4 STEPS TO BUILDING A DIGITAL TRANSFORMATION STRATEGY

Your practical guide to becoming a tech solutions smarty-pants

OnNow
DIGITAL

LESS TIME. MORE ANSWERS.

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INTRODUCTION

Look around you right now. How many technology solutions can you immediately identify? I'm guessing you're reading this on your laptop or smartphone, right? Is the room's temperature controlled by a Wi-Fi-enabled thermostat? Is Alexa within earshot in case you have questions? This is life now. We have apps for everything from our refrigerators to our online banking to our baby strollers. As consumers – heck, as *humans* – we expect technology to be comfortably woven throughout the fabric of our lives.

And yet.

In the world of B2B operations and management, digital transformation feels like a much bigger, scarier and more expensive effort. The term "digital transformation" has become very buzzy in the last five years, but it really just means using technology to solve problems (the same way you're using that laptop to solve the problem of getting this information.) With 70 percent of companies now reporting that they have a digital transformation strategy in place,* you may be little uneasy. What does a practical digital transformation strategy even look like? Do you need one?

*Morgan, Blake. "100 Stats on Digital Transformation and Customer Experience." Forbes. December 2019

Mark O'Brien
Business Manager
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There's no crying in digital transformation.

OK, first things first, no panicking. Just because 70 percent of companies have a digital transformation strategy doesn't mean they have a good one. You're here, researching how to approach this whole thing strategically, and that's right where you should be.

Second, do you need a digital transformation strategy? The honest answer is no, you don't. You have processes in place that work. Of course … so did the dinosaurs until a giant asteroid disrupted the heck out of their workflow. (Yes, I just compared you to an unsuspecting stegosaurus – but *lovingly.*) For real, you don't have to change anything, but there are a few huge-mongous, hard-to-ignore reasons why you definitely want to at least consider digitizing some aspects of your business. The good news is that these factors aren't high-brow or super technology laden. In fact, they speak simply and clearly to the core of your business.

Better customer experience

Every single thing you do should be about your customer, and digital transformation is no exception.

Improved efficiency

No matter what industry you're in, cutting time and cost is a big part of how your business makes a profit.

Additional revenue opportunities

More platforms, more people. Embrace the ever-evolving methods of capturing previously unheard-of revenue.

Happier customers, less time, more money – this is why top organizations are executing on digital initiatives on a massive scale. They understand how technology can transform their daily operations and better position them for the future.

Sounds awesome, what about real companies?

I know what you're thinking: *Sure, a digital-first strategy works for powerhouse companies with obscene budgets and resource pools. What about me?* Or maybe: Technology can be confusing and downright infuriating. I hear you. But, hey, digital transformation doesn't have to cost a bajillion dollars, and it definitely doesn't have to be scary. You don't need to be a programmer, an IT manager or a CTO to implement the changes your business needs.

The trick is understanding who your business is really serving, what they want and what you need. Once you have these down, you can innovate along the appropriate lines, instead of in ways that distract you from accomplishing your overall mission. In other words, if you want to plan a successful digital transformation, it's best to start at the beginning.
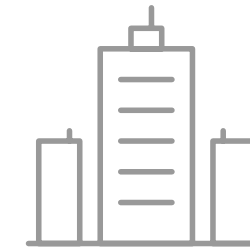
70%

of businesses have a digital transformation strategy. That doesn't mean they are doing it right.

STEP 1: What business are you in? No, really.

If you're thinking of revamping your business, whether to implement a digital transformation strategy or for another reason altogether, it's important to pause and reassess exactly who you're serving and how. We all occasionally get too close to our own offering, and it can be easy to overlook how people actually engage with us.

Now wait just one Kodak moment

Kodak is a famous example of this, and you've no doubt heard cautionary tales of how the former category leader filed bankruptcy after failing to realize that it sold memories and not cameras. (You'd think the whole "Kodak moment" thing would have tipped them off...) Had the brand capitalized on its emotional "product," it could have been Instagram before Instagram was Instagram. Whoa.

What's interesting is that Kodak's downfall was not because it was scared to enter the digital landscape. Nope, the company invented a super early digital camera and launched a (somewhat tepidly received) photo-sharing site. However, Kodak was still just trying to replicate the analog experience and sell cameras. There was no investment in emotion and no understanding of how a true digital transformation takes what you're doing now and makes it a better experience.

