LEK™

Enterprise Digital Impact in 2023

Contents

About L.E.K. Consulting
We're L.E.K. Consulting, a global strategy consultancy working with business leaders to seize competitive advantage and amplify growth. Our insights are catalysts that reshape the trajectory of our clients' businesses, uncovering opportunities and empowering them to master their moments of truth. Since 1983, our worldwide practice — spanning the Americas, Asia-Pacific and Europe — has guided leaders across all industries from global corporations to emerging entrepreneurial businesses and private equity investors. Looking for more? Visit **www.lek.com**.

Enterprise Digital Impact in 2023

The digital future starts now

It's no secret that businesses struggle with digital transformation. Part of the challenge is that it's hard to get the most out of technology that's constantly changing. And now, between rapid advancements in artificial intelligence (AI) and the digital surge post-COVID-19, the pace of change has kicked into overdrive.

What does it take to harness the power of digital in this environment? Are there practical steps that businesses can take to align business and digital strategy for profitable growth? What lessons can be drawn for executives seeking to prepare their organizations for a digital future?

These are the questions L.E.K. Consulting set out to explore. We interviewed prominent stakeholders, canvassed 1,000 digital executives across sectors, brought our experience from hundreds of projects and researched success stories in industries from consumer goods to steel. Recognizing that digital doesn't stand alone — it's inherently an enabler of business strategy — we looked at where and how digital is deployed, to understand its importance and impact.

Our inquiry yielded insights about the current state of digital transformation as well as what lies ahead for those just starting to apply digital to enable dramatic growth. The findings reveal that a new wave of digital transformation is underway. In this current wave, leadership is defined less by efficiency or ecommerce than by customer-centricity, trust and pervasive deployment of digital across organizations.

In this Special Report, we summarize those insights and offer our take on what companies require to future-proof their business and prepare for the digital future. It starts now.

Challenging the status quo

Digital leadership is a moving target. In the first wave of digital transformation, leading organizations developed basic information technology (IT) infrastructures and used point solutions to eliminate manual work processes. Later, digital leaders were among the first to invest in ecommerce platforms and enhanced customer experiences.

Along the way, companies began to collect large volumes of customer and internal data. That led to a second wave of transformation when digital leaders embraced the development of advanced analytics, data management and automation.

Today, companies that stand at the leading edge of digital transformation challenge the status quo of tactical, siloed digital and technology projects. They're generating data with an eye toward enabling digitally driven processes and businesses. They also deeply understand how decisions get made, and they digitize processes for the specific purpose of conferring speed, accuracy and reliability to analytical methods.

The art of the possible

Where are digital leaders headed next? They're moving beyond digitizing the work they already do, harnessing digital as a powerful vehicle for future growth. Digital leaders are rethinking how business goes to market, building products powered without humans and creating entirely new markets with digital solutions. They're expanding their digital footprint to interconnect data analytics functions across business objectives, coordinate investments, deploy advanced cybersecurity tools and techniques, and monetize data.

At the same time, digital leaders are automating decisions with AI and building resilient, data-first businesses. This results in organizations now providing experiences at a scale that otherwise wouldn't be feasible. "There's an increased emphasis on connected, frictionless journeys" for customers, according to Athletic Greens Chief Digital Officer Kelly Smith. "That includes automated, segmented and personalized marketing using data and AI to tailor offerings and content."

The overarching themes of this third wave of digital transformation — customer centricity, trust and pervasive digital — are new. But the approach we just described is standard operating procedure for digital leaders. More than other companies, digital leaders make digital investments with the intention of long-term benefits, in a comprehensive and cohesive manner. The investments advance their core business efficiency and reflect tactical choices on which digital tools to use and what business function to deploy them in. And they have the financial commitment and management support it takes to be successful.

A value creation strategy

But most companies aren't there yet. While digital leaders are using digital to drive growth through pervasive adoption of digital to achieve business objectives, others are still working on basic siloed advancement of data handling capabilities and

determining the best use cases for digital in their work processes. Broad adoption of digital to drive strategic business objectives remains low across companies (see Figure 1).

Figure 1
Level of adoption of digital strategies across business objectives
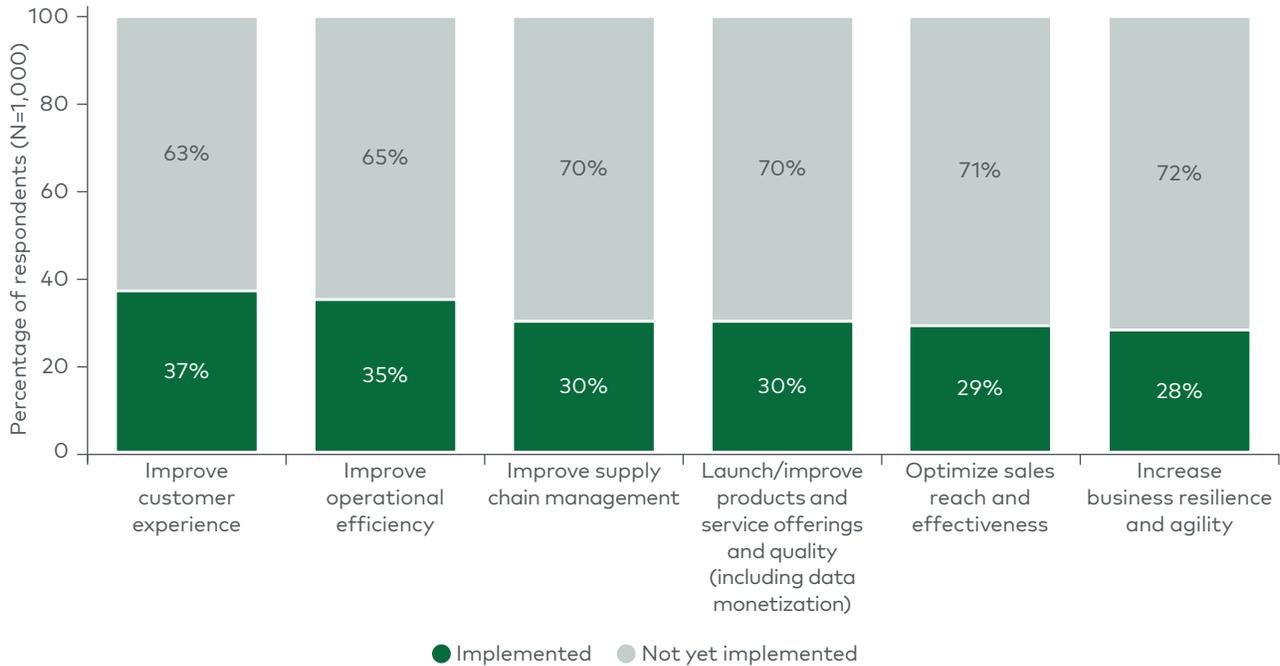
Source: L.E.K. Digital Survey (2023)

Moving beyond this stage requires a thoughtfu,l cohesive and integrated strategy owned by the C-suite. According to Aon Chief Data and Analytics Officer Ibrahim Gokcen, "Digital has become a core part of every leader's responsibility. From finance and accounting to human resources and supply chain management, all business functions must consider digitization in their strategic plans."

At the board level, Gokcen adds, digital has become a critical topic because it's viewed as a key strategy across all business types to increase growth while reducing risk and expense.

