF DIGITAL TRANSFORMATION

Rushing into a digital transformation program is never advisable. Companies face numerous challenges as they go live with their digital initiatives. Here are the top challenges a company may need to overcome:

1. Managing Change - Over 70% of transformation programs fails as they meet with employee resistance and lack management support, according to a McKinsey report.

2. Ensuring Systems Security – In almost all surveys, the biggest challenge companies face is ensuring the security and integrity of data.

3. Enabling Smooth Transition – Most companies seek to introduce new technologies over the top of their existing legacy systems, which adds to the complication.

4. Having Clarity – Digital Transformation encompasses a large area in terms of initiatives and projects, and not having a clear, defined and measurable objective can leave companies in doldrums.

5. Being Digitally Literate – Despite the fact that most c-suite officers need to spearhead digital transformation, they lack direct experience and view technology from an arm's length.

HORSES FOR COURSES – FIND THE TOOLS THAT FIT

While it can be a daunting task to know where and how to start the transformation process, Mukund Krishna, CEO of Suyati, advocates *"starting small, without worrying too much about scale, benefits, and returns. The possibilities of technology can be limitless; and the tales of digital disruption can be overwhelming for a business that has aspirations of digital transformation."* The focus, according to him, must be on creating a data infrastructure that can flow seamlessly across different systems, before aiming for big bang digital innovations. The key is to avoid silo-ed initiatives, which will fall short of delivering the promised competitive advantage. Some of the areas where they can establish quick wins could include enhancing customer experience, developing a range of digital products and services, and optimizing internal process through automation and real-time data analytics.

FAMOUS FORAYS – HOW COMPANIES EMBRACE DIGITAL TRANSFORMATION

As we mentioned earlier, different companies have adopted different methods and there is no one way. But what is common is the acceptance that digital is the way forward.

Here we look at how two companies, both leaders in their respective markets, adopted different approaches to digital transformation.

# A TECHNOLOGY COMPANY THAT HAPPENS TO SELL PIZZAS – THE STORY OF DOMINO'S

It is easy to fall under the misapprehension that Domino's being a pizza company would be only employing chefs – yet surprisingly, the biggest single department at the company headquarters happens to be IT.

Any self-respecting stock analyst in 2008 would never have put in a buy recommendation for Domino's which had hit record lows of $3. A company in crisis, it had recruited new CMO, Russell Weiner from Pepsi, while J Patrick Doyle took over as CEO. Both of them believed the company should be digital first; and the transformation began.

To capture the online market, Domino's focused on mobility solutions such as the Pizza Tracker, Pizza Hero, Think Oven, and customer pizza profiles to name a few initiatives. This required a change in the mindset of the leadership – transparency and holistic vision. It was not just about creating digital solutions, but to reach out and engage the customer to be a part of their brand.