MAKE IT A BETTER EXPERIENCE

Hold up ... there are true and false digital transformations?

Sort of. More like, there are fully baked and half-baked digital transformations. Here's a hard truth: more than two-thirds of all digital transformation efforts fail.* Sure, you can (and should!) blame factors like a lack of employee engagement, poor management, overzealous attempts and scant follow-through strategies. But, a number of those failed attempts were doomed from the get-go. How? By companies racing to add the newest, flashiest tech solutions without considering what they really need. Or worse, what their customers want.

To make sure your digital transformation is fully baked, it's critical that you:

- **Avoid "that's the way we've always done it"** – Don't try to directly translate your current process into a new one. Rather, constantly ask, "How can I make this better for my customer?"

*Bucy, Michael, Adrian Finlayson, Greg Kelly, and Chris Moye."The 'how' of digital transformation." McKinsey & Company, May 2016.
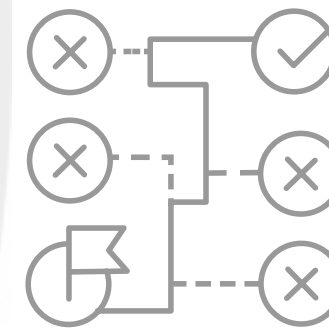
More than 2/3 of all digital transformation efforts fail.
Be smart and beef up your strategy.

- **Get close to your customers** – Do you have at least five customers you know by name? Can you shoot the breeze with them? Understanding who they are as people will help you understand their motivations.

- **Pinpoint what you're best at** – Every business that succeeds is the very best at something (for Kodak, it used to be capturing memories). What can your business own 100 percent?

- **Stop assuming you're the best** – Start asking who's better. Simple as that. You can count on your potential buyers asking who's better than you.

If you skip this critical first step of examining the current state of your brand, you may end up falling for the shiniest new gadgets and vague promises of time-savings that have led many brands to lukewarm results.

Ask better questions. Get better tech.

Answer these key questions before you begin.

- **Why are my customers buying my product?**

- **Why aren't my customers buying my competitor's product?**

- **How do customers use my product?**

- **What is the emotional value of my product?**

- **What does my product represent?**

PRO TIP: you may have to ask these by product category, market or other differentiation.

STEP 2: What are you trying to accomplish?

It's time to document your results wish list – in an intentional way. Don't pay for a custom app just because your competitor has one, don't hire a software vendor to implement mind-blowing machine learning just because your boss mentioned it recently, and certainly don't go donating all your paper reams because you feel obligated to go paperless. Rather, sit down with your team and brainstorm questions like:

- What are our biggest hurdles?

- What do our customers want more (or less) of?

- Where do we lose the most time in our process?

- What are the most repetitive tasks in our business?

- What areas of the business do we need to spend less money on?

- What makes us shout office-appropriate expletives in frustration on a regular basis?

Basically, make sure your digital transformation is rooted in your company's overall vision and your customer's real-world needs – not in specific tools or tactics. If you're able to nail this part, you'll be in good company considering that organizations with a seamless, digital-first strategy are 64 percent more likely to achieve their overall business goals.* We already touched on some of the most common reasons businesses adopt technology – customer service, efficiency, revenue – so let's take a closer look at how these translate into digital transformation goals.
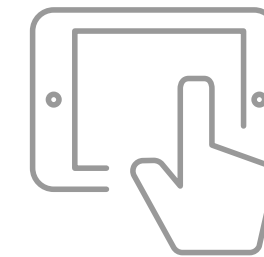
Companies with digital-first strategy are 64% more likely to achieve business goals.

*"Customer Expectations Hit All-Time Highs." Salesforce Research, Salesforce, 2018.

Better customer experience. Customer experience really is the crux of why digital transformation is revolutionizing business – as it should be considering that 74 percent of B2B buyers say they will pay more for a better experience. What's more, 57 percent say they will stop buying from a company altogether if they find a better experience elsewhere.* No wonder some business owners rush into developing apps, virtual assistants, customer portals and more. Don't get me wrong, these are some killer customer service tools … but only when done well and for the right reasons. That's why you should start by figuring out what you're trying to improve.