Defining success in digital

We examined a cross-section of businesses and evaluated their reported progress against performance targets to single out firms that are successful at digital transformation. We found that this group shares a unique set of principles that shed light on what it takes to pursue winning digital strategies.
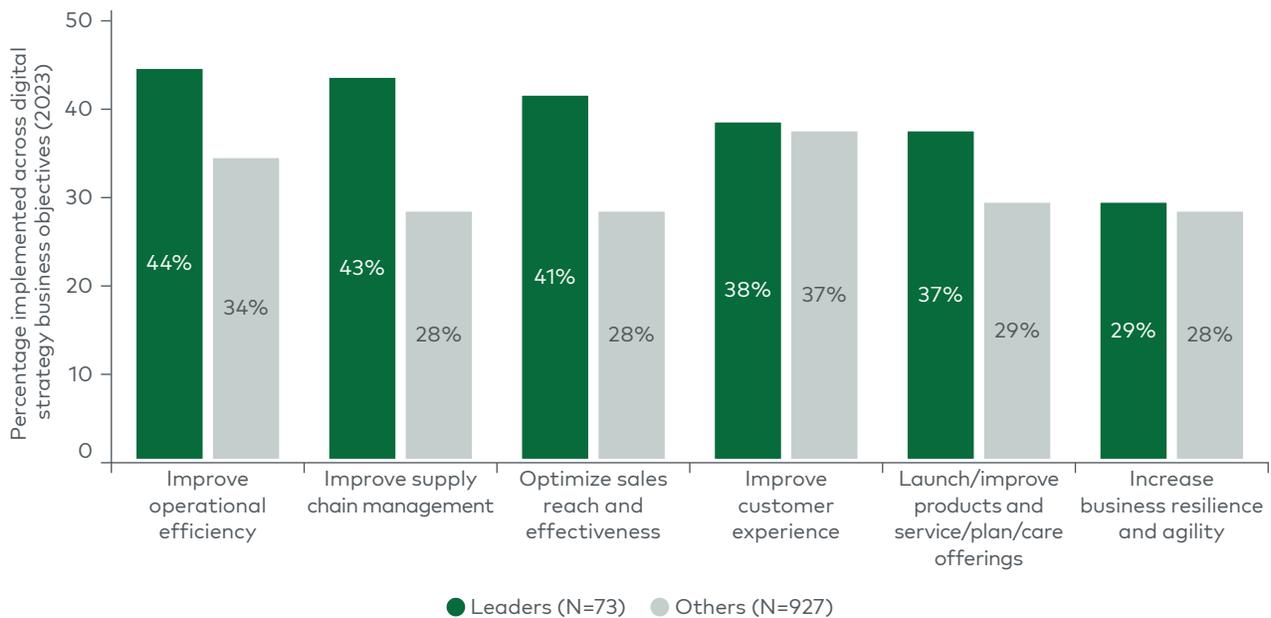
1. Strategic alignment

Digital leaders execute transformations to advance corporate strategies and achieve business objectives. That calls for "embedding digital in the business strategy, linked to competitive advantage and value creation," Smith says. The goal isn't to digitize for the sake of digitization, but to improve customer experience, operations or business resilience. "Is digital transformation critical to achieving business goals? If not, then your digital transformation program won't go well."

2. An enterprise perspective

Leaders understand that success depends on deploying digital across an organization versus pursuing tactical, piecemeal investments in select business functions (see Figure 2). Leaders are investing in many of the business objectives that impact the business functions that are most important. Deploying digital to support only one strategic objective limits the potential benefit from the investment by creating inconsistent experiences for customers or employees. That in turn makes it harder to deliver customer centricity or deploy advanced digital solutions like AI.

Figure 2
Level of adoption of digital strategy (leaders vs. others)

Percentage implemented across digital strategy business objectives (2023)

	Leaders	Others
Improve operational efficiency	44%	34%
Improve supply chain management	43%	28%
Optimize sales reach and effectiveness	41%	28%
Improve customer experience	38%	37%
Launch/improve products and service/plan/care offerings	37%	29%
Increase business resilience and agility	29%	28%

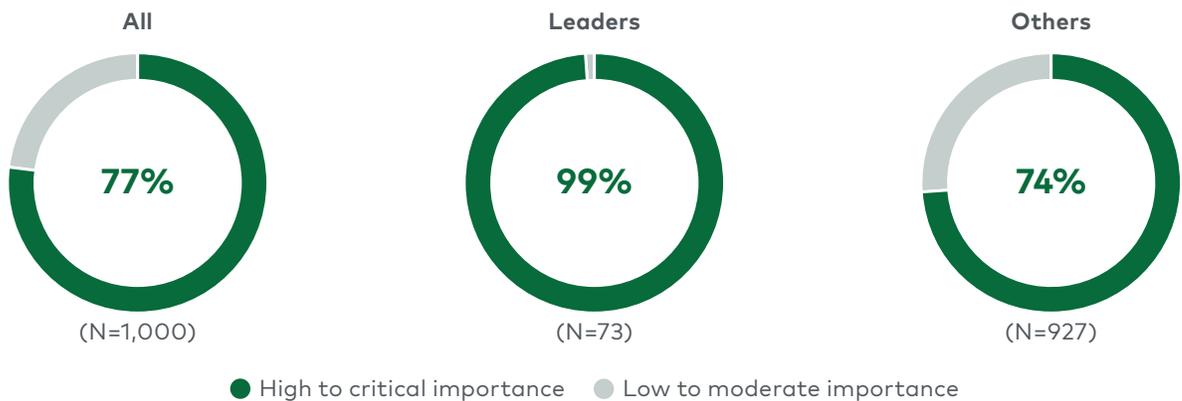● Leaders (N=73) ● Others (N=927)

Source: L.E.K. Digital Survey (2023)

3. Granular monitoring of results

Leaders track their digital success via measurements that are directly linked to the performance outcomes they aim to achieve with a given digital investment. To gauge customer experience and personalization, for example, digital leaders may measure customer lifetime value or net promoter score instead of broader indicators like market share and shareholder return. Digital allows companies to measure the impact of investments much more directly and quickly than before. Granular monitoring provides insights into what's working and what isn't so that leaders can make necessary changes.

4. Top-level attention

In leading organizations, the C-suite and the board broadly own and drive digital strategy and implementations (see Figure 3).

