



## Setting the Stage for Digital Transformation

**Being customer-centric in a digital world requires not a plan but a process.**

Digital technology has transformed business by rapidly eroding any and all barriers – physical, institutional or temporal – between customers and the satisfaction of their needs and desires. By now, nearly all organisations are aware that they must either transform or risk being replaced by disruptive competitors. But the prospect of making sweeping changes paralyses many firms.

Specifically, two questions keep popping up in our sessions with executives: What are the guiding principles for successful digital transformation? Where should we begin?

Regarding the first question: True digital transformation consists of an organisation leveraging technology across platforms and functions to radically and qualitatively **improve the customer experience** at the most important touchpoints. Organisations have to create value for customers before they can create value for themselves. To make this work, organisations need to have the right enablers in place (e.g. culture and leadership, IT-infrastructure, processes).

And that is where the second question – where to start – comes in. The first step is an objective assessment of “digital readiness”, or where you currently stand **as a digital organisation**. Some companies are digital-savvy already; others are relative beginners. It makes no sense to adopt an

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advanced digital solution (e.g., Big Data, artificial intelligence, etc.) without the infrastructure and top-level competencies to support it. When it comes to digital, the only thing worse than standing still is running in the wrong direction.

A brisk, purposeful walking pace is more effective than a desperate sprint. Just ask Silicon Valley. Software engineers innovate in stages, not in giant leaps. Instead of tackling several ambitious missions at once, they take a series of small steps, learn and then advance again. Their iterative processes – punctuated by periods of assiduous feedback-gathering – are responsible for products and platforms that have reshaped our world with surprising speed. They also understand that innovation is not one-and-done. Evolutions continue with each new round of feedback, product upgrade, or other input.

What would this sort of iterative, cyclical evolution look like for non-tech firms? We see four basic initiatives setting the stage for digital transformation:

### **1. Be clear on the mission.**

It can help to look back in order to look forward. For example, French insurance company MAIF has maintained its mutual insurance business model – founded on the core principle of solidarity – since its

inception in 1934. It has recently become a digital transformation pioneer of sorts, in its own operations and by backing digital start-ups. Notably, in 2013 MAIF officially commenced a transformational period by convening a series of strategy sessions on the evolution of society. This was the foundation for a robust digital strategy that is linked to the business strategy. Yet MAIF's digital endeavours – such as creating a MOOC and an app designed to help users take ownership of their digital data – are often less about growing the insurance business than about updating the notion of “solidarity” and mutual ownership to a contemporary context. MAIF's trend-spotting team reviews the latest developments in the sharing economy to generate new business ideas.

If your business has a long history like MAIF, it might be fruitful to ponder what projects your organisation's founder(s) would pursue, if they were just starting out today.

## 2. Understand your customer journey to identify low-hanging fruit.

Imagine a broken floorboard in front of a shop's counter. If a few customers badly stumbled and left their baskets behind in anger, it would be fixed forthwith. Digitalisation means a more complex and multiple customer journey, with many broken floorboards. Fixing the pain points is the most impactful way to shift customer perceptions.

The customer experience lies at the intersection of media (how and where), message (what it says) and mechanism (what it does). You can create outstanding experiences only by leveraging all three at the same time. And because so many digital experiences are rendered by software, the mechanism is often the key variable. Organisations often fail to understand their multiple customer journeys. But only when you have a clear understanding are you able to enrich them by leveraging digital trends.

And of course, the enablers discussed above – agile leadership, mission, vision, IT, etc. – are essential to the process of identifying “broken floorboards”.

Consider how your travel experience would be changed if, for example, a room key were pushed to your mobile phone before arriving at the hotel, so you could bypass the check-in desk. You might even see pictures or videos of your room while in the taxi, on the way to the hotel. Changes in this vein raise the experience of a brand – and the overall brand perception – to a different level.

## 3. Look for knowledge

Digital tools and data can profitably interact in three ways.

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First, digital tools offer new ways to exploit the data that are already available. Some make business intelligence more granular and more accessible through user-friendly interfaces and powerful visualisation features. Others can streamline decision-making, such as Rolls-Royce's service that computes optimal fuel levels for airlines, or the start-up **Tinyclues**, which predicts who is likely to be in need of a new product by identifying customers who have purchased similar products in the past.

Second, data that used to require human attention can increasingly be analysed by AI. For example, sentiment analysis software performs automatic and instantaneous customer service triage across reams of online comments, as well as statistical breakdowns and forecasting. AI is relevant when the rules are too complex to be pinned down, and when there are large sets of data to prime the software.

Third, digital makes it quicker and cheaper to produce new data. “**C'est qui le patron**” is a French venture that uses online surveys to build the specifications for food products. Highly actionable customer feedback removes a good deal of trial-and-error from managing the cost-quality trade off, enabling more agile production and happier customers.

## 4. Look for solutions

Digital tools can also improve processes, again in three main ways.

First, they improve convenience, e.g. through speed, 24/7 availability or personalisation. MAIF allows people to turn their auto insurance policy on and off with their mobile phone, so that they pay for coverage only when they drive. Amazon's experiments with automatic purchasing promise to make checkout lanes at supermarkets unnecessary.

Second, by pooling data, digital tools deliver value at a fraction of the cost. For example, helping users avoid traffic jams in real time (**Waze**) or estimate the worth of their flat (**MeilleursAgents**).

Third, digital technology enhances experience, e.g. the haptic feedback that brings video games to life with vibrations and movement.

Often, these three dimensions can combine to form an even higher-order solution. An example is **vertigo treatments** delivered via virtual reality for a more enjoyable and far cheaper cure.

## Escape the waterfall

The four initiatives are best performed in an agile, iterative style with constant testing and tweaks, as opposed to the sequential “**waterfall**” method.

Companies should always be looking for “broken floorboards”, and using data and digitally optimised solutions to repair them.

Most importantly, companies should adopt a more flexible approach to their core mission and value proposition. You may learn that your relationship with your customers is not what you thought it was, or that the market has a different set of demands for your firm than in the past. If your firm’s digital transformation has been successful, you will be able to receive and respond to changing signals.

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