57%

of customers will walk away if they find a better experience.

*"Customer Expectations Hit All-Time Highs."
 Salesforce Research, Salesforce, 2018.

I need a competitive advantage.

Many companies, such as Zappos, compete primarily on the basis of providing a better experience than their competitors. Same products. Same prices. Better experience. As consumers, we've all made decisions that way. Ever find the same product for a better price somewhere else, but end up buying it on Amazon because the purchasing process is easy and the shipping is free? Yep, guilty.

Making it simple to find and use your product can be the competitive edge you need. In many cases, the use of technology (i.e. websites, apps, chatbots, ROI calculators and more) is the deciding factor for why consumers choose a product. It's also worth noting that unifying the experience across platforms is important. Brand consistency helps tremendously with customer experience.

75%

of consumers expect a consistent experience across all platforms.*

*Newman, Daniel. "4 Technologies Driving the Future Of Customer Experience." Forbes, April, 2018.

I need to improve customer retention

Even if your product isn't the cheapest or the highest quality on the market, customers will keep coming back for an awesome experience. This can be a small personal compliment from the barista at the local coffee shop, the fun messages inside of Dove chocolates or the warm feeling of do-goodery that comes from purchasing (and donating!) TOMS shoes. Of course, the "stay in my life forever" customer experience can also be accomplished with technology solutions that make your customers feel safe and appreciated. Think about password-protected portals, custom apps, personalization tools, data-driven recommendations and much more.

I need to up my product innovation.

Providing an excellent customer experience requires an interaction, a conversation or an exchange. The subtle things you learn through that personal exchange often lead to developing new products and services that help serve your customers moving forward. What do your customers love about your product? What drives them crazy? What do they think about similar products? Social listening and automated surveys, along with data management tools and customer service bots, can be a great starting point for aggregating feedback.

I want to drum up referrals.

Let's be real – only insanely happy or adequately incentivized customers are going to refer you to their nearest and dearest. But, with the close ratio of a referred customer being significantly higher than any other customer type, it sure is worth a try. Providing a stellar experience? That's on you and the tech solutions we've already discussed. However, you can consider other tech-related ways to make the referral process a lot easier. Marketing automation tools can help prompt happy customers to write reviews or send referrals. Additionally, data analytics can help you track customer behaviors to support this.

Prompt happy customers for reviews and referrals.

Put your business to the test!

Here's an exercise in empathy that may help with customer experience. Buy your own product! Put yourself in your customer's shoes and make sure to explore via:

- **Google** – **What does your business listing say (if you can even find it)? Does it make you want to click?**

- **Digital ads** – **Do they grab your attention? Do they speak in your language?**

- **Website** – **Is it easy to navigate? What can you learn there?**

- **Price comparison tools** – **Where does your offering fall? What other products caught your eye?**

- **Phone inquiries** – **Did the person on the other end of the line sound welcoming?**

- **In-person browsing** – **Pay attention to your five senses? What's the experience like holistically?**
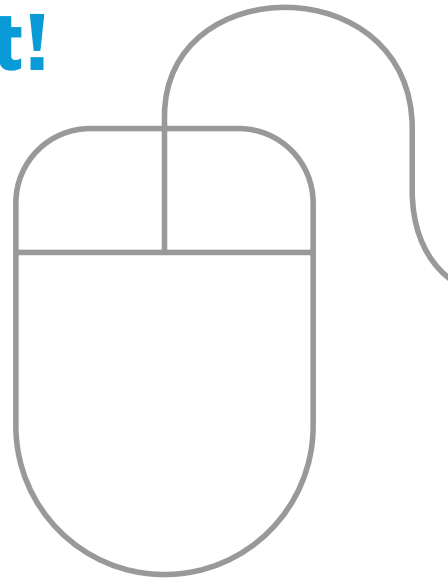
STEP 2

Improved efficiency. It's been abundantly clear since, like, the invention of the wheel, that harnessing technology can bring previously impossible tasks within reach. As a good caveman friend of mine used to say, "Dude, this wheel makes heavy stuff move turbo fast!" OK, maybe that's not a direct quote but you get the point. The most common-sense way technology helps businesses is by creating efficiencies. It's also one of the most common ways with 40% of executives reporting better operational efficiency as the number one benefit of digital transformation.* What's extra enticing is that any efficiency-related cost savings go directly to your bottom line.