Figure 3
Digital strategy's level of importance in board-level discussions (2023)

All	Leaders	Others
77%	99%	74%
(N=1,000)	(N=73)	(N=927)

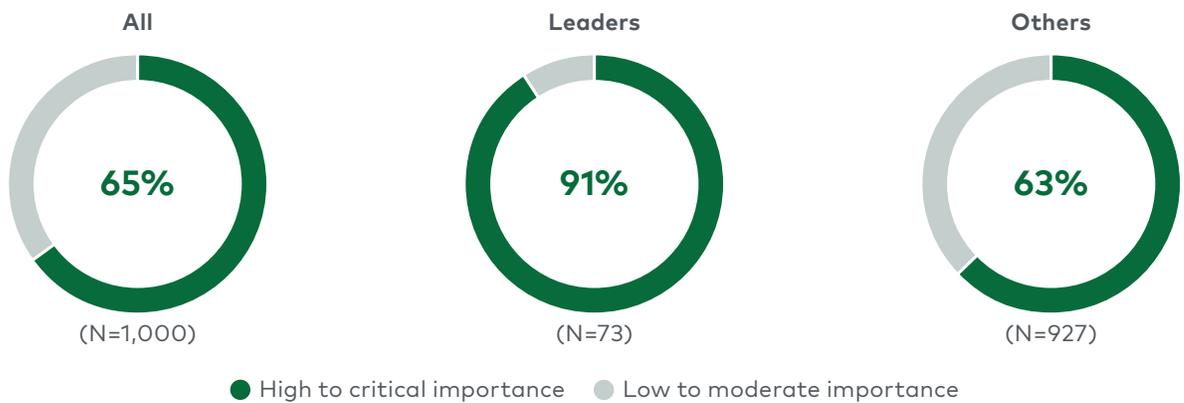● High to critical importance ● Low to moderate importance

Source: L.E.K. Digital Survey (2023)

"Digital transformation is something that cuts across all functional groups and requires a lot of effort to organize," says Lee Clark-Sellers, former chief innovation officer of Cornerstone Building Brands. "In order to succeed, it's critical to have an executive who acts as the point person for the initiative, and to hold extensive boardroom discussions to gain full buy-in from across the organization."

5. Clarity of purpose

Leaders define digital strategies that are straightforward and unambiguous, with a proper governance structure (see Figure 4). Overly general goals such as "digitization" create confusion on what objectives any digital investment must achieve. Success requires asking a simple "why?" and deploying a governance structure to measure and course-correct as needed.

Figure 4
Level of clarity of digital governance structure

All	Leaders	Others
65%	**91%**	**63%**
(N=1,000)	(N=73)	(N=927)

● High to critical importance   ● Low to moderate importance

Source: L.E.K. Digital Survey (2023)

Each of these principles is necessary but insufficient by itself to become a digital leader. For instance, many organizations adopt digital across business objectives, as we see in Figure 2. But digital leaders, who operate in line with all five principles, have significantly more success with their digital investments than other organizations do (see Figure 5).

L.E.K. Consulting

Figure 5
Digital investments degree of success, by business objective
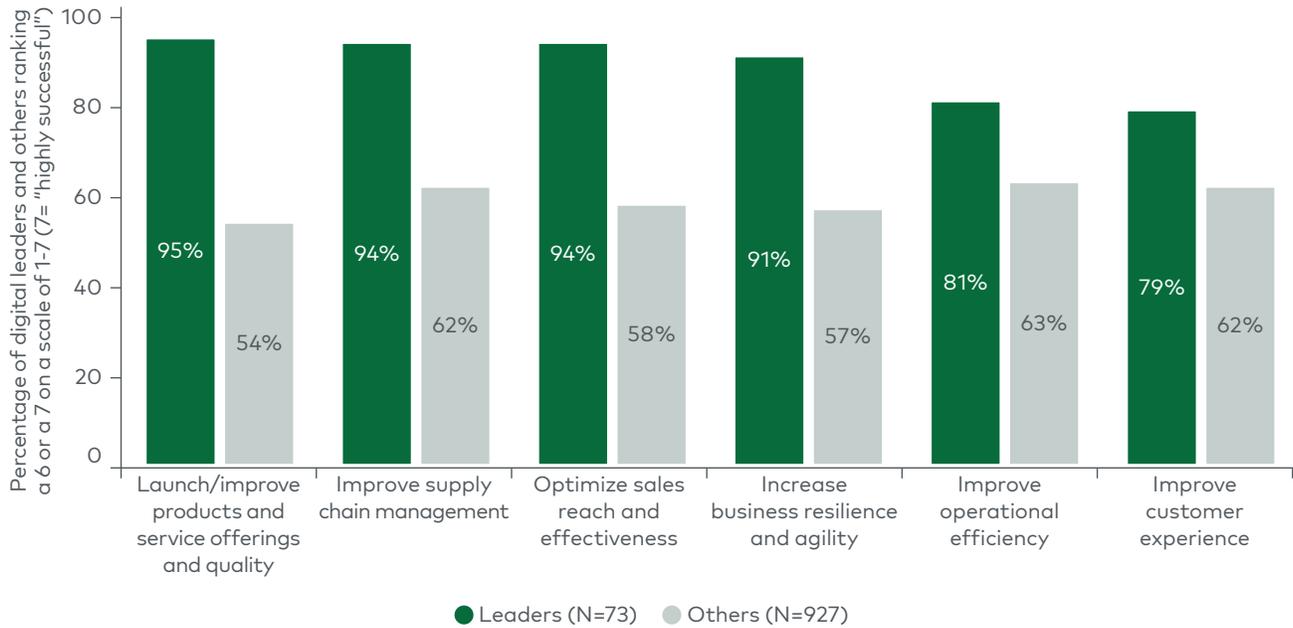
Source: L.E.K. Digital Survey (2023)

Habits of digital leaders

Now that we know what digital leaders look like, let's unpack some of the things they do differently.

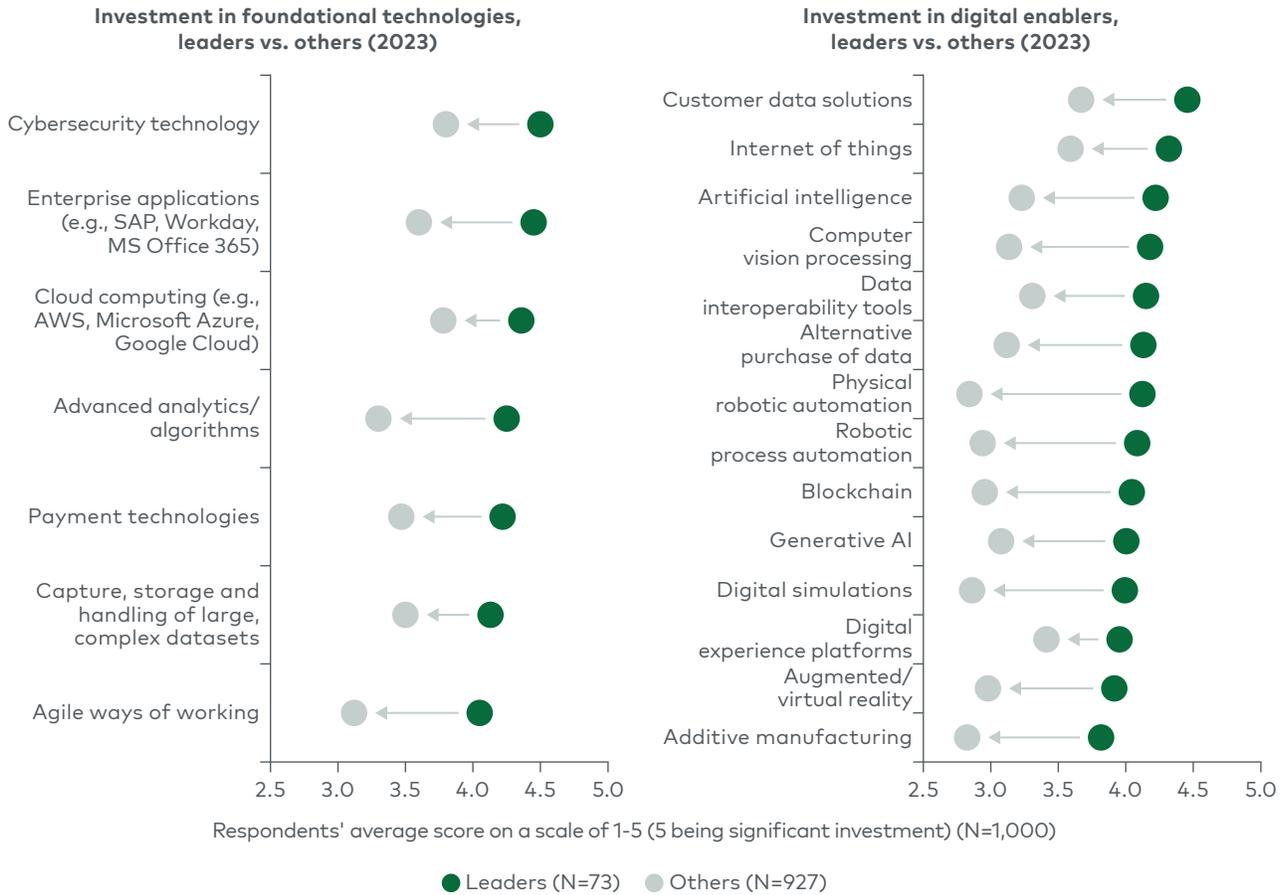### Invest in solutions that impact core business objectives