A case in point is the Pizza Tracker, which tracks the progress of the pizza at each stage. Called Think Oven, it is a Facebook page through which customers can submit their ideas and feedback. This has become such a hit that even employees and store owners have started to contribute ideas.
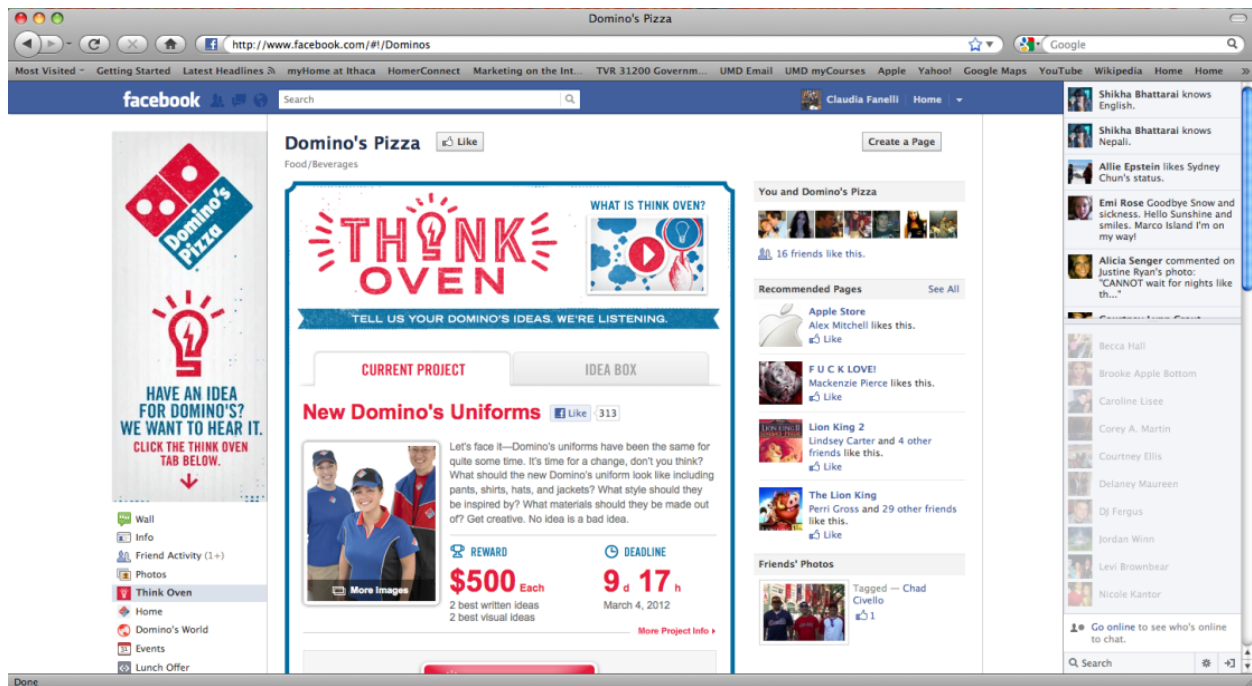
Continuing its mobility strategy, Domino's launched an iPad app, the Pizza Hero. A pizza making simulation game that shows what it's like to be a Domino's chef, the app saw over half-a-million downloads and over 15 million digital pizzas made. It resulted in Domino's hiring 34 of the best players in Pizza Hero to work at their stores.

All these efforts have translated in to financial success – the first quarter after the digital transformation initiatives were launched saw a 14% jump in sales. In 2013, digital sales amounted to $2 billion and 35% of this was driven by mobile platform. In 2016, the total global sales through digital mediums stood at $5.6 billion, with over half the US sales coming through digital.

CHALLENGES OF A LEGACY MARKET LEADER –SOUTHWEST AIRLINES BECOMES DIGITAL

It's hard enough for a company to go digital – the job becomes harder still when most of the employees are used to operating faxes and communicating through whiteboards. That's Southwest Airlines. Operating a fleet of over 750 aircraft to 99 destinations, Southwest Airlines was a market leader and a disruptor in the low cost airline industry. Yet, in terms of technology adoption, Southwest remained in the post World War era for a long period of time. An obvious reason was the cost of failure, which could be devastating; such as the $150 million loss suffered by Delta airlines due to a five-hour systems outage.

Despite this, Southwest has taken an $800 million leap into adopting digital technologies to remain competitive. It is focusing on digitizing its operations, to make key information available real time and within a few clicks. At the heart of this transformation is a piece of software called OpsSuite – a web based application package that helps track gate assignments, baggage handling and passenger information, thereby streamlining processes and strengthening the channels of communication. Southwest expects these measures to significantly boost its earnings potential by the year 2020.

OpsSuite has already won the admiration of the employees as it allows them to track what activities need to be done and what activities are completed – details such as the position of in-transit aircraft, preparation of gates for arrival and handling the maintenance of equipment can be done seamlessly, across multiple airports, without anyone having to pick up a phone or send a fax, especially in a chaotic and noisy environment like the airport.

Another major problem airlines frequently lose sleep over are delays and flight cancellations causing disruptions to its operations and affecting its on-time performance (OTP), a closely tracked metric in the industry. By using OpsSuite and other software tools in tandem, Southwest has been able to effectively manage such disruptions with an increase in OTP of 10% - 15%, when compared to those days before the system was adopted. During the winter of 2016, despite having had three snowstorms, Southwest was able to deliver an OTP of 70%, largely outperforming its rivals.

