



Digital Transformation: Road Map to a Digital-First Organization

With the increasing penetration of smartphones, access to low-cost networks and advances in technology, the consumer landscape is well on its way to becoming a digital-first world. Consumer-related industries are rapidly moving to digital, opening new possibilities for better meeting customers' needs for transparency, speed to value and personalization.

Given the strategic importance of getting digital strategy right, it is imperative that organizations also carefully consider how they will undergo the transformation. Here, we lay out a systematic, four-stage approach that can provide a road map to organizations as they go through their digital transformation.

Stage 1: Establish a vision with clear focus areas

Stage 2: Assess existing capabilities and gaps

Stage 3: Identify opportunities and structure initiatives

Stage 4: Develop a road map for the digital transformation

Stage 1: Establish a vision with clear focus areas

An organization must anchor its digital strategy in a clear vision rooted in the needs of its customer base. It can then formulate objectives around a variety of elements, including customer, brand and financial performance.

- *Customer-centric* objectives may include increasing engagement of the most valuable customers through digital channels, or increasing customer migration to digital channels
- *Brand-focused* objectives may include increasing brand engagement via digital platforms, or repositioning the brand to encompass new attributes
- *Financial* objectives may focus on core objectives, e.g., digital sales to comprise 10% of total sales in five years

As the organization identifies its objectives, it must also assess the extent of the digital transformation required across product portfolios and business functions/units. For example, some product portfolios may be more immune to digital disruption than others, such as fresh food in comparison with paper goods in the grocery channel.

Organizations can look to digital transformation as a mechanism to channel *customers* toward a better, more digital experience. Creating such differentiated digital experiences requires organizations to focus on how they interact with customers and in which moments.

For example, the marketing function may need to focus only on one or two key pain points that align with how customers' needs have shifted. Gold's Gym International's use of myPATH, a mobile app and website that encourage gym members to create customized nutrition and fitness plans, provides an example of

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how organizations can leverage digital to enhance the customer experience. myPATH has resulted in increased customer retention by focusing on driving continued engagement with the brand, and Gold's sees opportunity in offering targeted incentives to take further advantage of the commercial opportunities stemming from digitization.

Often organizations are aiming to build a sticky digital platform that enables customers to engage and buy directly from the brand. In 2007, Sephora launched a loyalty program called Beauty Insider that enabled customers to post product ratings and reviews online. In 2010, Sephora launched a mobile app to further encourage brand engagement and mobile shopping.¹ The objective was to develop an online community of engaged customers that would encourage repeat business, improve site conversion of shoppers to buyers, provide a channel for customers to communicate with the company online, and incentivize customers to purchase more from Sephora. These efforts have paid off, with Sephora's online sales doubling from 2016 to 2018 and capturing 13% of all online beauty spend in 2017.²

Stage 2: Assess existing capabilities and gaps

After focus areas have been established, the organization must assess how its existing capabilities position it to realize the digital vision, and must identify what capability gaps exist. Such assessments generally involve identifying existing and in-pilot platforms, discerning how they are used and their limitations, diagramming existing systems architecture, and assessing the current platforms for their strength and relative positioning.

When the status quo is determined, organizations can identify where there are capability gaps, which may be as simple as identifying software platforms that have not been updated to the latest versions. Capability gaps may also be relative to competitors when an industry overall has moved faster or slower than average.

Stage 3: Identify opportunities and structure initiatives

Once an organization has established a vision and assessed its current capabilities, it should consider the initiatives it can put in place. This must be carefully done to build momentum toward establishing a foundation for long-term digital transformation.

For example, in 2011, Telstra, an Australian telecommunications company, began its digital strategy transformation with several quick wins that would require minimal investment and show substantial progress. The company began by transitioning customers from paper billing to online transactions, which moved customers to the online system and reduced paper billing costs. After three years, digital accounted for 40% of Telstra's total

Capabilities assessment questions

There are specific digital capabilities that will need to be included in the capability assessment stage. The questions below lay out a sample of a digital capabilities assessment, with a focus on data collection, sales channel integration and support, and digital content.

- Are the organization's digital data collection and content generation built around a unified, flexible and easily analyzed customer database (including customers' interactions and transactions across channels)?
- Does the digital sales channel support cross-channel usability and engagement?
- Does the digital brand content communicate the brand value proposition and effectively drive conversion of new users/customers?
- Do the organization's digital channels effectively drive brand enthusiasm?
- Internally, is the organization able to deliver the desired outcomes with the appropriate technology platforms?

payment transactions and Telstra grew its annual customer online interactions by 500%. Telstra's online transaction migration required minimal investment and saved money that could be put toward more long-term goals such as a significant overhaul of its technology infrastructure.³

In the context of a digital transformation, longer-term initiatives will focus on building the critical capabilities and making key changes to operational functionality that will directly impact a customer's digital experience. These initiatives may include new system builds or complete system overhauls that require additional planning or capabilities where gaps exist in the organization. Similarly, long-term initiatives will be evaluated based on the level of effort and investment required versus the financial impact for successful implementation.

Stage 4: Develop a road map for the digital transformation

The digital road map plots out the current state and the steps required to realize the digital vision. The road map integrates the identified new tools/systems/channels or potential replacements or enhancements required from a variety of perspectives. Here are some examples of requirements/objectives:

- Personnel: Build a customer-centric culture, establish partner enablement programs, personalize buyer engagement and enable cross-functional collaboration

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- Process: Implement advanced business intelligence, fully integrate all operations, launch a digital marketing campaign and conduct customer life cycle analysis
- Technology: Adopt predictive data analytics, integrate instant messaging (IM) platforms, integrate data silos and create a contextual information architecture
- Content: Put in place digital asset management, product information management, enterprise and site search optimization, and data quality and governance

The digital road map is created and aligned to accomplish a set of deliverables. The initiatives identified should be prioritized and mapped onto the road map based on optimal sequencing, ability to meet deliverables and estimated value generated. Any investments required are assessed to determine the potential return from a sales and margin perspective, and then they are broken into component sets encompassing new or replacement tools and systems or potential upgrades to existing tools and systems as needed. This analysis is used to inform and refine how the actions and initiatives are prioritized in the digital road map.

A clear road map should include the key activities and associated timelines along with more significant transformation milestones and metrics that act as progress checkpoints and can communicate that the plan is on track. The ultimate output is a fully integrated road map that sequences the technology investments and implementation required to move the digital transformation from the current to future state, building alignment internally, reducing execution risk and ensuring implementation results in the desired outcomes.

Conclusion

Increasing profitability and building competitive advantages are keys to the success of any organization. Building a road map for digital transformation is a mandatory step to align a company's personnel, processes, technology and stakeholders on the journey toward a more successful, digital-first future.

¹<https://www.retaildive.com/ex/mobilecommercedaily/sephora-sees-150pc-growth-in-mobile-shopping-over-past-year>

²<https://www.stellarising.com/blog/infographic-sephora-vs.-ulta-whos-winning-e-commerce>

³https://www.cmo.com.au/article/547998/quick_wins_culture_technology_behind_telstra_digital_strategy/

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