These investments include foundational technologies and digital enablers:

- A foundational technology serves as the basis for advancements or applications across a business. Often, these technologies are infrastructure that supports the development and integration of more advanced solutions.
- A digital enabler is a more advanced technology built on a foundational technology. It gives a business more advanced capabilities and helps it operate or compete in the digital era.

Digital leaders are significantly more likely than other companies to invest in both areas (see Figure 6).

Figure 6
Current investment in foundational technologies and digital enablers (leaders vs. others)

Investment in foundational technologies, leaders vs. others (2023)

Investment in digital enablers, leaders vs. others (2023)

Respondents' average score on a scale of 1-5 (5 being significant investment) (N=1,000)

● Leaders (N=73) ● Others (N=927)

Source: L.E.K. Digital Survey (2023)

While leaders have invested more than others in technologies across the board, there's a theme to the most significant gaps: data. For foundational technologies, the biggest investment gaps between leaders and others are in enterprise applications, advanced analytics and agile ways of working. For digital enablers, the biggest gaps are in physical robotic automation, robotic process automation, digital simulations, blockchain and computer vision processing.

This is also expected to vary depending on the business objective. If process automation and improved operational efficiency are the objectives, for instance, companies may invest more in additive manufacturing and less in customer data solutions or digital experience platforms (DXPs).

Foundational technologies and digital enablers are important investments because they dovetail with a range of business objectives to form a cohesive investment strategy that advances digital across the business. To understand how, consider digital solutions for launching or improving products and service offerings. Such solutions draw investments in capture, storage and handling of large, complex datasets, as well as investments in advanced analytics that directly impact the ability to improve a variety of business objectives.

Track performance with relevant measurements

Compared with other companies, digital leaders have 10%-15% higher levels of commitment to tracking progress, setting targets and incentivizing improvement (see Figure 7).

Figure 7
Digital investments success, by target measurement maturity (leaders vs. others)
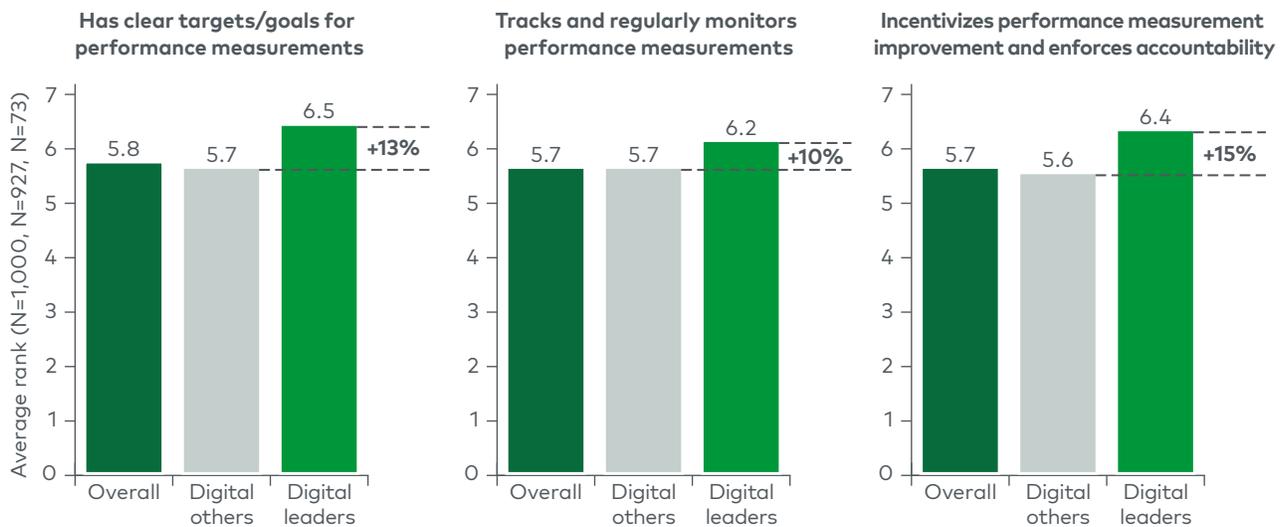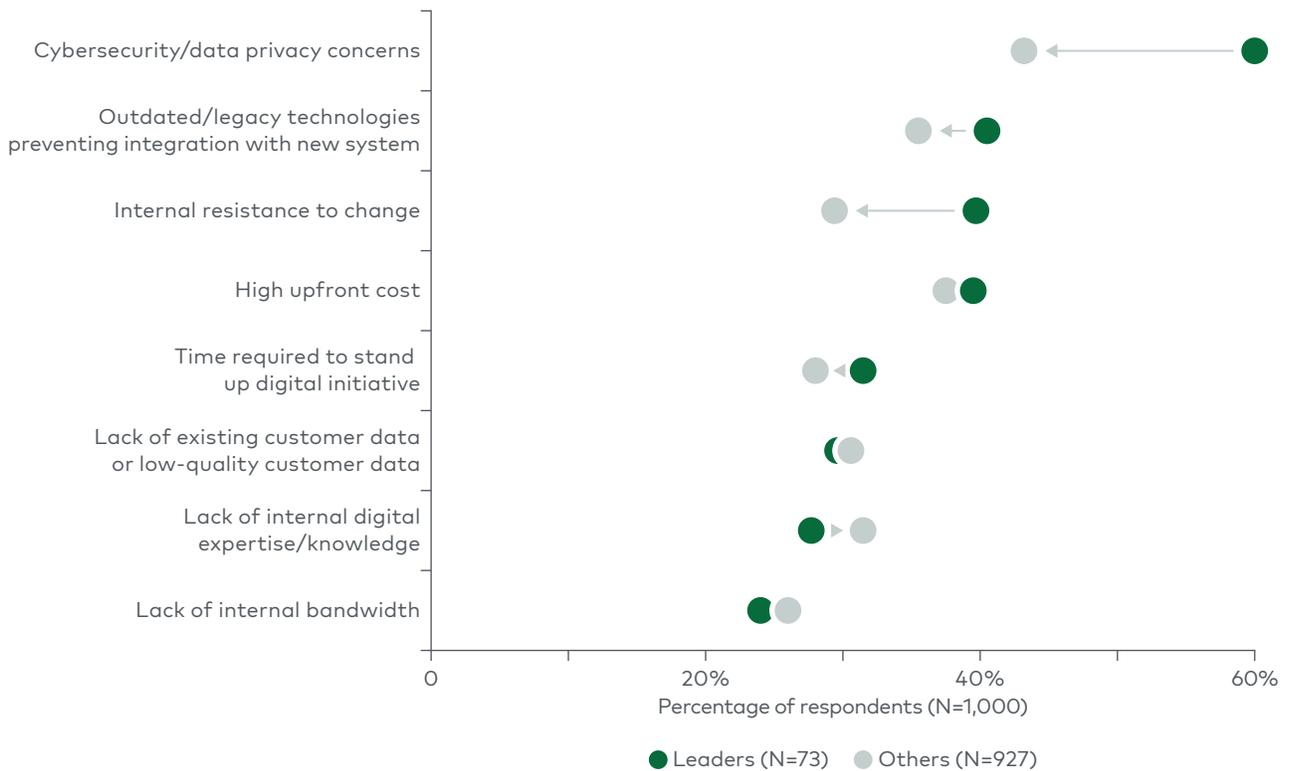