40%

of executives report improved operational efficiency as the #1 perk of digital transformation.

How to spot fixable inefficiencies in your business

With almost any job, if you spend enough time thinking about it, there's a way to do it faster – even cliché things like watching paint dry or water come to a boil. So how do you prioritize where you invest in efficiency? It's simple – look for repetitive tasks. Are there items you complete repeatedly throughout your day? Do you see all of your team members moving with that same familiar motion? In production environments, service industries and even in technology sectors, these repetitive tasks are your prime target for digital transformation.

*White, Nancy. "14 Digital Transformation Statistics & Why They Matter to the Enterprise." PTC.com, April 2019.

For many, narrowing your priority list to only the repetitive work is sort of like saying, "Hey, only cut the grass that is green." Luckily, there is some additional analysis we can do. Take a look at your list of repetitive tasks and consider:

- **Time** – Rank your list from most to least time consuming.

- **Complexity** – How many steps does each task take to complete? How many people are involved? Again, rank accordingly.

- **Criticality** – Is this activity essential to my business? Does it directly improve the customer experience? If a task is not critical, cut it from your list of tasks to digitize.

Take the time to understand where your team is spending the majority of its time, and within that time, which tasks are the ripest for automation, and your digital transformation strategy will begin to take shape.

PRO TIP: You can visualize your efficiency assessment with a simple chart.