CRUNCHING THE NUMBERS – THE METRICS BEHIND THE DIGITAL

Any which way you look at it, the future is in digital. As per PwC's 2016 Global Industry 4.0 survey, companies are expected to more than double the level of digitization from the existing 33% to 72% in the next five years.

The business processes that would be undergoing the most disruption would be in sales, marketing, product development and engineering, as well as vertical value chain integration. It has been observed that the first movers are set to gain a competitive advantage over the others. First movers are almost three times as successful as the average company in getting higher revenue increase and cost reduction gains of over 30%. With adoption of ERP, integrated manufacturing systems, cloud based technologies and predictive analysis, companies are set to gain large on cost reductions through increased efficiencies, reduced inventories and shorter lead times. Companies, on average, have predicted annual cost reductions of 3.6% of their total cost. In dollar terms, this amounts to a staggering $421 billion per year across industries in the next five years. On the revenue side too, companies are on average expected to increase annual revenues by 2.9%; which, when translated in dollar terms, meant an expected increase in revenue by $493 billion per annum for the next five years. But the road is not a straight and easy one. To get there would require a steady stream of investment into technology, such as installing

sensors and connectivity devices, creating software and web applications and training employees and orienting management. Companies predict they would be investing $907 billion per year over the next five years. On an average, companies would be investing about 5% of their annual revenues in digitizing the company and its operations.

Most companies are extremely bullish about the expected gains from investing in digital technology and expect their investments payback in quick time. Over 92% of companies expect their investments to payback within a period five years, of which 55% of companies expect their investments to payback in less than two years.

A PIECE OF THE DIGITAL PIE?

The digital world is unique in the sense it is the ultimate leveler – it gives everyone equal opportunity to design, experiment and create value additions in this highly competitive business environment. The key to building a sustainable business is going the right side in the digital highway.

If you are all set to take the plunge into digital transformation, but are not sure how to

begin, you can reach out to us at Suyati – write to services@suyati.com. Our Mekanate suite of services and our experience in working with myriad technologies across industries give us an edge in offering our clients adequate guidance and support in their journey toward individual transformation.

About **Suyati**

Suyati provides marketing technology and integration services for companies that wish to combine the best breed of solutions and create a unified approach to customer acquisition. This unified digital marketing approach requires system integration between various CMS and CRM platforms, and a slew of eCommerce, Marketing Automation, Social Media Listening, email and social marketing, and customer service systems. Our specialized knowledge in Salesforce, open source and .Net based systems enables us to build effective custom integrated solutions for our clients. Suyati's custom technology solutions have been deployed in companies in the US, Western Europe and Australia, and have helped many enterprises leverage the web/cloud/mobile technologies to acquire customers through integrated digital marketing. Suyati is based in Chicago with product engineering capability out of the US and India.

MORE AT: www.suyati.com
WRITE TO US: services@suyati.com

References

https://which-50.com/customer-experience-core-business-many-still-struggle-execution-study/

http://www.altimetergroup.com/pdf/reports/The-2016-State-of-Digital-Transformation-Altimeter.pdf

https://www.bcgperspectives.com/content/articles/transformation-large-scale-change-technology-business-transformation-how-jump-start-digital-transformation/

http://www.mckinsey.com/industries/retail/our-insights/the-how-of-transformation

http://www.mukundkrishna.com/blog/digital-transformation-martech/

https://vimeo.com/59759890

https://www.fastcompany.com/3030869/how-dominos-became-a-tech-company

http://www.prnewswire.com/news-releases/dominos-pizza-announces-2016-financial-results-300414665.html

http://money.cnn.com/2016/09/07/technology/delta-computer-outage-cost/

https://www.fastcompany.com/3065045/southwest-airlines-digital-transformation-takes-off

https://www.pwc.com/gx/en/industries/industry-4.0.html