Source: L.E.K. Digital Survey (2023); L.E.K. research and analysis

Digital leaders more often achieve their measurement targets, even though the ones they set (like return on digital investment and customer lifetime value) are more relevant and specific to the business objective than the ones other companies use (think shareholder return or market cap).

Show financial commitment and use expertise to overcome barriers and challenges around digital implementation

Two common barriers are cybersecurity and data privacy concerns and high upfront cost (see Figure 8). High upfront cost is less of a barrier for digital leaders, likely due to the strong financial commitment and executive buy-in they tend to have.

Figure 8
Top barriers preventing digital solution adoption, by business objective

Source: L.E.K. Digital Survey (2023)

Cybersecurity and data privacy concerns (the most common barrier, selected by roughly 45% of respondents) require an emphasis on trust — deploying a system that builds trust internally and experiences that are viewed as trustworthy by customers.

Clark-Sellers says that the presence of inconsistent, legacy systems is especially common for companies that have grown through acquisition. "It's very expensive and time-consuming to update and standardize these systems. And after that happens, training employees on the new system is another, very nontrivial obstacle companies must face."

Embedding trust into experiences and systems and reducing technical debt through modernization aren't the most exciting investments to make, but they're critical to overcoming barriers. Ensuring that expertise and funds are appropriately allocated to all aspects of the digital transformation increases the likelihood of success.

The future of enterprise digital transformation

Digital leaders use technology to its fullest advantage. But they also take specific steps to make their organizations resilient to an ever-changing digital environment.

Activate the data
Deliver with AI execution built on a strong data foundation

Companies collect data from external sources like social media, transactions and customer engagement. They also collect data from internal sources like customers and supply chain partners. Both kinds of data can be used across a range of business objectives, but first the data needs to be cleansed, organized and sorted.

Digital leaders have figured this out. Their planned investments in advanced data handling capabilities (see Figure 9) indicate they're moving beyond collecting and analyzing data. Going forward, they'll act on the insights they derive from it, using AI to enable real-time decision making.

Figure 9
Companies investing in capturing and handling datasets (leaders vs. others)

Percentage of digital leaders (N=73)

Percentage of digital others (N=927)

Source: L.E.K. Digital Survey (2023)

To refine their data-driven capabilities, leaders (82%) will spend more than others (54%) on external data. "Over the past decade, there's been an arms race to collect the most data possible," says Patrick Reynolds, chief marketing officer at BlueConic.

Leaders will also invest in digital enablers that make their data more productive (see Figure 10).

Figure 10
Future level of investment in digital enablers (leaders vs. others)

Respondents' average score on a scale of 1-5 (5 being significant investment) (N=1,000)

● Leaders (N=73) ● Others (N=927)
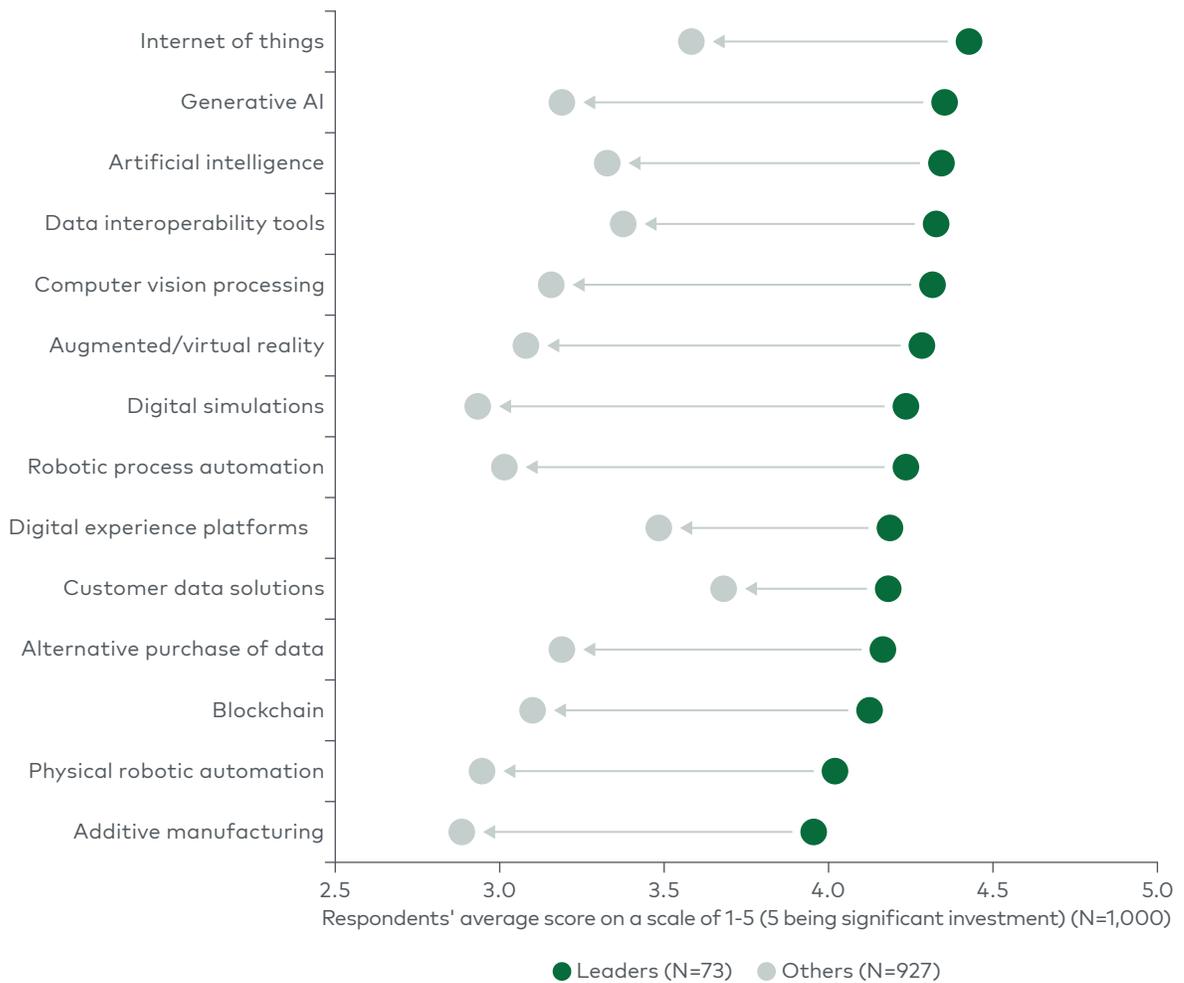
Source: L.E.K. Digital Survey (2023)

Digital enablers aim to break data out of siloes, integrate it and make the right data available to the right staff at the right time for different purposes. Reynolds offers customer data platforms as an example: "You want your marketing staff to be able to pull out only the most relevant data they need to do their job as efficiently as possible." Other examples of silo-busting platforms include those for workflow automation and processing (think ServiceNow or Adobe Workfront).