TIME

X #1 PRIORITY	X #2 PRIORITY
X #3 PRIORITY	X #4 PRIORITY

COMPLEXITY
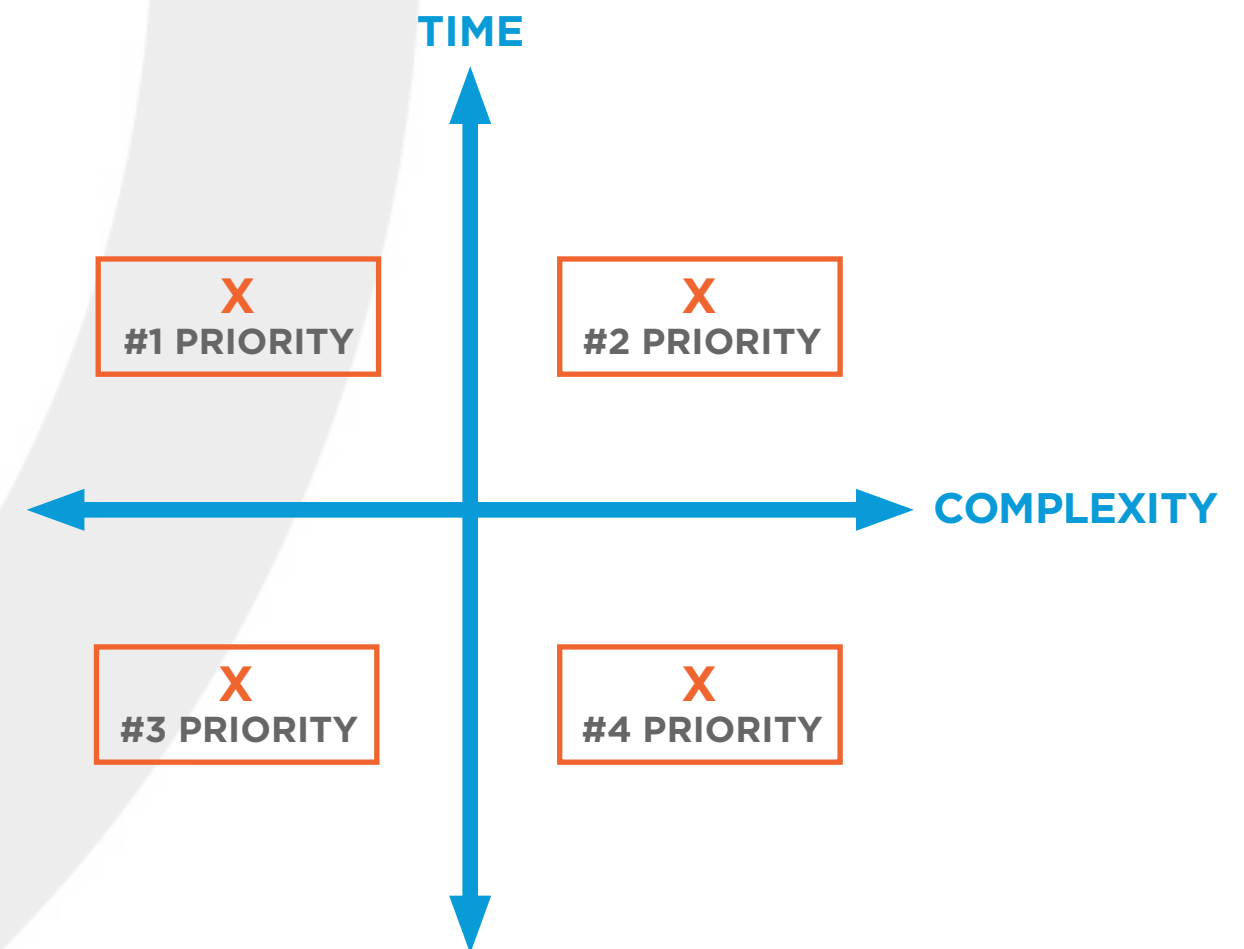
76%

of employees said the right digital tools make them more productive.*

*Wertz, Jia. "Digital Transformation Doesn't Just Increase Revenue, It Can Impact Employee Productivity Too." Forbes, September 2019.

Task meets tech.

Here are some potential solutions for everyday tasks.

Task type	Tech fix
Physical movement	Industrial automation, robotics
Visual inspection	Sensor technology, wearable tech, drone systems, augmented reality systems
Communication	Scheduled/automated messages, alert systems/software
Data transmission	Business rules, integration software
Data categorization	Supervised machine learning, AI, data warehousing

Additional revenue opportunities. I don't know if you've heard, but people are buying and selling a whole bunch of things on the internet these days. That includes everything from products and services to your not-so-private search history data, all in the name of learning about your purchasing behavior so they can discover the secret to world peace (Kidding, it's to sell you stuff.)

Of course, you're trying to sell stuff, too, and the opportunities that tech solutions create are actually really exciting (as long as it's not Dunkin Donuts asking me to review them every time I go to the gym next door – that's hard enough as it is!). Evaluating these opportunities takes a more strategic and creative approach, but once your virtual brand is in order, the applications are reasonably straightforward.

MAKE SURE TO COVER THE BASICS

Get your digital ducks in a row.

If you're looking to increase revenue by exploring new digital platforms, then you may want to make sure you have a few basics covered:

Availability – Can people buy your product or service online? This could be via your website (you can use Shopify to start) or through a third-party option like Amazon or eBay. If it doesn't make sense for you (maybe you have a custom home renovation business), does your online presence help your potential customer through the buying process?

Website – Do you quickly and clearly explain what you do, why you do it and why someone would choose you? Do you have resources for people who want to evaluate your solution? Do you provide case studies, testimonials, before and after photos, or reviews? Is there a clear call to action?

Online footprint – This includes but is not limited to social media platforms, blogs, third-party referral sites, paid search campaigns, etc. Are you actively contributing new and relevant content to help educate your potential buyers as they research?

Tech solutions open up exciting opportunities.

Generate revenue like a digital boss.

Not only is the internet a powerful tool for finding new customers, it's also the main place advertisers exist now with brands spending around 20 billion more on digital marketing opportunities than on print, radio and TV.* So think about this basic concept when it comes to digital transformation: eyeballs equal dollars.

Whole industries now exist to monetize audiences. They use data harvesting tools to build an audience around a common interest – let's say camping – and then hit that audience hard with ads for tents, hiking boots, camp stoves and sleeping bags.

So here's where the strategy comes in. Do you have an audience already built? Do you have a customer base with a shared interest? If so, you may want to think about advertising

*Wagner, Kurt. "Digital advertising in the US is finally bigger than print and television." Vox, February 2019.

complementary products and services on your website or directly through your channels. This entails little investment on your end while creating a brand new revenue stream for your business. There are also opportunities with "free" apps – selling data or marketing to purchased audiences directly is fairly common practice these days.