Clark-Sellers' company activated its data to achieve the benefits of AI. "When we paint metal widgets, we need to monitor flow rates to ensure we apply the right coating thickness," she says. "We've now developed intelligent machinery that reduces flow rates when they become too high, and no longer need technicians to make manual adjustments. They're doing higher-value jobs." The number of people required to touch each widget declined up to 80% in some cases, according to Clark-Sellers, "while improving the quality of our product."

Process and quality improvements aren't the only benefits of getting the data in order. Companies can also make faster, more insightful business decisions and make more sense of the business environment around them. The better they get at capturing and handling data, the more that it can be put to work in the business. Businesses will even be able to derive new classes of insights and widen data sharing further by adding interactive data — the kind that users generate when they work with a platform — to the episodic data generated by discrete events.

Case in point: Amazon's automated merchandising

In the early 2010s, Amazon's retail business launched an internal project to boost worker productivity and improve the speed and quality of its business decisions.

The project initially focused on automating processes like demand forecasting, pricing and inventory management for products with large sales volumes. Amazon put its vast stores of data to work training predictive models on consumer behavior. The aim was to enable more efficient and effective decisions — such as positioning, pricing and demand planning — across merchandising of the site.

Eventually, the project expanded to the rest of the business, automating all work processes across retail operations. Amazon began using the AI and machine learning algorithms developed through the project to characterize their customers, including what they buy

and when. The algorithms also reveal how customer behaviors vary by geographic location, income level, age and more.

These customer insights help Amazon plan its supply chain operations from demand to delivery. For example, the retailer can anticipate sales of popular seasonal items more accurately and stock its fulfillment centers before customers place their orders. Meanwhile, a vendor manager can use the company's AI algorithms to determine how much of a day-to-day item should be stocked at each fulfillment center and what price to negotiate with the supplier.

Case in point: Big River Steel's AI-powered production

Big River Steel is a steel manufacturing upstart that entered the market in 2014 with the aim of disrupting the industry via its use of AI and automation. The company's "flex mill" is an integrated facility capable of operating a wide range of steel production processes. Production equipment is equipped with sensors and gauges that collect data on a range of factors influencing the quality of steel, such as operating speed, temperature and pressure. An extensive IT network makes the data available for analysis across Big River's operating entities.

Analysts use predictive AI engines to optimize production by unlocking breakthroughs in maintenance and production line scheduling, logistics, and environmental protection. This helps Big River be more responsive to its customers. It also makes it possible for the company to offer cleaner, more formable and more affordable steel in a variety of grades, sizes, material composition and width gauges.

Future-proof the business
Enable deep customer centricity with an enterprise digital transformation

Digital tools enable entirely new models. They give companies the means to develop software as a service, platform as a service, freemium and other disruptive business models. Companies will use digital solutions to design and develop new products. Marketing and sales teams will use them to understand consumer needs and preferences, personalize customer engagement, and create a better user experience to drive sales.

Companies will even monetize data itself, whether directly (data as a service) or indirectly (insights as a service). Data-based services can be add-ons to existing offerings or stand on their own. Another option is to collaborate with similar companies to create data utility platforms. Depending on how it fits with the business, data monetization creates new customer opportunities, new revenue streams and competitive advantage — singly or in combination.

All this demands a rethinking of the entire business. A subscription model, for instance, is more than a new website or app. It requires an entirely different back-office and delivery model, with a refined digital-first value proposition and underlying technologies.

To succeed in this kind of transformation, "you can't just address normal or unmet needs," says digital industry leader Andy Main. "You need to satisfy a need no one knew they had. Get your teams thinking differently. Make them think about the value chain, not their silo. How can you move them away from transactional thinking and become customer obsessed?"

Case in point: Bridgestone's new business unit

In 2020, tire maker Bridgestone set out to be the leader in helping people and products get from point A to point B efficiently and effectively. This required understanding the customer's key pain points, including identifying situations where preventive maintenance couldn't keep vehicles on the road. Key to this strategy was the modernization of Bridgestone's IT systems, data platforms, cybersecurity and — most importantly — its organizational model.

The company had access to a wealth of data, from current tire pressure and temperature to tire retail sales. Through integrating data from existing sourcing and collecting vast amounts of data from connected cars, solutions that keep products moving and companies working become mission critical for Bridgestone's clients. One solution prevented tire pressure-related breakdowns by combining thousands of point-of-sale data touchpoints with data on things like vehicle performance, road conditions, fleet management and maintenance.

The firm's investment in these areas resulted in the establishment of the Bridgestone Mobility Solutions business unit, which served 1.2 million connected vehicles as of 2021.

Case in point: Waste Management's digital refocus

At Waste Management, digital was a separate function, brought in by the business only as needed for technological support. Then the company shifted to a team-based, customer-centric approach to business. As part of this endeavor, new leadership and staff took charge of integrating digital across the organization.

The waste hauler's new, more holistic approach was less about solving technical problems and more about furthering specific business goals. Remote truck route monitoring helped managers identify and correct suboptimal truck routes. Remote landfill monitoring saved employee trips while reducing operational costs. And predictive fleet maintenance reduced the total cost of ownership for the company's fleet of trucks.

To improve the customer experience, Waste Management introduced self-serve Q&A capabilities and a billing option that significantly boosted ecommerce sales. Business resilience and agility went up with increased investments in cloud capabilities, cybersecurity and advanced enterprise resource planning (ERP) systems.

Digital leadership requires something of a mindset change to put into operation. Ordinarily, companies focus on their products and what it takes to produce them. But digital business models are more suited to focusing on the customer and what it takes to address their unmet needs. That means identifying customer touchpoints across the business, from the supply chain to finance to cybersecurity, then assigning teams of humans and machines to find ways to improve the customer experience at each point.

That's what VF Corp. is doing with Vans, says Reynolds: "Rather than organizing teams around logos or product groups, they look at individual customer segments — what their needs are and how they engage. As we continue to see an acceleration of consolidation with more logos clustered under the same parent companies, it's becoming increasingly important to adopt this posture so as to not have 10 different logos talking to one person."

From there, companies will allocate supply activities to fulfill customer demand in real time. Clark-Sellers says this approach helped her address the needs of customers who placed orders for large, complex buildings: "We'd end up delivering different products to customers at different times, but not in the order they needed them for building. We came up with a solution, which was a collaborative effort between marketing and operations, where we provided our customers a 3D mockup of their

order using digital twin technology. We'd then feed the information from that mockup into our manufacturing lines to prioritize what needed to be produced and delivered to customers first."

A seamless, cohesive enterprise is the next frontier in digital leadership. Suppose more companies had better visibility and data processing between marketing and manufacturing. Marketing would benefit from up-to-date information about product supply, while manufacturing would gain timely insight into market demand. The result would be a more efficiently run business with better performance against business target measurements like inventory turns, net working capital and operating cash flows.

Once a company is digitally connected, it will become easier to evolve its business model to incorporate digital as well as determine digital ways to go to market for relevant products.

Build trust
Establish your brand as a trusted source and partner

The future of digital transformation is being shaped by the ability to deliver solutions that enable a trustworthy enterprise and convey a trustworthy experience to stakeholders.

When it comes to business relationships, "trust has always been about quid pro quo — trading your data to drive a more valuable experience," Reynolds says. "Starbucks is a prime example. I'm happy to let them use my location and have my payment information because I love their product. Providing them my data takes much of the friction and work out of getting coffee."

At the same time, however, customers and suppliers expect the organizations they do business with to comply with data protection and privacy regulations. They also expect security from data breaches and cyberattacks. "Safeguarding and preparing for any security incident is essential," Smith says. End consumers also need to know that companies are safeguarding their personally identifiable information and won't share the rest of their data without explicit permission.

Building trust requires establishing credibility as a source of truth, being a good ecosystem partner for consumers and customers, and being thoughtful about safeguarding data. These tenets go beyond just technology or cybersecurity training. They require establishing governance around core values that permeate the product and embed trust into every aspect of an organization.

Case in point: Visa's trust mission

As a major player in an industry that requires the highest level of trust, Visa has made it a mission to invest in trust and advertise the steps required to keep companies and consumers safe.

The credit card company's robust cybersecurity measures are a function of internal policies and trainings, in-house and third-party solutions, and regular audits. Visa has also introduced an intelligent security framework to its ecosystem partners. The framework includes tools for account onboarding and management, AI-powered consumer identity authentication and transaction authorization, dispute management, and payment performance optimization.

Visa's chief privacy officer manages global, cross-functional teams charged with compliance and proper management of sensitive data. In 2020, the firm adopted the Visa Data Values, which detail the responsible use of data to serve clients better, improve internal security, protect consumers and drive positive community impact.

Visa's investment in fraud protection has grown to over $9 billion over the years. Due to these efforts, the company helped prevent an estimated $27 billion in fraud in 2022 alone.

Leveling up your digital maturity

Digital leadership is an ongoing journey that requires a combination of technical capabilities, leadership ownership and an ability to keep pace with changes in the digital landscape. It's also about using technology to achieve strategic objectives.

Fortunately, digital leadership isn't a contest. Neither is it especially exclusive. Any organization can achieve digital excellence by making the right strategic choices. One way to start is by answering the following questions:

- How do different elements of digital fit into our strategy?
- Will digital change the kind of customers we target?
- Will it change the markets we enter?
- How will digital enhance our value proposition?
- How will it enhance our organizational effectiveness?

When it comes to digital transformation, it's easy to lose sight of the human element. But in the end, digital transformation lives or dies on the strength of the people behind it, so never go it alone. Assemble your team — from IT, the lines of business, the C-suite, the board of directors, your business partners, your external stakeholders — and tap their strengths to advance your organization along the digital maturity curve.

The authors would like to acknowledge L.E.K.'s Digital Practice members Hunter Reynolds and Sophie Sun for their support and effort in authoring the survey and study.

For more information, please contact: **strategy@lekinsights.com**.

Appendix: Views of digital maturity

Digital maturity by leaders versus others

	Digital leaders	Others
Primary foundational technology investments	**Top categories:** Cybersecurity technology Enterprise applications Cloud computing	
Commentary	While top categories of investment are the same across leaders and others, commitment levels are drastically different, with 80%-90% of leaders indicating high investment levels compared to 50%-60% of others Investments in these categories are expected to stay high, with leaders highlighting cloud computing as a future area of investment Others are more likely to increase investment levels in areas like advanced analytics and data capture and storage, whereas leaders have already built these out and are keeping investment levels constant	
Primary digital enablers investments	Customer data solutions Internet of things (IoT) Artificial intelligence	Customer data solutions IoT DXPs
Commentary	Top investment categories for both leaders and others are customer data solutions and IoT, with a high variance in magnitude between them (80%-90% of leaders reporting high investment vs. 50%-60% of others) External data purchases are notably a much higher priority for leaders (81% of leaders noting high investment vs. 44% of others), suggesting superior data processing and analytics capabilities Leaders are most interested in investing more on advanced tools (like generative AI, DXPs, computer vision/natural language processing and digital simulations), as evidenced by a large (10+%) increase in expectations of investment in the future while indicating the maturity of their digital transformation journey	
Targets measured	Digital leaders are more likely to emphasize target measurements specific to digital initiatives and objectives (e.g., CAC for sales outreach)	Others are likely to place more emphasis on higher-level, broad target measurements (e.g., market cap, shareholder return)
Barriers and challenges faced	Top barriers and challenges leaders faced are concerns around data privacy and cybersecurity, as well as the integration of legacy technology systems	Besides cybersecurity and integration of legacy tech systems, others also report high upfront costs as a barrier, indicating the need for strong financial commitment and executive buy-in Others also report day-to-day bugs as a challenge to implementation, suggesting lack of digital expertise

L.E.K. Consulting

Digital maturity by business objective
Customer experience (CX)

Primary investment areas	Digital leaders	Others
Foundational technologies utilized	Enterprise applications Capture, storage and handling of large datasets	Advanced analytics Capture, storage and handling of large datasets
Digital enablers utilized	Customer data solutions	
Future investment areas	Generative AI Data purchasing Robotic process automation	Computer vision/natural language processing (NLP) Data interoperability
Targets measured	Returns to lifetime value (LTV) CAC Shareholder return Real revenue	
Barriers and challenges to digital implementation	Cybersecurity concerns Integration of legacy tech systems Business-to-consumer (B2C) firms are also worried about missing or low-quality customer data Others highlight high upfront costs as a barrier, indicating the need for strong commitment and financial buy-in from leadership	

Notes: Both B2B and B2C firms have established leadership in improving CX through digital investments; 20% of B2B businesses, 15% of B2C businesses and 24% of B2B2C businesses are leaders in CX.

Digital maturity by business objective
Launch and improve new products or services

Primary investment areas	Science discovery, research and engineering	Product development and launch
Foundational technologies utilized	Capture, handling and storage of large datasets Agile ways of working	Capture, handling and storage of large datasets Payments technology Advanced analytics
Digital enablers utilized	Data interoperability Data purchasing	Cloud computing Data interoperability Additive manufacturing
Future investment areas	Advanced analytics Computer vision/NLP Digital twins	Augmented and virtual reality (AR/VR) Digital twins Payment technology
Targets measured	Revenue Costs Earnings before interest and taxes (EBIT) Payback period (low returns)	Return on digital investment (RODI) Market cap LTV
Barriers and challenges to digital implementation	**Barriers to implementation:** Time required to stand up the digital solution Cybersecurity risks Internal resistance to change **Challenges faced during implementation:** Cybersecurity Solutions not performing as desired Training staff	

Notes: Pricing optimization and product line profitability are another area of investment within product/service launch.
Leaders typically invest in advanced analytics tools and are expected to continue increasing investment in this foundational technology.
Others have also invested in advanced analytics and are expected to increase investment in agile ways of working in the future.
Digital leaders have set high targets for success in this business objective, and 90% of leaders have been able to achieve their targets compared with only 20%-30% of others achieving their targets, suggesting large gaps between leaders and others in their digital capabilities for launching and improving new products and services.