Of course, the idea of selling data to third parties is semi-taboo. If you do explore this route, make sure you consider how best to navigate the data at your disposal. There are all sorts of clever and ethically sound ways to monetize information.
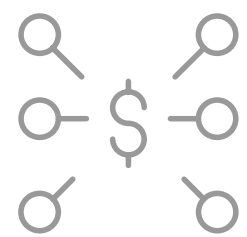
Create a strategy to generate revenue streams for your business.

Speaking of work you already have done...

White-labeling your work-flow tools is another strategic play. You've spent years developing processes (some automated), software, forms, apps, reporting tools and more. Surely other companies can benefit from the tools you've already created. Could you spin off your internal inspection tool as a downloadable app? Or charge a monthly fee to give people access to the same type of internal software you've built for your team? Usually this takes crossing the fear threshold of helping your competitors, but in terms of disruptive innovation, this is how many companies stay relevant and fight off being a commodity.

These are just a couple of the opportunities that await. Employing smart, intentional digital tools empowers you with a number of ways to profitably partner with other businesses while helping you make your core business better and customers happier.

STEP 3: Positioning your business for future growth

Feeling like a digital smarty-pants yet? Good! Because now it's time to take a step back in time ... to kindergarten. That's right, we need to fire up the ol' imagination. That's not always easy for practical, business-minded peeps like us, but there's nothing quite like the perspective you get when you approach something familiar with wide-open thinking. Just don't eat any paste, OK?

When planning your digital transformation, the long game should be a key part of your strategy. Not only are you in business to generate revenue this week or this quarter – but you also need to be sustainable for years to come. Short-term thinking has tripped up many a business, leading them to miss important cues to the next wave of innovation. As you implement new technology (and invest dollars in doing so), make sure you're thinking through how the solutions will help you be agile with your processes and products rather than stifling your future growth.

Back to the future!

Complete this brainstorm exercise with your innovation team. Bonus points for dressing like Marty McFly! Pretend it's 20 years from now and consider:

- **What pieces of technology do we use all the time?**

- **What one new tech solution has made our process so much simpler?**

- **How does our sales team make meaningful connections with people?**

- **In the easiest way imaginable, how do people get our product?**

- **What was the biggest waste of money for us in the past and why?**

Consider the radical.

Radical ideas are usually fairly terrifying – especially to your legal and finance teams. But, they are also often the ones that make businesses jet straight to the top of the pack. Consider how a radical digital transformation might look in your specific business:

- Could you provide your service digitally to customers instead of in-person?

- Could everyone in your office work remotely with more time in their day?

- Could you move alllllll of your data into one central repository with a powerful analytics engine?

- Could you take yourselves out of the equation and offer self-serve options via an app or other tool?

- Could you branch off and develop an educational arm of your business where people can take courses from you online?

Different techniques can help you get creative in this area. Those customer surveys and social listening tools we already talked about are a great starting point, as are focus groups and other market research approaches. But don't forget a built-in, possibly untapped, source of knowledge you already have at no cost – your team. Chances are that your team members already have ideas, but no one has ever approached them before. Do some creative brainstorming where you can really get people out of their element and into a new mindset. Holding this type of meeting offsite (and with food!) usually helps.

69% of B2B buyers already expect an Amazon-like experience. What will they expect in 10 years?*

*"4 Future-Proof Marketing Tips from Top CMOs in 2020." Salesforce/Pardot, January 2020.

STEP 4: OK, I'm a believer, how do I get started?

If you've made it this far, A. I'm calling my mom to brag and B. you're probably feeling a weird mix of really energized and completely overwhelmed. So, what should you tackle first? The bad news is that I can't give you a well-defined plan here and now. Digital transformation plans and change management strategies are so closely tied to a company's culture, management style, goals, budget, industry and more. The good news is that I can offer a skeleton plan that you can fill in and adapt. Assuming you've already examined your business's emotional offering and refreshed your understanding of your customers' motivations, here's a framework you can follow:

1. **Assemble an all-star team.**

   You're one smart cookie, but you aren't intimately familiar with all the areas of the business. A project of this magnitude is going to need a baker's dozen of smart cookies. Form a digital transformation task force that represents your key stakeholders, doubling down on customer representatives. Interestingly, Amazon leaves an empty seat in their conference rooms – for their customer. Not a bad idea (and, hey, Amazon seems to be doing OK.) A word of caution: keep your team as small as possible. Opinions are welcome, but an avalanche of 'em will be destructive (especially if the vision is unclear).