Digital maturity by business objective
Improve operational efficiency

Primary investment areas	Process automation (nonmanufacturing)	Lean and smart manufacturing
Foundational technologies utilized	ERP Agile ways of working	Capture, storage and handling of large datasets ERP Advanced analytics
Digital enablers utilized	Customer data solutions IoT	
Future investment areas	Agile ways of working Cloud computing Advanced analytics AI/machine learning (ML) Additive manufacturing Leaders are expected to decrease investments in customer data solutions and DXPs	
Targets measured	LTV CAC RODI Shareholder return	
Barriers and challenges to digital implementation	**Barriers to implementation:** Cybersecurity risks Internal resistance to change Others also note high upfront costs as a barrier to implementation **Challenges faced during implementation:** Cybersecurity Training staff Cost of solutions Others also note day-to-day bugs and issues and tracking target measurements as challenges faced during implementation, indicating a general lack of digital expertise	

Notes: Digital leaders outperform on measurement targets such as CAC, LTV and RODI; however, they underperform on customer count and brand awareness since those metrics are not directly related to operational efficiency

Digital maturity by business objective
Sales outreach and effectiveness

Primary investment areas	Channel expansion	Omnichannel	Salesforce effectiveness
Foundational technologies utilized	Capture, storage and handling of large datasets Cloud computing Payment tech Advanced analytics	Moderate overall foundational technology usage among leaders in this business objective	Advanced analytics Cloud computing
Digital enablers utilized	AI/ML Data purchasing Computer vision/NLP	AR/VR Data interoperability Generative AI	AR/VR Generative AI AI/ML
Future investment areas	Agile ways of working DXPs Leaders are expected to decrease investment in data handling and customer data solutions, indicating that they have a strong data platform for collection and analysis of salesforce related data Others are expected to increase investment in data handling, suggesting that they are just starting to implement digital tools for salesforce	Agile ways of working Customer data solutions Leaders are expected to decrease investment in data interoperability, IoT and data purchasing, indicating their advanced position in digital implementation for this business objective	Agile ways of working Decreased investment expected in AR/VR and advanced analytics
Targets measured	LTV CAC Customer count Others also report measuring targets like shareholder return and market cap		
Barriers and challenges to digital implementation	**Barriers to implementation:** Outdated/legacy tech systems Time to stand up digital solutions Missing or low-quality customer data Lack of internal bandwidth to execute **Challenges faced during implementation:** Integrating legacy tech systems Training and hiring staff Day-to-day issues and bugs Cybersecurity Others also note solutions not performing as desired as a challenge to implementation		

Digital maturity by business objective
Improve supply chain management

Primary investment areas	Supply chain visibility	Planning, procurement and execution
Foundational and enabler technologies utilized	Overall, adoption of foundational technologies is low across both digital leaders and others	
	ERP, agile and advanced analytics are the only technologies reported to be utilized	
Future investment areas	Digital leaders report increased investments in IoT and digital twin technology Digital leaders report decreased investments expected physical robotic automation (PRA) Others plan to increase investments in AI/ML, robotic process automation (RPA) and agile ways of working while decreasing investment in IoT and enterprise apps	Digital leaders report increased investment in IoT and decreased investments in advanced analytical tools Others plan to increase investment in AI/ML, with decreased emphasis on IoT
Targets measured	LTV Brand awareness CAC Cost change EBIT	RODI EBIT
Barriers and challenges to digital implementation	**Barriers to implementation:** Internal resistance to change Cybersecurity Missing or low-quality customer data Outdated tech systems **Challenges faced during implementation:** Cybersecurity Solutions not performing as desired Incentivizing employees to use digital enablers	

Notes: Highest-tracking target measurements (e.g., LTV, brand awareness and CAC) are not directly related to supply chain.
Cost change and EBIT are lower-tracking target measurements, which suggests inherent difficulties in successful implementation of digital tools for supply chain improvement.

Digital maturity by business objective
Increase business resilience and agility

Primary investment areas	Digitally focused operating model	Data-driven decisions
Foundational and enabler technologies utilized	IoT Cloud computing	Cloud computing IoT Capture, storage and handling of large datasets
Future investment areas	Leaders report increased investments in cloud computing, AI/ML and agile ways of working with decreased investment in enterprise apps Others are expected to increase investment in capture and handling of datasets with decreasing emphasis on cloud computing	Leaders report increased investments in data capture and handling and IoT with decreased investment in cloud computing Others are expected to increase investment in computer vision/NLP and IoT while decreasing emphasis on cloud computing
Targets measured	RODI EBIT Others also note measuring shareholder return, brand awareness and LTV CAC	Revenue Shareholder return Market cap Others also note measuring real cost
Barriers and challenges to digital implementation	**Barriers to implementation:** Cybersecurity risk was highly significant as the primary barrier to implementation Time to stand up the digital solution is noted as the second-most significant barrier Others also note legacy platform as a barrier **Challenges faced during implementation:** Cost of implementation Training staff Others also note day-to-day bugs and issues as a challenge faced during implementation, indicating a general lack of strong digital expertise	

About the authors

Darren Perry
MANAGING DIRECTOR AND PARTNER, BOSTON
Darren Perry is a Managing Director and Partner in L.E.K. Consulting's Boston office. Darren has over 20 years of technology and strategy consulting experience, is a founding member of L.E.K.'s Technology practice and leads the firm's service line for Digital Strategy. He advises clients across many industries and issues, including growth strategy, M&A, digital investment prioritization, digital customer engagement & commerce, digital products & business models, and digital ways of working.

Chuck Reynolds
MANAGING DIRECTOR AND PARTNER, BOSTON
Chuck Reynolds is a Managing Director and Partner in L.E.K. Consulting's Boston office and a member of the Digital Strategy practice. Chuck has extensive experience in digital strategy across various areas, including digital commerce, customer engagement, agile, direct-to-consumer, data and the application of AI/ML, with particular expertise in digital strategies that enhance growth and profitability through customer engagement.

Jenny Lieb
DIRECTOR, DIGITAL STRATEGY, SALT LAKE CITY
Jenny Lieb serves as Director of L.E.K. Consulting's Digital Strategy practice. Jenny has expertise in digital transformation, strategy formulation, customer experience optimization, data and analytics, AI, omnichannel operations and digital work methodologies. Throughout her career, she has held the role of executive advisor to clients across diverse industries, including finance, banking, aviation, healthcare, high tech and automotive.

Ryan Moore
ENGAGEMENT MANAGER, BOSTON
Ryan Moore is an Engagement Manager in L.E.K. Consulting's Boston office and a member of the firm's Digital and Industrials practices. Ryan has experience in Digital strategy across various areas, including digital commerce, customer engagement, and disruptive new business models. He has a particular focus on building products and residential and commercial services.

Julie Sussman
ENGAGEMENT MANAGER, BOSTON
Julie Sussman is an Engagement Manager in L.E.K. Consulting's Boston office and a member of the firm's Digital practice. Julie has significant experience across growth strategy, digital strategy, omnichannel optimization, customer segmentation and insights, AI strategy and transaction support. She advises companies across a range of industries and value chain stages, including B2C and B2B.