Form a digital transformation task force that represents your key stakeholders, doubling down on customer representatives.

STEP 4

2. Develop and document your aim.

Spend your entire first meeting developing your team's purpose. And go crazy with the feel-good aspirational stuff. Digital transformation is a huge deal, and it deserves a little hype. Plus, people brainstorm better when they feel comfortable with their teammates and equally invested in a common aim. What do you believe about technology's role in your business? What specific challenges are you setting out to solve? Document your beliefs and thoughts into a purpose statement with specific goals. Hang this manifesto in your team's workspace or at least disseminate the document and refer to it throughout the weeks ahead.

Run your first meeting as a blue-sky brainstorm – wild ideas welcomed.

3. Ideate potential improvements

Spend a couple of sessions brainstorming with your team. One approach is to run the first meeting as a blue-sky brainstorm. Encourage the wildest ideas, and set the tone that there are no bad ideas in a brainstorm. Cover your whiteboard – this is the quantity not the quality phase. Then, set parameters and assign independent topic brainstorming that will require a little research. When you meet next, everyone can share what they looked into and you can let it evolve from there.

4. Prioritize improvement initiatives.

Hopefully, your team is bursting with ideas at this point. It's time to rank and whittle down. Remember the digital transformation benefits we talked about here, as well as the specific goals your team documented on day 1. Prioritize any items that enhance the customer experience, create efficiencies, add new revenue and better position you for future growth, and then further narrow the idea pool by focusing just on your company's top goal. Next, you can start factoring in those kinda-sorta important limitations like cost and time.

5. **Define the strategy details.**

Take a step back from the initiatives and define an overarching plan or roadmap that aligns with your purpose and aim in the most practical way possible. What's the immediate need? Do you have 1-year, 3-year and 5-year phases? Have you selected a software/technology partner yet? What inward-facing changes need to happen first? Who is responsible for educating the company at large on which solutions you're implementing and why? Similarly, how are you communicating your upgrades to your customers?

6. **Develop metrics.**

Any time you set a goal, you should also develop a way to measure if you were successful. What will these initiatives improve? Establish your baseline performance levels so that you can track your performance over time. There might be several. See how many business outcomes you can positively affect. Your technology partner can help a lot with determining realistic metrics and developing a system for measuring your improvements.
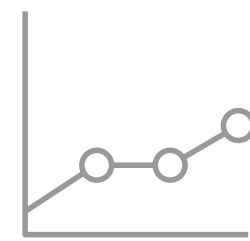
Establish your baseline performance levels to track your performance over time.

7. **Execute the plan.**

Enough said. This one really is going to depend completely on what technology your business decides to implement and why.

Just remember, the digital transformation isn't "over" once you go live with your solutions. Periodically assessing what's working is critical. I recommend taking time monthly, quarterly and annually to review your progress according to your metrics and validate (or shift) your market assumptions. If something isn't working, don't be afraid to summon the task force and your technology partner to reassess.

CONCLUSION

Look, I'd love to tell you that digital transformation is the quick and easy way to win customers, become an industry icon and help millions of people across the globe. But, we both know there is no short cut to international notoriety and impact.

However, I am absolutely here to emphasize that you can do this. Digital transformation is nowhere near as daunting as it sounds – and it often isn't a fraction of what you're afraid it will cost. If you keep an open mind to use technology to fix real problems and rethink what your business is even capable of (in the best ways), you can develop an airtight strategy that will set you up for success. Also, don't be intimidated to start small. No one said you had to bring in the flying cars overnight. Pick some areas where you can quickly see success and build momentum organically. Don't be afraid to be make mistakes because as long as you're checking in on your metrics, you'll course correct when needed. Most importantly, just listen. Your customers will tell you more than I ever could.

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